

Gold Demand Trends

Second quarter 2011

August 2011

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Overview

Second quarter global gold demand was 919.8 tonnes, worth US\$44.5bn – the second highest quarterly value on record. Year-on-year growth was broad-based across sectors and geographies. India and China were the major contributors to growth in both jewellery and investment demand. We view the prospects for both markets for the remainder of the year as optimistic. [Read more...](#)

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The VIST countries of South East Asia

China's gold-consuming neighbours, Vietnam, Indonesia, South Korea and Thailand, have a long and important relationship with gold, which we expect will be further deepened by increased liberalisation and growing regional prosperity. [Read more...](#)

Global gold market – second quarter 2011 review

The second quarter witnessed healthy levels of demand across all sectors. In year-on-year terms, solid growth in jewellery and technology demand in the second quarter was offset by a decline in ETF demand from the exceptional levels of Q2 2010. [Read more...](#)

Contributors

Louise Street

louise.street@gold.org

Johan Palmberg

johan.palmberg@gold.org

Juan Carlos Artigas

juancarlos.artigas@gold.org

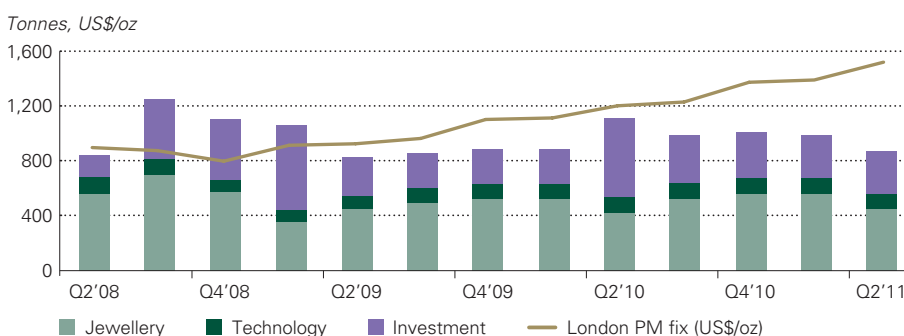
Eily Ong

eily.ong@gold.org

Marcus Grubb

Managing Director, Investment
marcus.grubb@gold.org

Gold demand by category in tonnes and the gold price (US\$/oz)



Source: GFMS, LBMA, World Gold Council

Overview

Second quarter global gold demand was 919.8 tonnes, worth US\$44.5bn – the second highest quarterly value on record. Year-on-year growth was broad-based across sectors and geographies. In volume terms, demand was 17% below the remarkably strong levels of demand seen in Q2 2010, while in value terms demand grew by 5%. Healthy growth in jewellery demand and modest gains in demand from the technology sector were offset by a year-on-year decline in investment, principally from ETFs and similar products. Although they attracted sizable net inflows in Q2 2011, ETFs were unable to match the levels of investment recorded in Q2 2010, which saw the second highest quarterly inflows on record.

The gold price reached a series of new record highs during the second quarter and the average price for the period was up 26% year-on-year and up 9% on the prior quarter. Similar to Q1 however, the price did not rise in a straight line and the movement in the quarterly average masks some notable intra-quarter price action. After reaching a high of US\$1,541/oz in early May, aided by soaring commodity prices and continued concerns over the outlook for western economies, gold corrected back below US\$1,500/oz. However, gold was relatively protected from the sharp sell-off that affected many commodities and the dip provided jewellery consumers and investors alike with an opportune entry point.

The gold price resumed its ascent during May and most of June as European policy makers wrestled with the potential prospect of a Greek default and equity prices around the world fell. After setting a new record at US\$1,552.50/oz, gold retreated back towards US\$1,500/oz, providing a final boost to demand at the close of the quarter.

Year-on-year growth in second quarter gold demand was broad-based across sectors and geographies. However, the two markets that stood out – once again – as major contributors to overall growth were India and China. These two markets accounted for 52% of global bar and coin investment and 55% of global jewellery demand. Year-on-year volume growth in total consumer demand was 38% in India and 25% in China, compared with a global growth rate of 7%.

Prospects for both markets for the remainder of the year remain optimistic. Although momentum behind Indian jewellery demand could slow in the seasonally quiet third quarter, we expect demand in both countries to benefit from a range of supporting factors, including: relative economic prosperity; high inflation rates; a good monsoon in India; as well as a number of forthcoming festivals and holidays in which gold purchasing is customary.

In line with our expectations, the second quarter marked another quarter of positive demand for gold from the official sector. Net purchases of 69.4 tonnes demonstrated that central banks continued to turn to gold to diversify their reserve assets. We maintain our view that the official sector will remain a net buyer of gold throughout 2011.

At 51.7 tonnes, demand for ETFs and similar products in Q2 was solid when compared with historical averages. However, the year-on-year comparison is weakened by the exceptional strength of demand in Q2 2010 when, primarily western, investors sought protection in huge numbers against Europe's burgeoning debt crisis. During the second quarter of this year, demand was concentrated in Europe, again related to fears over European stability and contagion from a potential Greek default, and in India, where ETFs have rapidly gained in popularity during recent months.

Investment demand for bars and coins was a robust 307.7 tonnes (with a value of US\$14.9bn), benefitting from a broad geographical base of demand. Year-on-year growth was concentrated in the non-western markets, largely reflective of a greater acceptance of higher price levels and the anticipation of further price rises among investors in Asian and Middle Eastern markets. Although western markets generated substantially lower investment than in Q2 2010, this is far more indicative of the strength of demand in Q2 2010 than of any weakness in demand in the second quarter of this year.

Investment demand in Europe has undergone a distinct shift in the last three years, establishing itself at average levels that would have seemed completely unattainable even as recently as 2007. This is demonstrated by the case of France, where the long-established trend of disinvestment has inverted over recent

years as French investors increasingly choose to preserve and add to their holdings of gold bars and coins as protection against the difficult prevailing economic and financial market conditions. Indications are that demand in European markets will remain elevated over the coming quarters as regional contagion fears continue to circulate and western economic growth remains fragile.

Mine production rose again in the second quarter, up 7% to 708.8 tonnes from 659.4 tonnes in the comparative period. Growth in production was widespread, with increases noted across all geographical regions due to a number of new start ups as well as improved output at existing operations. Gold mine production is expected to increase throughout the remainder of 2011, in a continuation of the recent gentle uptrend.

The VIST countries of South East Asia

Ranked by total gold demand, China is a clear leader in South East Asia with annual tonnage exceeding that of the next four combined: Vietnam, Indonesia, South Korea and Thailand (hereafter referred to as the VIST group of countries).

While these four countries may be overshadowed in many aspects by their giant neighbour, they are, and have been for thousands of years, key gold consuming countries. Recent developments point to a changing landscape as investment demand outpaces jewellery demand. However, this development will not alter the close cultural, religious and economic ties the group of countries has with gold. They will continue to be key gold consuming countries in the future.

- Central bank activity among the VIST countries in H1 2011 has seen 28% increase in gold holdings in a sector which has remained largely dormant in the last ten years, partly reflecting concerns over major reserve currencies and also providing a seal of approval, to other investors, on the merits of holding gold.
- The recent launch of the VIST countries' first physically backed gold Exchange Traded Fund (ETF) in Thailand, one of only a handful in Asia, is indicative of the changing landscape of investment vehicles as the region's prosperity grows and financial markets mature.
- The reaction of recycled gold to price rises in the VIST countries has diminished, suggesting an exhaustion of near-market supply or at the very least, a growing acceptance of higher prices ahead.
- Despite a drop in total tonnage for the VIST countries over the past ten years, the amount spent on jewellery and investment gold products per capita has remained remarkably steady.

