

Press release

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Gold's performance reflects continued challenging economic climate

Global gold demand in Q2 2012 was 990.0 tonnes (t), down 7% from the 1,065.8t in Q2 2011 according to the World Gold Council's Gold Demand Trends report. This dip in demand was partly due to the comparison with exceptional demand last year, and also reflects the challenging global economic climate. In this context, gold performed as expected, acting as both a store of value and a source of liquidity.

In value terms gold demand remained relatively stable year on year at US\$51.2 billion, compared to US\$51.6 billion in Q2 2011. During the quarter, the average price of gold was US\$1609.49 per ounce, 7% higher than the average for Q2 2011.

The key findings from the report are as follows:

- In India, investment and jewellery demand fell to 181.3t, down from 294.5t in Q2 2011. At 56.5t, investment demand was less than half the level in Q2 2011. Indian jewellery demand also experienced a noticeable drop to 124.8t, down 30% year-on-year from 179.5t. These marked declines were partly a reflection of the strength of demand in Q2 2011 and also driven by Indian investors taking advantage of the weak rupee against the US dollar. The fluctuations in the exchange rate and the rise in the gold price to records of around Rp30,000/10g in June were compounded by domestic inflation and concerns over a weak monsoon season.
- China's investment and jewellery demand was 144.9t, down 7% from 156.6t in the same quarter last year. Investment demand fell by 4% year-on-year to 51.1t as Chinese investors exercised restraint in response to the lack of direction exhibited by the gold price. The lack of sustained upward momentum in the gold price and the slowing of domestic GDP also discouraged consumers from buying gold jewellery, which saw a 9% year-on-year decline to 93.8t.
- The ongoing sovereign debt crisis in the Eurozone underpinned European investors' enduring conviction in gold's capital preservation properties. Demand for bars and coins from retail investors posted a 15% year-on-year increase to 77.6t; 19% higher than the five year quarterly average of 65.2t.
- Official sector demand in the quarter reached a record high of 157.5t, more than double the level of Q2 2011 and accounting for 16% of overall global demand. Central banks that bolstered their holdings during the period included the National Bank of Kazakhstan, and the central banks of the Philippines, Russia and Ukraine.
- Despite a difficult economic background, ETFs were relatively resilient, recording net outflows of 0.8 t year-on-year

Marcus Grubb, Managing Director, Investment at the World Gold Council said:

“Gold’s performance reflects the continuing challenging economic climate. A softness in India and China, who between them represent over 45% of the total second quarter jewellery and investment demand accounts for much of the slowing of global gold demand.

However, through all the uncertainty, it is clear that gold’s fundamental properties as a vehicle for capital preservation and a source of liquidity continue to endure. This is evident from the activity of central banks, the ultimate long term investors, which continue to increase their gold holdings to diversify reserves and protect against reliance on one or more foreign currencies.”

Gold demand and supply statistics for Q2 2012:

- Second quarter gold demand of 990.0t was down 7% in comparison to Q2 2011.
- The value measure of gold demand was 1% lower year-on-year at US\$51.2bn.
- The average gold price of US\$1,609.49/oz was 7% above the average Q2 2011 price.
- Demand in the jewellery sector of 418.3t was 15% lower than 490.6t in Q2 2011, excluding India and China jewellery demand was down by 4%.
- Investment demand fell by 23% year-on-year to 302.0t, slightly below the 5 year quarterly average of 340.3t. Excluding India and China, retail investment demand was up 16% year-on-year in tonnage terms.
- Demand for ETFs and similar products in Q2 2012 was broadly flat over the course of the quarter, as new demand was marginally outweighed by selling.
- Second quarter demand for gold in the technology sector totalled 112.2t, 5% down on Q2 2011.
- At 1,059.1t, the supply of gold contracted 6% year-on-year, primarily due to a reduction in recycling activity.

The Q2 2012 Gold Demand Trends report, which includes comprehensive data provided by Thomson Reuters GFMS, can be viewed at: www.gold.org/media and a video can be seen at http://www.gold.org/video/play/gold_demand_trends_q2_2012.

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Note to editors:

World Gold Council

The World Gold Council is the market development organisation for the gold industry. Working within the investment, jewellery and technology sectors, as well as engaging in government affairs, our purpose is to provide industry leadership, whilst stimulating and sustaining demand for gold.

We develop gold-backed solutions, services and markets, based on true market insight. As a result, we create structural shifts in demand for gold across key market sectors.

We provide insights into the international gold markets, helping people to better understand the wealth preservation qualities of gold and its role in meeting the social and environmental needs of society.

Based in the UK, with operations in India, the Far East, Europe and the US, the World Gold Council is an association whose members include the world’s leading and most forward thinking gold mining companies.