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Chinese investors ditch property for jade in search of higher returns

Prices for the semi-precious stone have soared after supply was squeezed by coup, Covid and sanctions

William Langley in Hong Kong AUGUST 8 2022

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Sell-offs in Chinese equities and bonds and widespread defaults in the country's property market are driving wealthy investors to re-examine one of Asia's most traditional forms of investment: jadeite.

A coup in Myanmar, US sanctions and the Covid-19 pandemic have all but frozen supplies of the uncut stone, sending prices of finished jewellery bearing jadeite soaring.

Myanmar [produces 70 to 90 per cent](#) of the world's supply of high-quality jadeite, which is the rarer and more valuable of two chemically distinct stones collectively known as jade. The stone is overwhelmingly sold to buyers in China and south-east Asia.

"The production [of jadeite] is getting less and less," said Tommy Chan, a Hong Kong business owner who recently started purchasing less expensive jadeite jewellery pieces worth HK\$80,000 to HK\$200,000 (US\$10,200 to US\$25,500).

"The value of jadeite will definitely go up."

China's equity indices [have taken a hammering](#) this year as traders fretted over the country's strict adherence to its zero-Covid policy and a spat between regulators in Beijing and the US. The country's benchmark CSI 300 is down more than 15 per cent year to date, while Hong Kong's Hang Seng index has shed 13 per cent.

China's corporate bond market has also been [rocked by a wave of defaults](#) in the property sector, while house prices, a driver of wealth for decades, have declined for 10 straight months after policymakers last year sought to limit debt levels at developers and restrict mortgage lending.

"Investors have to consider how to diversify," said Will Wang, head of client solutions and Asia strategic partnerships at VP Wealth Management, the Hong Kong unit of the Liechtenstein-based private bank. "Many investors will see jade and jadeite . . . as part of their asset allocation."



Carved jade in a workshop in Myanmar. The precious stone is mostly sold to buyers in China and south-east Asia © Taylor Weidman/Bloomberg

Meanwhile, global trends such as soaring inflation and renewed concerns about the potential impact of western sanctions on countries such as [China](#) following the war in Ukraine are pushing investors to the green stone and other luxury jewellery as alternative haven assets.

Daryl Ho, senior investment strategist at Singaporean bank DBS, said western sanctions against Russia had increased the appeal of "bearer assets" that investors can hold as individuals without having to rely on third parties such as banks.

“We saw how people lost half their net worths at the stroke of a pen,” he said of the sanctions on Russia.

While jadeite’s coarse, reptilian exterior and the market’s heavy reliance on in-person auctions make picking a high-quality stone almost impossible for the uninitiated, investors are buying finished pieces of jewellery as a proxy, said Kitty Chan, a director at the Hong Kong Jewellery and Jade Manufacturers Association.

In December, the 2021 China Jadeite Industry Consumption White Paper estimated that jadeite and jewellery had become Chinese high-end investors’ favoured collectibles — ahead of watches, luxury cars, fine wines and paintings — with 27 per cent interested in acquiring pieces.

Chan, who is also a sales director at Sheentiff Jewellery, said buyers were even taking mid-end pieces, which were not traditionally seen as investment quality.

Myanmar’s coup in February last year and the ensuing civil war disrupted the already limited supply of jadeite. US sanctions against a series of military-linked jade entities in Myanmar, including its chief licensor and regulator Myanmar Gems Enterprise, further crimped supplies.

“From 1990 to 2000, pretty much when you go to the jadeite market when you resell your piece usually . . . the best you can do is times 1.5 or times 2 [in price],” Chan said. “But now if you get like a good piece, the price can go up by times 10.”



Supplies from Myanmar have dropped following the coup last year and US sanctions on military-linked jade entities © Taylor Weidman/Bloomberg

Jewellery shipments containing pearls, precious and semi-precious stones from Hong Kong, one of the world's most important hubs for high-quality, lab-certified jadeite, surged more than 100 per cent in value last year.

“As we sit here during these Covid times, there's so much cash sitting around, people want to find something to do with it,” said Calvin Lo, a Hong Kong investor who in May launched the Legacy Jewellery Fund, an investment fund.

Vickie Sek, chair of Christie's Jewellery Asia, which in May sold a jadeite bead necklace for more than HK\$69mn, said there had been “more and more” interest in high-quality jadeite pieces, buoyed by an increase in demand from younger buyers and investors.

Sek added that Chinese buyers investing in high-end jadeite pieces often passed them down between generations, constraining the supply of the top pieces. “The top-quality ones never get cheaper,” she said.

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