Stepping out of China's golden shadow

China, along with India, has understandably been one of the focal points in the gold market over the last decade as its share of total global demand has climbed from 6% in 2000 to 18% in 2010. This remarkable shift in the global demand balance has come about as the combined forces of growing wealth, deregulation, increased access, but also heightened economic concerns have compelled consumers to act on their deep affinity for gold.

The extent of China's rise has also pushed some of China's gold consuming neighbours into the country's shadow. As of year-end 2010, total gold demand in China reached 706.7 tonnes, more than twice that of the VIST countries combined. However, an affinity for gold is not exclusive to China. The VISTs have a long and important relationship with gold, one which is both cultural and economic in nature – from Thailand's gold-clad temples and Buddhas to Vietnam's use of gold, along with zinc, silver and copper,¹ as means of exchange over the last 2000 years.

Despite this historical bond, a cursory glance at gold demand statistics covering the VISTs, paints a somewhat discouraging picture. In tonnage terms total gold demand in all but one of the group was lower in 2010 than ten years prior (the exception being Vietnam), and jewellery demand has fallen in all four countries over the same period. This steady decline in aggregate jewellery buying from 226 tonnes in 2000 to just below 70 tonnes during the last calendar year has been the main contributing factor to aggregate gold demand dropping from 324 tonnes to 253 tonnes over the same timeframe (Chart 1).

However, a cursory glance does not reveal the changing landscape of gold demand in these countries. Nor does it show how real spending on gold has remained remarkably steady even as tonnage has fallen and has recently picked up to approach decade highs. Furthermore, it fails to capture how globalisation, regulatory changes and most recently, economic concerns, are set to drive gold demand higher in the future.

¹ A literal translation of the Vietnamese currency *dong* means copper or bronze.

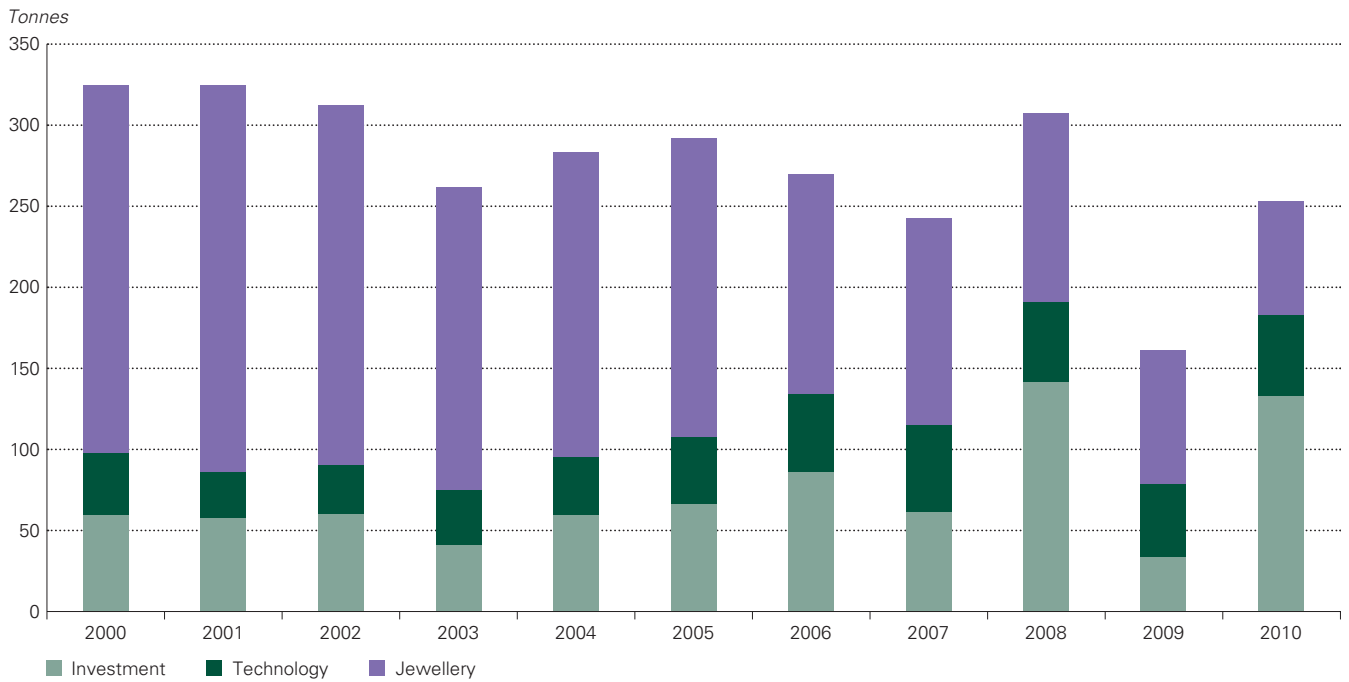
Demand

Jewellery

Growth in demand has been exceptional across regions and currencies, and the metal has experienced a sea-change in how it is viewed by private as well as public investors. But the rise in the gold price has also caused some traditional markets to change. In the VIST countries, the notable shift has been from jewellery demand towards investment demand. However, as is the case in many emerging markets, jewellery demand and investment demand are often fungible and the demand for gold as a store or accumulator of wealth, as an auspicious gift or as insurance against unforeseen risks, is to a large extent independent of the form it takes.

Many of the developments in jewellery have taken place on the caratage front, with shifts from high to lower purity. In Indonesia, 10 carat jewellery has replaced 17 carat as the purity of choice, as rural buyers on monthly salaries of US\$120 per month are forced to trade down. In South Korea, where auspicious gold jewellery gifts are a regular feature of birth, first birthday, retirement and house-buying occasions, caratage has also fallen. In some cases jewellery has been replaced by gold bars. However, the 10% sales tax surcharge levied on gold investment bars often acts as a disincentive to invest in them. Wedding gold in Korea, much like in its neighbour Japan, has seen a shift from 18 to 14 carats which now accounts for 80% of sales. In Thailand, a similar development has also been observed, although high-caratage jewellery with its unique 96.5% purity (23 carat) is still being bought as an investment.

Chart 1: Aggregate VIST countries annual gold demand



Source: GFMS, World Gold Council

While the overall picture for the group’s jewellery segment is less than positive, there are signs that the decline may be bottoming. For example, spending on gold products has defied the aggregate tonnage drop. Gold demand measured as the proportion of income spent, aggregated over the VIST countries, has remained remarkably steady during the last ten years and has picked up in 2010 to approach the highs reached in 2008 during the global financial crisis (Chart 2).

Furthermore, while demand for jewellery as an investment may continue to fall, demand for gold as an adornment should pick up as disposable income rises. One country where a recovery may slowly be taking shape is Vietnam (Chart 3). Although, some of this demand, certainly during the last quarter may be due to concerns over future imposition of legislative limits or caps on bar transactions, it is nonetheless a trend which appears to be increasing with strong first quarter tonnage figures this year and last. Caratage has dropped somewhat as prices have risen, but 24 carat gold still accounts for 35% of the market and the revival of ‘chi’ rings (please see page 16), popularised in the 1980s, could shift the balance back towards higher caratage going forward.

