



NEWS

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Dramatic rise in prices for fine gemstones as high-end ruby, emerald and sapphire sales soar

While being tested at gemological laboratories, gemstones are also evaluated for the purpose of insurance. Fine gemstone appraisal and especially valuation of important gems exceeding US\$ 100,000 in insurance value, also known as the average wholesale value, is a complicated process that requires cooperation with the stone owners in order to obtain important pieces of information, which are usually not available to the public. A unique opportunity to interview key players in the gem trade industry, along with my observations of the escalating change in the value of colored gemstones during the COVID pandemic, provides an interesting insight to the record-breaking rise in global gem industry sales.

By Dr. A. Peretti

What is driving the increase in gem prices?

The scale of the change in the value of colored gemstones that occurred in the last year (2020–2021) compared to 10 years ago is unprecedented, especially for high-value rubies, sapphires, and emeralds.

“Gem business was good during the pandemic”, one well-known Bangkok-based gem dealer explains. Usually, he would exhibit at many Gems & Jewelry shows, but since trade shows have been canceled throughout the pandemic, gems were simply shipped to existing customers for viewing and selection. It worked very well, until the end of 2021 when restrictions were lifted for a short period of time, and he went to Sri Lanka and Colombia to replenish the inventory of sapphires and emeralds. He discovered that the prices he sold his inventory in Bangkok for were below the asking prices to purchase new stones at the source and that he couldn't replace sold stones with profits he made. The gemstone prices had increased by about 50% from March of 2020 to mid of 2021.

Meanwhile, Gemfields reported that the latest auction delivered an all-time high of US\$ 88.4 million for the Montepuez Ruby Mining (MRM) Limitada's ruby auctions. Selected lots were made available for in-person and private viewings by customers in Bangkok, Dubai, and Jaipur. One Bangkok-based experienced gemstone buyer had to increase his offer by 20% above his normal offer that he would make at the auction to find out that he could not even get a single lot. The prices at this most important ruby auction had exceeded the previous Gemfields ruby auction by 35–50% in less than 6 months.

The COVID pandemic has shaken most of the foundational aspects (excavation, cutting, retail, and marketing) of the gem industry in ways that are difficult to model and assess. A shortage of labor heavily influenced the mining excavation. Migrant workers missing in most African countries, including Madagascar. Rising fuel prices and increased equipment repair and replacement costs made mining more expensive. Lockdowns of gemstone cutting centers during intense COVID outbreaks directly affected production and demand, creating supply chain and market disruptions. Disturbance of retail operations, cancelation of trade shows, auction viewings, and gem industry inherent in-person sales strategies had to be facilitated through digital means and accelerated the digital transformation of businesses. It remains a daunting and costly challenge for many gem industry players. However, gemstones get exposed via websites, social media, and online marketplaces in different countries to a much bigger audience than ever before, driving demand and prices up. In contrast, the supply chain remains disrupted by the pandemic.

Another factor affecting high-value gemstones supply is the U.S. sanctions on Myanmar's gem mining industry, which not just effectively banned Burmese gems but might push many global luxury brands to disengage from Burmese rubies and sapphires.

These are major factors that caused short-term colored gemstone price increases and will probably be responsible for the long-term trend.

Mozambican rubies

At least 50% increase in value in the last three months for top-quality specimens.

Time	Size	US\$ per Carat
2012	5 ct	20,000
2021	5 ct	50,000
End of 2021	5 ct	100,000
2012	10 ct	25,000 - 50,000
2021	10 ct	150,000
End of 2021	10 ct	250,000

Gemfields digitally transformed and moved to an online auction platform that permits customers from multiple jurisdictions to participate in a sealed-bid process. More participants and more inexperienced buyers overbidding the lots, while big players drive prices up to increase their inventories value.

Colombian emeralds

Large stones of 20 ct or bigger completely disappeared. Demand is up.

Time	Size	US\$ per Carat
2020	10 ct	20,000 - 25,000
End of 2021	10 ct	35,000 - 40,000

Shortage in supply of rough emeralds, even though the major producers currently occupy more miners. Findings are erratic. Known reserves do not always translate into gem findings: quality and uncontrollable settings in the mines with irregular veins. According to an important emerald buyer, December 2020 was the last big production and sales from important mines, which was closed bidding by local dealers.

Sri Lankan and Madagascan sapphires and pink sapphires

Large pink sapphires over 15 ct completely disappeared.

Time	Size	US\$ per Carat
2020	20 ct	25,000 (Royal Blue)
End of 2021	20 ct	30,000 (Royal Blue)
2020	10 ct	15,000 (Pink)
End of 2021	10 ct	30,000 (Pink)

Export of gemstones from Madagascar seems to have halted or faces political and export-related obstacles. Shortage of rough material.

Forecast

Investment into colored gemstones of high value has become a true bonanza for those who believed in gemstones as hard assets. The prices of gemstones can be either based on the liquidation value, the money you can get if you are forced to sell quickly at the bottom price, or per insurance value, the money you have to pay to replace a stone at the current asking price in the market. And while pricing can be challenging due to different market forces, insurance value usually is more than double the liquidation. My prediction is that the insurance value of today will become the liquidation value of tomorrow. In other words, what you insure investment-grade ruby, sapphire or emerald today, can be realized by a quick sale tomorrow. And if current trends persist, this will happen sooner rather than later.

Note: All above price indications refer to top-quality unheated rubies and sapphires and emeralds with treatment levels not more than "Minor".

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