

Press release

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Global gold demand continues to recalibrate in Q2 2014 after an exceptional 2013

The latest World Gold Council Gold Demand Trends report, covering the period April – June 2014, shows that global gold demand continues to demonstrate a return to long-term trends after an exceptional year in 2013. Total global gold demand in Q2 stood at 964 tonnes (t), 16% lower than the same period last year, as consumers and investors pulled back and consolidated their activity.

Global jewellery demand, which represents more than half of total global demand, was unsurprisingly down 30% year-on-year to 510t. In comparison Q2 2014 was 11% higher than Q2 2012, extending the broad upward trend evident since 2009. India and China remain significant drivers of the global jewellery market, purchasing 154t and 143t respectively. In what is traditionally a quieter quarter for jewellery, consumers continued to digest opportunistic purchases made in 2013 and adopted a more “needs” based approach to their jewellery buying. Indian jewellery buying was also affected by high value purchases being restricted in the run up to the election and the continued impact of import restrictions on gold. Meanwhile, there were continued signs of recovery in some Western markets as jewellery demand in the US rose by 15% to 26t and the UK rose 21% to 4t as consumer confidence continued to grow in line with the economy and yellow gold came back into fashion.

Central banks bought 118t of gold in Q2 2014, a rise of 28% versus the same period last year. It was the 14th consecutive quarter in which central banks were net purchasers of gold driven by a number of factors, including a continued diversification away from the US dollar and the backdrop of ongoing geopolitical tensions in Iraq and Ukraine.

Total **investment demand** (investment in bars and coins combined with exchange-traded funds (ETF) investment) was up 4% to 235t. Investment in bars and coins stood at 275t for Q2 2014, a fall of 56%, following unprecedented levels of buying during the same period last year. In Q2 2014, many investors were uncertain about the direction and momentum of the gold price, while traders in price sensitive markets were far less active due to low volatility. The quarter did see an improvement in investor sentiment towards ETFs compared to last year. Outflows stood at 40t for the quarter, a tenth of the redemptions seen in the same quarter a year ago. The bulk of these outflows occurred at the beginning of the quarter, turning to marginal inflows by the end.

Marcus Grubb, Managing Director of Investment Strategy at the World Gold Council said: *“In the context of an exceptional year last year where we saw record consumer buying and investor sell-offs, this quarter’s demand continues to demonstrate a return to long-term trends, illustrating the uniquely balanced nature of the gold market. Jewellery consumers continued to digest the exceptional purchases of 2013 and investors also rebalanced, pulling back from the extremes we saw last year. Overall the gold market is stabilising following the extraordinary conditions we saw in 2013.”*

In value terms, gold demand in Q2 2014 was US\$40bn, down 24% compared to Q2 2013. The average gold price of US\$1,288/oz was down 9% on the average Q2 2013 price.

The key findings from the report are as follows:

- **Jewellery** remains the biggest component of gold demand, representing more than half of all demand at 510t. Although it is down 30% year on year, jewellery has been extending the broad upward trend from the base established in early 2009.
- **Central banks** increased purchasing by 28% to 118t compared with the same period last year, as they continued to use gold as a hedge against risk and diversify away from the US dollar.
- Total **investment** demand (combined investment in bars and coins and ETFs) was up 4% to 235t. However, there was a 56% decrease in bar and coin demand from 628t in Q2 2013 to 275t in Q2 2014 following unprecedented levels of demand last year. ETF outflows were 40t, a tenth of the outflows seen in the same period last year.
- Taken **together**, these factors show that gold demand is reverting to long term trends after an extraordinary 2013.
- Total **supply** for the quarter was up 10% year on year solely due to the growth in mine supply.
- H1 **recycling** is the lowest since 2007 although the figures for Q2 2014 are up 1% to 263t compared to last year - a relatively low figure compared to the historical average.

Gold demand and supply statistics for Q2 2014

- Gold demand for Q2 2014 was 964t, down 16% year on year from 1,148t
- Central bank purchases rose 28% year on year, to 118t from 92t
- Total bar and coin demand fell by 56% year on year, to 275t from 628t
- ETF outflows were 40t, a tenth of the outflows seen in the same period last year
- Total jewellery demand fell by 30% year on year, to 510t from 727t
- Technology demand came in at 101t, down 3% versus the same period last year
- Total supply increased by 10% to 1,078t. We expect supply to peak in 2014 and plateau over the next 4-6 quarters.

The Q2 2014 Gold Demand Trends report, which includes comprehensive data provided by GFMS, Thomson Reuters, can be viewed at <http://www.gold.org/supply-and-demand/gold-demand-trends> and on our iPad app which can be downloaded from www.itunes.com, and a video can be seen [here](#).

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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.