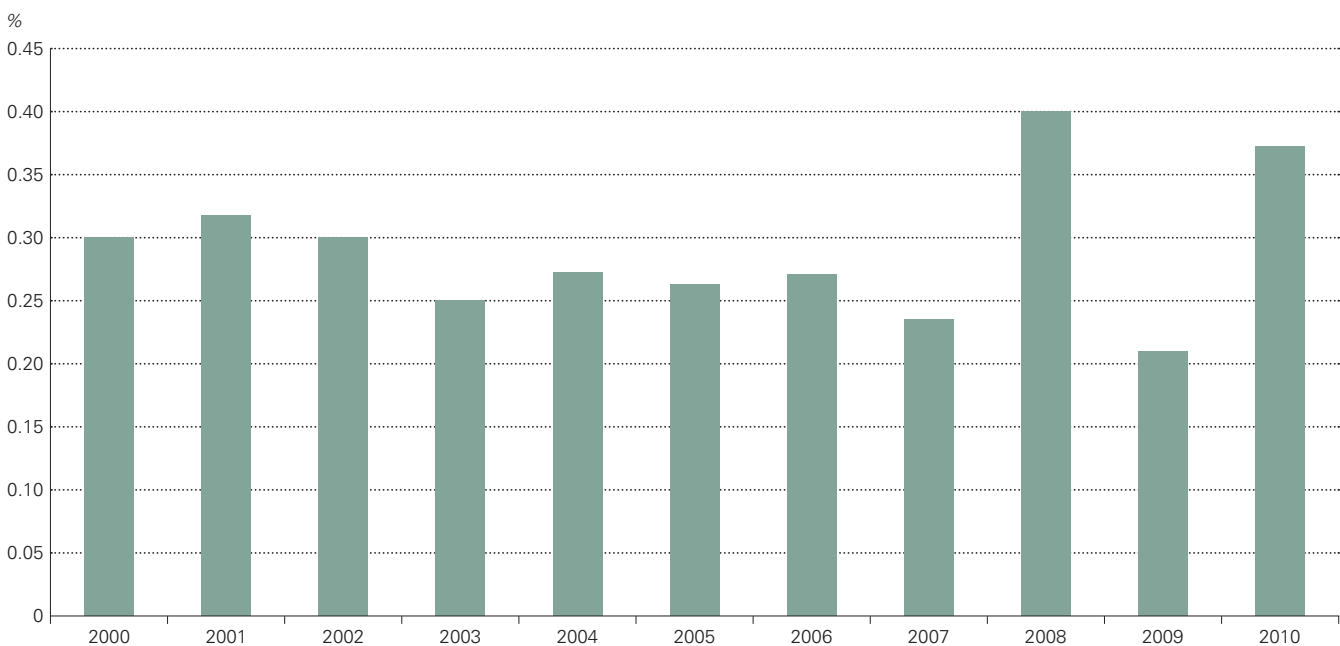
Investment

Investment and jewellery in Asia are often viewed as one and the same. Auspicious buying of jewellery or gold bars has a tendency to bear similar motives of wealth preservation, savings and “rainy day” insurance. However, the slow decline in jewellery purchases and the steady increase in investment buying are indicative of an evolving landscape. Jewellery purchases have traditionally been the mainstay of the rural demographic segment – with consumers outside urban areas lacking access to other channels of gold buying. As prices have risen over the last few years, many of these rural buyers have been priced out of the market. By contrast, urbanisation and growing wealth has spurred increased gold investment product interest among the emerging middle classes.

The changing landscape should in the long term be good for gold demand, but this is likely to be a bumpy transition as growing wealth and urbanisation may erode traditions. Disposable income, particularly among a younger demographic, could be directed towards consumer electronics and an expanding array of financial and saving products will compete with gold. However, there will also be increasing need to protect and diversify growing wealth and to manage the risk of a growing pool of assets. A rediscovery of gold is a highly probable outcome in such circumstances.

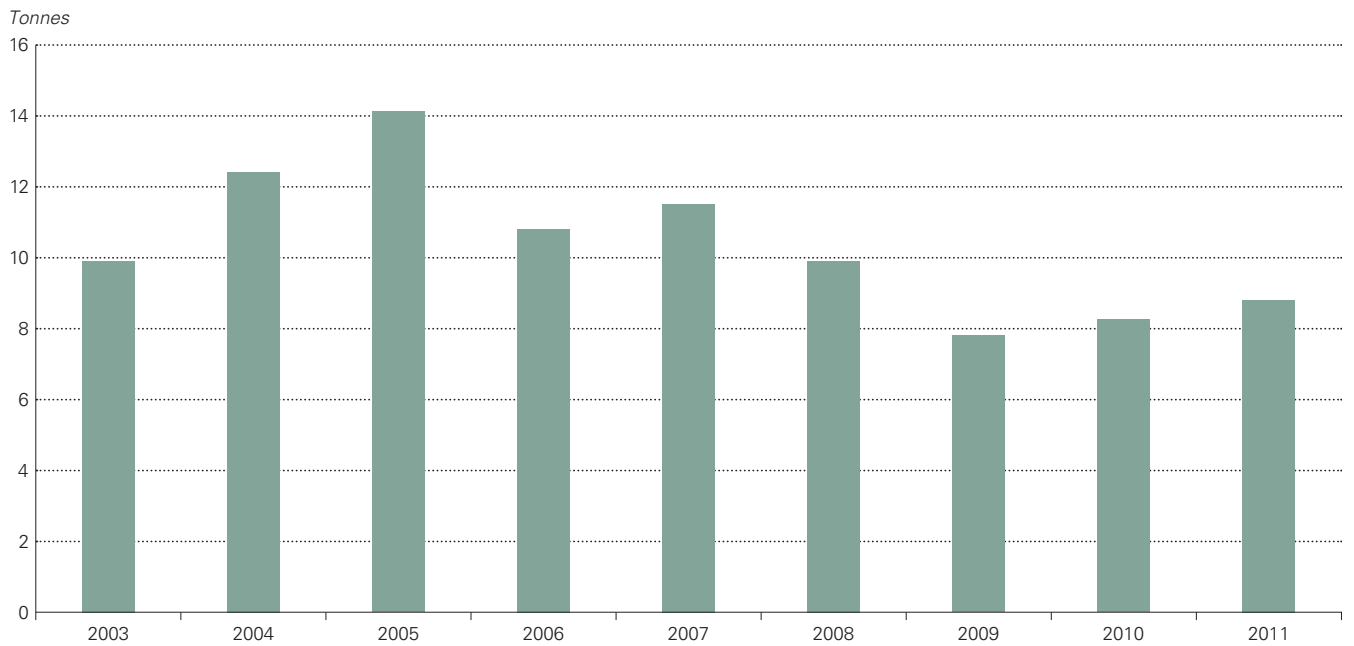
Total bar and coin demand for the group reached 132.8 tonnes in 2010, close to the record 141.4 tonnes in 2008. The first half of 2011 has also been historically strong, falling just shy of the same period in 2010 (Chart 4).

