

# Chinese Fears Show in Heavy Purchases of Gold

Chinese people are buying gold in response to fears about real estate, their economy generally, and what next steps Washington will take.

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Gold bars are seen in this file photo. China's private sector is amassing gold and has outpaced India, pushing that country to second place in 2013, according to a mid-April report by the World Gold Council (WGC). Michal Cizek/AFP/Getty Images



By Milton Ezrati

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## *Commentary*

Nothing glitters like gold, especially in China these days.

Purchases have risen dramatically, not because of a sudden fashion for heavy jewelry but because of a movement into gold bars and coins, the time-honored place to store wealth in troubled times. With the property crisis continuing to weigh on real estate values, the economy struggling generally, the West likely to become more hostile to Chinese trade, and little expectation that Beijing will bring to bear policies sufficient to turn things around, these gold buyers have good reason for their actions.

One might think the rise in gold's price to near-record highs of over 2,800 an ounce would discourage purchases. In China, it has done so when it comes to jewelry. During the first three quarters of 2024, the most recent period for which data are available, Chinese purchases of gold jewelry fell some 28 percent compared to the same period in 2023.

However, when it comes to the classic wealth havens of gold bars and coins, purchases have jumped by 27 percent over the same period. And though there is no more recent comprehensive data, anecdotal evidence suggests that the purchasing rate has accelerated. According to Chen Weidong of the Bank of China Research Institute, retail demand for gold bars has risen so high that Guangzhou's Dongshan department store has sold out its inventory, and the price has increased 10 percent in just the last few weeks.

The [state of China's economy](#) has left Chinese wealth with so few alternatives that it easily explains this buying surge. The nation's awful property crisis shows no signs of abating. Despite efforts by Beijing to arrest matters, homebuilding continues to fall, and so does homebuying. Property prices have declined at least 12 percent since the crisis first started in 2021. These losses have made it more difficult than ever for Chinese finance to support growth, and by putting quite a hole in household wealth across the country, they have also crimped consumer spending, creating yet another impediment to growth.



Especially since Beijing did nothing about these problems until late 2023 and then responded weakly, Chinese people have little faith that matters will improve any time soon. They certainly have no reason to put wealth into real estate or investments in business activity.

The uncertain geopolitical situation adds yet another reason for the Chinese to turn to gold. Chinese wealth cannot ignore this. Wars are raging in Europe and the Middle East. Meanwhile, the United States, the European Union, and Japan are all actively rethinking their trade relations with China, and none in a positive way. Even with the American election now settled, Washington's domestic or global policies are far from certain. Nor has the United States fully tamed the inflation threat and accordingly settled on a clear direction for interest rates. Giving the Chinese yet another reason to buy gold is the knowledge that the de-dollarization going on in the world today (and led by Beijing) has prompted central banks to increase gold in their reserve holdings.

It remains unclear if Beijing can mount an effective policy response to the nation's economic and financial problems. If history is any guide, it is unlikely that it will manage such a feat. On this basis alone, it is hard to see the doubts about China's domestic economic or financial situation lifting any time soon. Even with the U.S. election settled, it will take months to see any policy clarity there or in the geopolitical situation. It would then seem that the Chinese flight into gold will continue, perhaps not at the breakneck pace of the recent past, but certainly will not reverse any time soon.

*Views expressed in this article are opinions of the author and do not necessarily reflect the views of The Epoch Times.*

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