The Hype Over Man-Made Gems Fades: How Does It Affect the Prices?

Experts predict that the price of man-made diamonds will decrease over the next year, with a projected 20% drop. Should one consider investing in this market, and if so, how can it be done to minimize the risk of loss?

The popularity of man-made diamonds is often called a true phenomenon. Once invented as an industrial item, the artificial gems just in a few years overshadowed their natural prototypes, which were popular for centuries. What was that? A matter of a case? Or, maybe, a thirst for innovation fostered by the age of high technologies? Or financial rationale?

The thoughts of experts concerning the reasons vary significantly. Yet, today one can unlikely imagine life without man-made diamonds regardless of the initial reasoning that stays behind our desire to have it. This innovative jewelry item became an integral part of the jewelry market and thus – a cornerstone of the world economy. Lab-grown diamonds now make up around 20% of the total diamond market up from nearly zero percent in 2015. So now, instead of thinking about the secret of the popularity of lab-grown gems, we more often think about their future. By saying "we", we mean everybody from financial experts to traders and producers and the average consumer as well. Every purchase is an investment not only in our economic future but also in our image and life concept.


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So, what do we put at risk by choosing man-made diamonds today?

If you are a businessman, experts say that you are about to lose money if you invest in lab-grown diamonds. Paul Zimnisky foresees falling the price for man-made diamonds over the next year and compares this price decline with that one that happened in 2023, which the jewelry analytics firm Tenoris estimated to be about 20% in the 12 months.

From the point of business falling the price means shortening the margin. Before 2020, the producers of man-made diamonds enjoyed considerable profits due to low marginal production costs (around $150 per carat) and high wholesale prices (around $3,000 per carat). This motivated them to make substantial capital investments in industrial facilities and innovative LGD reactors. In recent years the situation has changed – the profit margins have significantly narrowed. Marginal production costs have decreased to less than $100 per carat, while wholesale prices have fallen to approximately $200 per carat.

But does it obligatory mean a failure for businesses? Maybe for those who are not ready to change a business strategy. Those, who are ready to explore new strategic directions, just consider the price decline as a challenge saying that it is time for transformations to preserve or multiply profit.

Just a few cases

The second largest US producer of man-made diamonds "WD Lab Grown Diamonds", which is known for high-quality stones, filed for bankruptcy protection in 2023 and has since pivoted to manufacturing industrial-grade lab-grown diamonds.

The major US producer, which accounts for 20% of the global man-made diamonds output "Diamond Foundry" has diversified from jewelry to industrial applications. Currently, it occupies a niche in the semiconductor sector.

An Israeli man-made diamond producer "Lusix" has recently had to "recalibrate and rethink" its business strategy. Being originally focused on lab-grown rough, it is now moving downstream to provide premium polished gems and looking to develop high-tech applications for man-made diamonds.

You can see that the three cases mentioned above are about the shift to industrial application. Most likely, you might be wondering *whether it means that there is no future for man-made diamonds in the jewelry segment.*

The possibility of this is very small since the demand for man-made diamond jewelry continues to be great and price decline plays no role in preserving the popularity of lab-grown gems with consumers.

Affordability has always been a cornerstone of purchasing motivation. Being identical to natural stones with their properties, man-made diamonds are 50-70%, sometimes 90%, cheaper than natural gems. The affordable price allows buying a big stone, or a few different diamond options, or exclusively designed things. This is much more difficult to do when buying natural diamonds. That is why man-made diamonds so quickly are entering a luxury segment – that is one more successful business strategy enabling producers and retailers to generate a good profit.

By the way, the rise of brands drives the growth in diamond jewelry and captures larger shares of values in sales. Mostly, it happens because of the Gen-Z generation, representatives of which have a higher average spend per person, prioritize sustainability, brand visibility, and innovation in their purchasing decisions. By 2026 they will represent approximately 75% of the luxury goods market. These younger consumers are also more open to adopting new ownership models, for example through buying or renting second hand luxury items.

So, the luxury segment, like the industrial application of man-made diamonds, is a prospective trajectory to meet the challenge of price decline for business.

We could not help but mention the innovative nature of man-made diamonds

Innovativeness was the ground for the initial popularity of man-made diamonds, and it is currently the point of potential growth in the segment. Under conditions of low pricing, businesses can invest in developing innovative potential. The CEO of Madestones, a European leading distributor company, is convinced that long-lasting success for man-made diamonds is possible only when preserving innovative components. The trading policy of the Company is based on valuing man-made diamonds for their ability to showcase the limitless possibilities of advanced technology in the lab-grown diamond sector and push the boundaries of what is possible. So, Thierry Silber, the CEO of Madestones, believes that the popularity of lab-grown diamonds will fade when they stop surprising. Developing this “surprising” potential is also a successful business trajectory related to gains – both financial and reputational.

What do you think about why every year we see news like “New Record-Breaking Laboratory-Grown Diamond” or “Scientists can now grow diamonds faster than you can watch ‘Oppenheimer’? Sure, that is the race for the championship cup in innovations. This is also business – one’s business and solutions for all the market players at the same time.

So, one can see that despite the threatening predictions of the expert, the price decline is not a sentence for the jewelry market, but vice versa, it is a kind of push development factor. According to market observers, for prices to stop falling we need to see further cuts to natural mine supply and for lab-grown diamonds to stop growing, to better match demand. So, worrying about losing profit is not a solution, but looking for a way to match market demand is.

We hope that this article helps you to broaden your perspective and do not be afraid of foresees and predictions even when they are given by professional experts. We believe that you will not perceive this news, or any other of the same context, as a call to wind down your business but count it as a reason to consider market tendency and find a new trajectory.