Chart 2: Aggregate VIST country per capita gold spending as a share of income



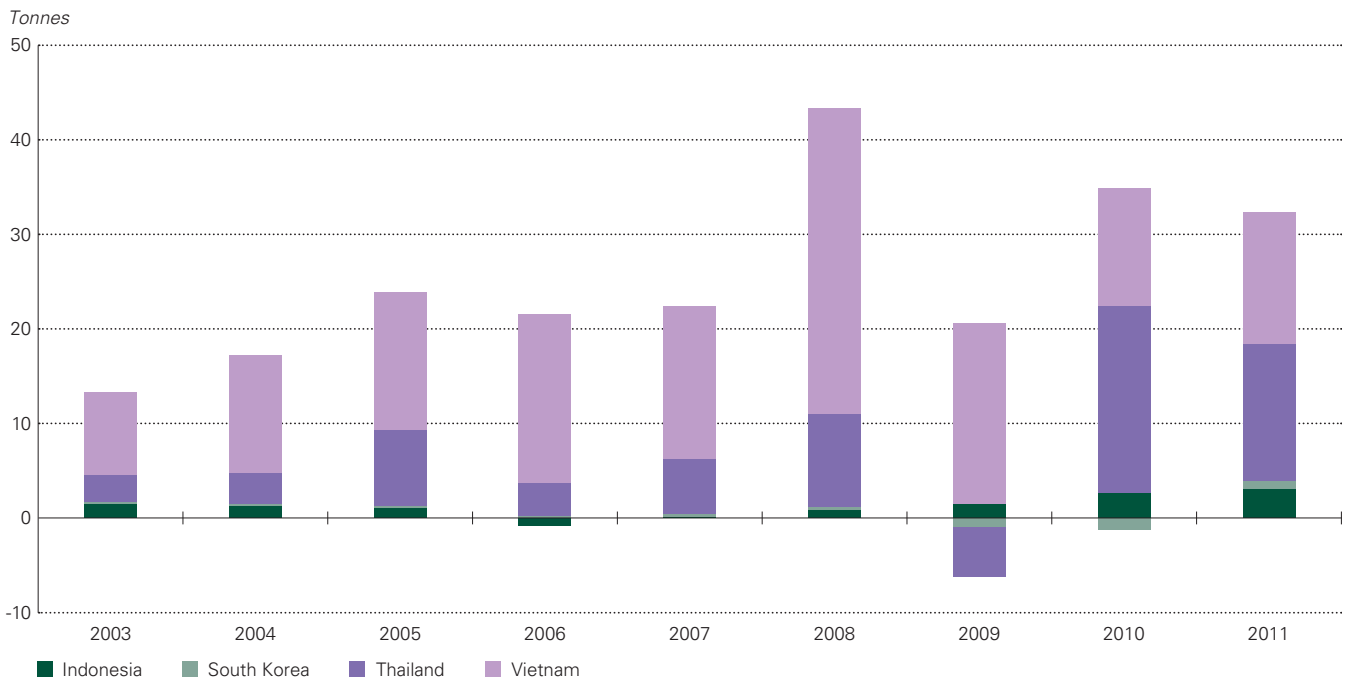
Source: GFMS, IMF, World Gold Council

Chart 3: Vietnam jewellery demand for the first six months of each year



Source: GFMS

Chart 4: Aggregate bar and coin demand for the first six months of each year



Source: GFMS

Bar and coin investment in Thailand has been rising rapidly over the last few years reaching an all-time high of 51.2 tonnes in 2010, a substantial number given a 15-year annual average of 12.6 tonnes (excluding 1998, when almost 40 tonnes were sold back onto the market during the regional financial crisis). Despite a record Q1 of 21.4 tonnes, demand in the second quarter reached 14.5 tonnes marking the first half of 2011 as the second highest ever.

Both Indonesia and South Korea have experienced the best six-month start to the year since 2003 in tonnage terms. For South Korea, this is especially encouraging given a difficult period in 2009 and 2010 during the global financial crisis, as well as a generally weak trend over the last decade.

Vietnam's first half demand for bars and coins slowed marginally, but follows a period of consistent increase from 34 tonnes in 2000 to 67 tonnes in 2010, a compound annual growth rate (CAGR) of 7%.

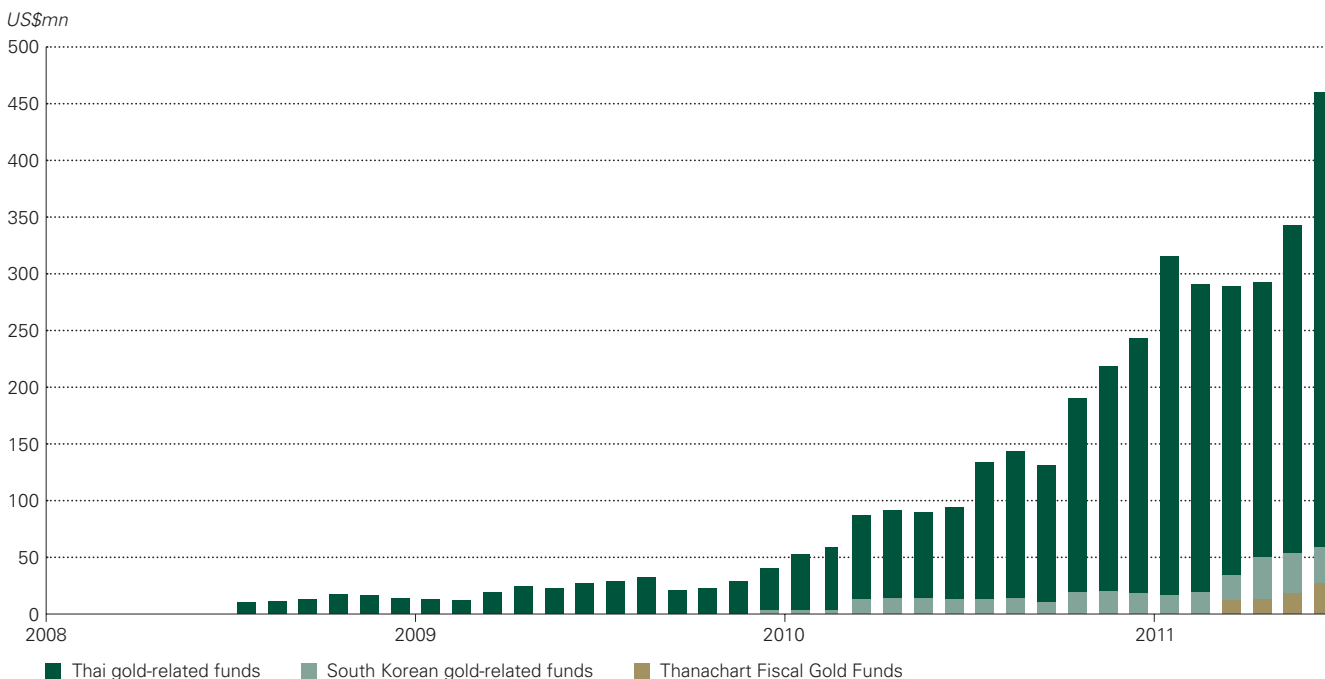
Exchange-Traded Products (ETPs)²

A visible sign of the changing landscape has been the introduction of exchange-traded gold-related products. Although within this space there are marked differences between the VIST countries as the maturity of financial markets varies significantly. Indonesia, Thailand and South Korea have firmly established stock exchanges, but financial products such as ETPs have yet to reach Indonesia in force. The main exchanges in Thailand and South Korea list several such instruments (Chart 5).

A handful of gold-related funds have also established themselves on the Korea Stock Exchange (KSE) currently as fund-of-funds structures invested in other large gold ETFs or as derivatives-based funds. Thailand's launch of similar structures has been more successful, with nine parent fund-of-funds listed on the Stock Exchange of Thailand (SET). Their assets, heavily invested in the SPDR Shares Gold Trust on the New York Stock Exchange (up to 80% of total AUM is authorised) and other foreign physically-backed ETFs where applicable, have grown from just over US\$10mn in July 2008 when the first ETP was launched, to US\$428mn by the end of June 2011. ETF regulation within the group concerning directly invested funds has been slower to develop, but in July 2010, Thailand's Capital Market Development Committee amended their rules to allow the listing of physically-backed vehicles.

The Thanachart Fiscal Gold Funds, the first of their kind in Thailand, and part of only a handful in Asia including Hong Kong's Value Gold and Japan's Mitsubishi UFJ "Fruit of Gold" ETF, were launched on 7 March 2011 in US dollar-hedged and un-hedged tranches. Five months after launch, combined assets now stand at approximately 460kg,³ small by relative standing, but more than double the assets at inception.

Chart 5: Gold-related fund assets



Source: Bloomberg, World Gold Council

² 'Gold ETPs' is a generic term for gold-related fund structures which includes both ETFs (Exchange Trade Funds) and ETNs (Exchange Traded Notes). The World Gold Council follows a strict definition of what it classes as a gold ETF.

³ AUM-based calculation.

Technology

South Korea sets itself apart from the rest of the group when it comes to gold and technology. As a major global manufacturer of semiconductors, technology demand for gold amounted to 47.9 tonnes in 2010, 33.4 tonnes of which stemmed from electronics. Technology demand in 2010 constituted 74% of the country's total gold demand, whereas it is a negligible share of total demand in the other VIST countries. Globally, South Korea currently ranks fourth in the use of gold in electronics, predominantly through the significant use of gold bonding wire and plating in the semiconductor and circuit board industries.

Rising input prices have over the past few years created a challenging environment for industry by squeezing margins. Gold's technical benefits are unquestionable, but high prices have led to a shift into cheaper substitutes. However, the rapid growth forecast for chip market sales will help to offset this shift. In addition, companies such as Samsung remain heavy end-users of gold.

Supply

Mine production

Of the four countries, only Indonesia hosts significant domestic mine production, ranking seventh in the world and comprising 5% of a diversified global mine production base. Today, no single country produces more than about 14%⁴ of the global total, a testament to the lack of supply concentration risk which plagues many other precious metals, and a very different environment to that prevailing in 1980, for example, when South Africa produced over 70% of global gold.⁵

Indonesia's production totalled 136.6 tonnes in 2010, down from 160.4 tonnes the prior year due to mixed fortunes at mines. For example, Grasberg, the largest gold mine in the world suffered from lower ore grades and mill throughput, according to GFMS, to produce a third of its previous year's volume of 61 tonnes.

Central bank activity

Official sector gold activity among the group, excluding Vietnam whose holdings are not officially known but are assumed to be insignificant, has remained largely dormant over the past decade. Aggregate central bank holdings for VIST countries saw few changes during the past decade, barring an 18-tonne sale in 2006 by the Central Bank of Indonesia, until recently when reserves rose to 239.1 tonnes as a result of purchases by Thailand and South Korea (Chart 6). This move is not an isolated one, but follows a well-documented trend that has been growing for a number of years among developing countries. A desire among their central banks to diversify holdings has developed, partly as a function of growing foreign exchange reserves through export-led growth, but also more recently as a reaction to the ongoing sovereign crises affecting traditional reserve currencies such as the US dollar, euro and Japanese yen.

It is likely that these recent moves by central bankers will instil newfound confidence in gold for private investors as a stamp of approval for a liquid, monetary asset that bears no government's liability.

Chart 6: Aggregate VIST country central bank holding in tonnes



Source: IMF IFS, World Gold Council

⁴ China: 13.1 tonnes in 2010.

⁵ GFMS Gold Survey 1989.

Recycling

Recycling has a long history in South East Asia, as it does in India, and in contrast to a lower level of exchange in Europe and the US. This was evident during the Asian crisis of 1997/98, when gold provided a liquid asset that could easily be converted into cash (Chart 7).

While supply from recycled gold has grown since the Asian financial crisis, its ascent has recently slowed despite prices trending considerably higher (Chart 8).

This suggests, at the very least, that consumers are acclimatising to an environment of and an outlook for rising prices. It could also be a signal that near market supplies of recyclable gold are dwindling and ever greater price moves are required to flush out additional supply. In fact, over the ten years that preceded the 1997/98 financial crisis, net new jewellery and investment demand amounted to more than double the tonnage accumulated during the ten years to the end of 2010. This suggests a considerably lower stock of gold to supply the market through recycling.

VIST economies

Battle with inflation

Inflation has become a positive driving force behind gold demand among the VIST countries. All four countries have experienced bouts of high inflation during the last decade, most notably Vietnam and Indonesia where double-digit rates have been frequent. While the causes of high and volatile inflation rates may in the past have been more idiosyncratic, ranging from economic laxity to excessive demand growth and corporate leverage, the current environment appears more synchronous.

A combination of factors that are now well documented, including increased trade, supply constraints and growing wealth, have put undue pressure on global commodity prices. The surge in commodity-driven inflation has affected most countries, but Far Eastern emerging economies⁶ have been among the hardest hit. The combination of resilient demand growth, lack of spare capacity, as well as the inflow of foreign investment and speculative capital has pushed most Consumer Price Index (CPI) components in these countries to uncomfortable levels. There are also signs that core inflation rates driven by wage growth are becoming a problem.

Chart 7: Recycled gold, annual tonnes



Source: GFMS

6 South Korea is classed as an emerging country by MSCI Barra.

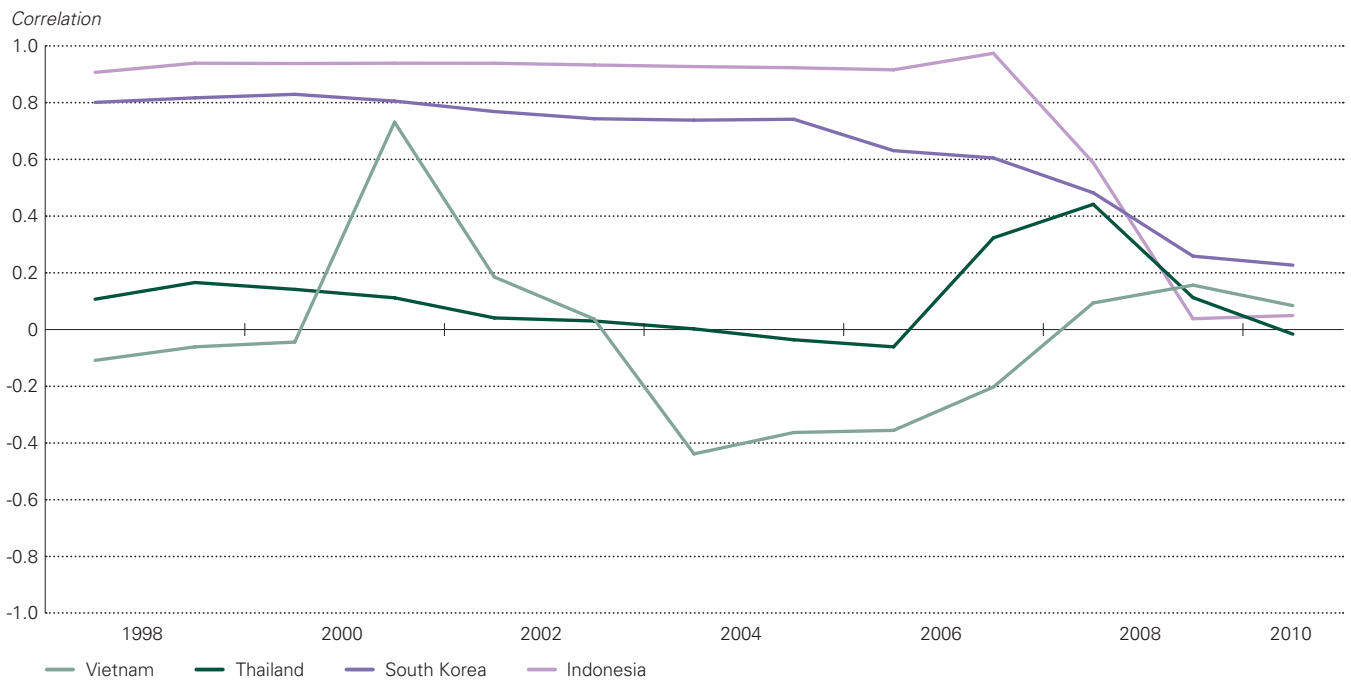
In South Korea, for example, a tightening labour market with unemployment at a mere 3.3%, heightened inflation expectations and strong imported vehicle and luxury goods sales (both above 20% YoY) are symptomatic of advancing wage-related inflation.

In Indonesia, uninterrupted growth has had a similar impact on a broader spectrum of prices. The central bank has acted with policy tightening once this year as currency appreciation has provided a buffer so far.

Thailand's newly elected government has brought a greater sense of stability to what has been a politically uncertain couple of years. Core and headline prices have risen steadily since the end of 2009, when both dipped marginally below zero, and are now above the target rate set by the Bank of Thailand.

Vietnam's battle with inflation is well known. Seven rounds of interest rate hikes by the State Bank of Vietnam (SBV) have not managed to knock retail sales off their perch with YoY growth at 22.6% in June. The bank has raised its 2011 target inflation rate from an initial 7% to 15%. The current rate of inflation at 22.2% is more than 7% above this target and is proving an enormous challenge for the economy. Such high rates have been brought about by high food price inflation, which constitutes 40% of the CPI basket in Vietnam, and high oil and energy prices. It is not only a case of cost-push inflation. The high rate of retail sales growth reflects an economy which consumes far more than it produces, and with a weak currency, the current account deficit is worryingly high currently more than 8% of Gross Domestic Product (GDP).

Chart 8: 10-year rolling correlation of % change in local recycled gold supply and local price



Source: GFMS, World Gold Council

The VISTs are squarely in the middle of this issue with inflation rates continuing to defy central bank targets (Chart 9). Against a backdrop of these issues, gold is a well-proven hedge against the erosion of purchasing power.

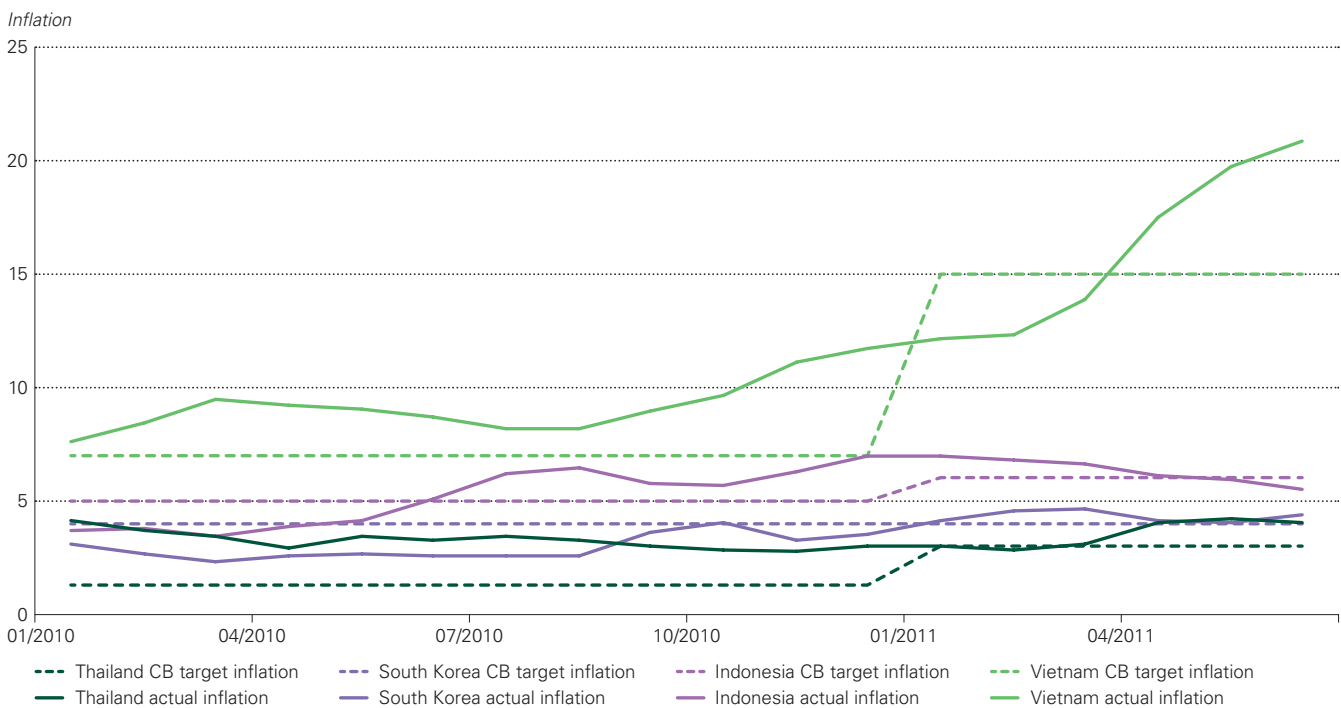
All the current drivers of inflation are not perennially bad however. Demand-led factors such as growing appetites for luxury goods and cars are, if kept within reasonable growth paths, indicative of a growing regional prosperity. Car sales in all four countries have recently been on a record YoY trajectory (Chart 10), but the long-term trend is a positive development for the VIST economies and for gold demand as it reflects a growth in disposable income and mass affluence. This trend is particularly visible in Indonesia where both car and motorcycle sales have been booming. In 2010, motorcycle sales in Indonesia totalled 7.3 million, about half of the number sold in China and in a country with 1/5 of the population of China.

In January of this year, the ratings agency Moody's raised Indonesia's debt rating to within one notch of investment grade. Many economists are predicting that investment grade status may arrive in the next year or two, which would attract foreign investors who may have access restricted to higher quality debt.

This growing affluence should impact positively on the demand for jewellery as an adornment as well increased affordability for auspicious and religious buying. Furthermore, it will increase the need to protect growing wealth, a role which gold has an outstanding track record of achievement.

Vietnam's economic prospects, subject to some stabilisation of its inflation rates, are very positive. A recent article⁸ suggests that on several metrics, and given its similar history and culture, Vietnam may be poised to become the next China and is lagging behind by approximately ten years. Although the population of Vietnam is less than 10% of China's and its development is unlikely to have as great a global economic impact, this should nonetheless further drive domestic gold demand. For example, reform policy in China has preceded that of Vietnam, having instituted its economic reforms of *gaige kafaing*, or opening up, eight years before Vietnam's equivalent *doi moi*.⁹ In addition, Vietnam's WTO accession came about six years after China's. Deregulation of the gold market in 2001 was a key trigger for the past decade's soaring gold demand in China. Such reforms have yet to be implemented in Vietnam.

Chart 9: CPI inflation rates, actual and central bank targets



Source: Reuters Datastream, respective central banks, World Gold Council

⁸ The Economist, May 2011.

⁹ Often translated as 'renewal' and involved a transition to an export-led, market-based economy.

Furthermore, Vietnam's most basic measure of household wealth, per capita income, lags behind China's by a period of about eight years.¹⁰ Given a similar affinity for gold, such a development could potentially make Vietnam an extremely important gold market in the future, as household wealth and access to gold increase.

Despite a headline fall in aggregate tonnage across the VIST countries over the last ten years, in part as an aftershock of the regional financial crisis in 1997/98 which acutely affected the economies of Thailand, Indonesia and South Korea, the details

reveal a changing landscape among the group. As neighbours to China, the VIST countries play a smaller, though not a lesser part in the region's prosperity and development. Increasing liberalisation, sophistication of financial products, growing wealth combined with an increased susceptibility to global economic crosswinds, will ensure that gold remains a crucial part of society both culturally and economically.

Chart 10: YoY change in number of vehicles sold



Source: Bloomberg, World Gold Council

10 IMF per capita GDP in Vietnam on a Purchasing Power Parity basis in 2010 = US\$3,134. China's equivalent income occurred in 2002.

Global gold market – second quarter 2011 review

Gold demand totalled 919.8 tonnes in the second quarter of 2011, down 17% year-on-year. Improved levels of demand in the jewellery and technology sectors were more than offset by weaker investment demand, which was due primarily to a decline in ETF demand from the very strong levels seen in Q2 2010.

Gold demand in value terms grew by 5% year-on-year, reaching US\$44.5bn. This is the second highest quarterly value on record, only fractionally below the US\$44.7bn record from Q4 2010.

Jewellery demand of 442.5 tonnes was 6% higher year-on-year as a number of key markets posted solid growth. India, China and Turkey (which together accounted for almost 60% of global jewellery demand) generated combined growth of 16%, although this was countered by weakness in other markets, most notably those in the west. The US\$ value measure of global gold jewellery demand grew by 34% year-on-year to reach US\$21.4bn.

The 37% year-on-year decline in investment demand was almost entirely driven by ETFs and similar products. Although ETFs witnessed solid net inflows of almost 52 tonnes during the quarter (almost entirely reversing the 62.1 tonnes of net outflow from Q1), the 82% year-on-year decline reflects the comparison with Q2 2010; when very sizeable levels of demand were generated by the escalation of the European debt crisis, resulting in the second highest quarter on record for ETFs.

Looking at physical demand for bars and coins, the second quarter witnessed growth of 9%. The geographical distribution of this demand was widespread, with a number of countries across all regions generating decent growth. Turkey and India were the two strongest markets, chalking up growth rates of 90% and 78% respectively. China (+44% year-on-year) also accounted for a significant portion of the growth in global demand.

Second quarter demand for gold used in the technology sector was up by a modest 2% at 117.9 tonnes. This growth was wholly attributable to the electronics segment, which generated a record value of US\$4.1bn, while gold used in dentistry continued to decline.

The second quarter supply of gold was little changed year-on-year. Mine production, the only component of supply to make a positive contribution, rose by 7% to 708.8 tonnes. Producer de-hedging exerted a modest negative influence on supply, as did the official sector. Central banks generated another quarter of net purchases, more than four times the levels of Q2 2010. Recycling activity, the final component of supply, was 3% down year-on-year, as consumers in many markets held off on selling their existing 'loose' holdings of gold in anticipation of higher prices.

Jewellery

Second quarter gold jewellery demand rose by 6% year-on-year to 442.5 tonnes, equivalent to US\$21.4bn in value terms. Although consumers in the majority of markets responded to higher average gold prices by reducing their demand for gold jewellery, a number of key markets witnessed an improvement in demand.

Once again, the key market in the jewellery sector was India, where demand of 139.8 tonnes accounted for 32% of the world total. In volume terms, the market grew 17% year-on-year, equivalent to a rise of 44% in value terms to Rs302.9bn. It is worth mentioning, however, that the comparison is being made with a relatively weak year-earlier period. During the second quarter of 2010, surging prices delayed demand for gold jewellery.

The Akshaya Tritiya festival in May (a key gold jewellery buying occasion in the Hindu calendar) stimulated a surge of buying in India, which was enhanced by a timely coincident dip in the gold price. During the festival, which took place on 6th May, jewellery shops witnessed a rush of demand after prices dipped by around Rs500 per 10g. Unusually, however, the momentum in jewellery demand was sustained for a further two weeks after the festival. Demand remained elevated partly in response to the gold price, which consolidated at lower levels and encouraged a degree of stock building at the trade level.

It is worth noting that, among the Indian consumers purchasing gold coins during this period, a considerable proportion of these purchases will have been made with the intention of converting the gold coins to jewellery in the future.

Jewellery demand in China in the second quarter, a seasonally quiet period for China, was 16% above year-earlier levels at 102.9 tonnes. The local currency value of demand grew by 40% year-on-year to RMB32.4bn.

Increasing prosperity among Chinese consumers, supported by very strong growth in the domestic economy, is still a driving force behind gold jewellery demand. However, the investment motive also remains a key influence, fuelled by the persistent high inflation that has kept real interest rates negative for some time. The predominance of 24 carat gold in this market partly reflects this investment motive, given its higher purity, as well as reflecting the demand for jewellery with better product design and quality. Demand for K-gold (18K) was robust during April and May, but tapered off in response to the record prices in June.

Mainland Chinese consumers were also largely responsible for the impressive increase in jewellery demand in Hong Kong during the second quarter. Hong Kong was the strongest growth market in jewellery globally for the second consecutive quarter, with demand increasing by 38% to 6.8 tonnes. In value terms, this was equivalent to a record US\$326.9mn (+73% year-on-year). Tourists from mainland China accounted for the majority of this demand, reflecting the different range of jewellery designs on offer and the tax advantages of buying in Hong Kong. However, demand also increased among domestic consumers who continued to benefit from the buoyant domestic economic environment, with low unemployment and solid GDP growth.

In Taiwan, jewellery demand was negatively affected by the rise in the gold price to new record levels. Demand for the second quarter slipped 9% year-on-year to 1.9 tonnes, as budgets were constrained by the higher average prices. Wedding jewellery was somewhat immune to the downward trend, however, as demand for wedding sets posted year-on-year growth of around 10%.

During the second quarter of 2011, Japanese consumers continued to suffer from the after-effects of the March earthquake and tsunami. Consequently, demand for gold jewellery fell by 14% to 4.2 tonnes. The year-on-year decline in value terms was a more modest 4%, with demand totalling ¥16.6bn.

There were one or two more encouraging areas of the jewellery market in Japan, including a slight recovery in demand for very high-end jewellery and gold chains purchased more for investment than for adornment purposes. For the most part, however, the market suffered as retailers were subject to power cuts which prevented them from opening late and therefore hurt the after-work shopping trade. There were some signs of an upturn in demand in late June, but consumer sentiment has not yet returned to anything like the levels seen before the earthquake.

Among the remaining markets in the south east Asian region, gold jewellery demand was for the most part slightly weaker in response to the higher price. Thailand, Indonesia and South Korea recorded year-on-year declines of 5%, 3% and 2% respectively, although the absolute magnitude of the declines was minimal (around 0.1-0.2 tonnes) given the relatively small size of these markets. The US dollar value of second quarter jewellery demand in these markets was considerably stronger, registering rates of growth of between 19% and 23% year-on-year. These markets are discussed in more depth in the focus section.

The exception in the region was Vietnam, where demand volume was 6% up on Q2 2010 at 3.3 tonnes. This increase was primarily investment-related, fuelled by rumours that legislation was to be introduced banning the production and sale of gold bars. Consequently, the increase in demand was concentrated in 'chi' rings (plain 24 carat rings), which are bought for their purity and store of value properties. These rings were popular in the 1980s, a time when gold *tae*¹¹ bars were unauthorised, as a method of protecting against the hyperinflation that was prevalent at that time. Amid the rumours of possible prohibition of gold bars, production of substantial quantities of these 'chi' rings began again in March of this year as consumers were looking for alternatives.

Demand in Turkey was unexpectedly robust during the second quarter of the year, up 7% at 17.4 tonnes, equivalent to 38% growth in the local currency value of demand (to TL1.3bn). This result was all the more remarkable in light of the record highs in the local currency gold price during the period. Bursts of buying activity emerged as the local currency gold price dipped a number of times in May and June, with 22 carat gold jewellery being the main beneficiary of these upsurges in demand. Domestic consumers are demonstrating an increasing acceptance of higher prices at recent lofty levels, as borne out by the data. However, it should be noted that the year-on-year comparison is being made with a relatively weak second quarter of 2010, when demand was hurt by a steep rise in the gold price.

Markets across the rest of the Middle East region experienced a weaker second quarter as the rising gold price, and continued regional unrest, discouraged gold jewellery purchases. The largest decline was witnessed in Saudi Arabia, where demand of 21.0 tonnes was 16% below year-earlier levels. 21 carat gold bore the brunt of the decrease, with a notable shift to lower carat items being reported. Jewellery demand in Egypt was also anaemic, dropping 8% to 8.3 tonnes from an already-weak 9.0 tonnes in Q2 2010, as consumers were affected by continuing uncertainty. Demand from the Other Gulf group of countries fell 4% to 4.9 tonnes in Q2. The most resilient of the markets in the region was the UAE, which was underpinned by demand from expatriates from the Indian subcontinent as evidenced by the relative strength of the 22 carat jewellery segment. Tonnage demand was just 1% below year-earlier levels at 16.1 tonnes.

Interestingly, a consideration of the local currency value of demand in these markets provides a very different picture. The value of demand increased across the region, indicating that gold jewellery demand accounted for an increased share of

expenditure. In Egypt, where the rise in the local currency price of gold was stronger than that of the international US\$ price, the local currency value of demand was 23% higher year-on-year.

Turning to the western markets, jewellery demand in the US remained within its downtrend. Tonnage demand of 21.7 tonnes represented an 8% decline from Q2 2010, although in value terms demand strengthened 15% to US\$1.1bn. The combination of high unemployment, frail economic growth and stubborn inflation pressures produced an environment that was not favourable for gold jewellery demand. The quarter was characterised by continued thrifting among retailers in order to meet affordable price points and 10 carat items were seen encroaching on the 14 carat market share. Gold jewellery was also subject to stiff competition from sterling silver, with brands such as Pandora appealing to the mass market, while the rising price of diamonds also proved detrimental to demand for gem-set gold jewellery.

Of the European markets, Russia was the only country to experience, albeit limited, growth in jewellery demand in the second quarter. Demand was marginally higher at 16.9 tonnes, which translated to growth of 27% in value to US\$818mn – a quarterly record. Russian consumers have been somewhat cautious over the last couple of years in response to the global economic downturn. They remain sensitive to higher prices, showing a preference for larger lighter-weight pieces, which are more affordable than heavier articles. However, year-to-date imports of gold jewellery have grown considerably relative to 2010 and the outlook for the market is encouraging as domestic economic recovery continues. Competition has increased in the domestic jewellery market, and larger manufacturers have begun opening their own jewellery outlets, which allows them to respond to price changes more quickly and change the product ranges on offer.

The second quarter was weak for both Italy and the UK, with demand falling by 15% and 16% respectively. The value measure of demand also registered a small decline in both markets, down by 6% in Italy to €189mn and down 4% in the UK to £129mn. Demand suffered as a result of high and rising gold prices, combined with continued economic weakness. Hallmarking figures in the UK were lower year-on-year, although the decline was concentrated in the lower carat segments while hallmarking of 22 carat items remained steady. In Italy, gold jewellery has been losing out to high-end, high-design silver products, which are being promoted as more affordable alternatives.

¹¹ A long-standing history of Chinese influence in the country means that the Chinese measurement standard of a 'tael' is still used for gold bars. The tael bar of 37.5 grams remains the dominant form of investment.

Technology

Demand for gold used in technology returned to growth in the second quarter, recording a modest 2% year-on-year increase. Demand in value terms surged 28% to a quarterly record of US\$5.7bn. Global electronics demand was the strongest segment within the technology sector, 4% higher year-on-year, with healthy growth in East Asia driving much of the change. The 'other industrial' category of demand remained virtually unchanged, as healthy gains in China were offset by falls in Japan and a number of western markets. Lastly, gold used in dental applications suffered another double digit fall, dropping 12% year-on-year as higher gold prices, coupled with ongoing migration to alternative materials, saw global demand retreat further to a multi-decade low.

The electronics sector generated 83.8 tonnes of demand for gold in the second quarter, a healthy 4% rise on year-earlier levels, particularly in light of the concurrent 26% rise in the average quarterly price. The value of demand, at US\$4.1bn, was a quarterly record. In what may be viewed as a slightly surprising outcome, demand in this segment remained resilient in the face of a deteriorating economic climate (centred on the euro area sovereign debt crisis), with robust gains in demand recorded across most of East Asia. The exception was Japan, where demand was slightly weaker compared with Q2 2010 despite a much faster than expected recovery in output following the shut downs associated with the earthquake and tsunami.

The electronics industry continues to see demand for tablets, smartphones, and e-readers accelerate, as well as increased demand for industrial processors that enable devices to harness renewable energy, such as solar panels. In addition, the industry has seen strong demand for electronic components across all ranges of vehicle production. According to estimates from industry analysts iSuppli, the global semiconductor industry is expected to grow by more than 7% in 2011 due to buoyant sales of consumer products such as tablets and smartphones. Gold demand has benefited from growth in this market, although supply chain cost pressures continue to drive some manufacturers to seek cheaper alternative materials to gold. Apart from the modest decline in Japanese output, most other major markets recorded healthy gains for the period. China again led the way with a year-on-year rise of almost 20%, while the US and Taiwan also recorded significant growth. The economic uncertainty in Europe and further reductions in gold potassium

cyanide (GPC; for electro-plating) shipments to East Asia (as western producers relocate there and as the quality of output from local producers rises) limited growth in some markets in that region.

Demand from the 'other industrial' segment remained stable in Q2, at 23.2 tonnes compared with 23.3 tonnes in Q2 2010. The year-on-year growth rate in value terms was 25%, with demand measuring US\$1.1bn. However, this apparently benign result masks some contrasting performances by individual countries. Demand in China posted double-digit growth as healthy demand for giftware (produced from an electroplating process using GPC) reflected the significant demand for carat jewellery across the country. Strong demand for branded luxury items (gold plated buckles, clasps, or sunglasses, for example) also stimulated demand in this segment. While several other east Asian markets recorded modest gains, Japan, in contrast, recorded a double-digit decline despite producers endeavouring to ramp up production following the devastating natural disasters earlier in the year.

Indian demand was resilient, up slightly year-on-year as higher price levels gained increasing acceptance. In contrast, demand in some western markets fell, largely due to falling exports of GPC to east Asia and through losses in electroformed jewellery (stemming from higher gold prices and political disruption in North Africa, a key market for this product). One notable technology market development in Q2 was the first commercial production of automotive catalytic converters containing gold. Although gold demand from this new application is currently small, it represents the embryonic stage of development of a new segment of the market.

Gold used in dental applications continued its secular downward trend, slipping 12% year-on-year to a multi-decade low of 10.9 tonnes. The value of demand grew 11% to reach US\$528mn. Substitution remains the chief catalyst driving the decline in volumes in this sector. Losses were particularly strong to base metals (mainly cobalt-chrome) and, to a lesser extent, ceramics (porcelain or composite resins), where cosmetic appearance has been a chief factor for change. Significant double-digit falls were recorded across most markets in the quarter, with those in Germany and Japan the most substantial.

Investment

Second quarter investment demand for gold (comprising all bar and coin demand as well as demand for gold-backed ETFs and similar products) amounted to 359.4 tonnes, 37% down year-on-year, although 18% above the previous quarter. This translates to a value of US\$17.4bn, 21% below the record US\$22.1bn seen in Q2 2010. Total investment demand (including OTC investment and stock flows) declined by a more moderate 18% to 471.3 tonnes, which equates to a near-record value of US\$22.8bn.

Within the aggregate investment demand number, substantial growth in demand for gold bars and coins was eclipsed by a year-on-year contraction in new demand for ETFs.

Although ETFs and similar products attracted healthy net inflows of 51.7 tonnes during the second quarter (US\$2.5bn measured in value), the quarter compares unfavourably on a year-on-year basis as the second quarter of 2010 witnessed exceptionally high levels of ETF demand. Q2 2010 was the second highest quarter on record, when ETF demand surged to 291.6 tonnes as investors sought to protect themselves against the unfolding European sovereign debt crisis. Quarterly demand of 51.7 tonnes is a robust result for ETFs on a historical basis. Excluding the two record quarters of Q1 2009 and Q2 2010, average quarterly ETF demand over the 12 quarters from Q2 2008 to Q1 2011 is 41.4 tonnes.

Investment demand captured in the 'OTC and stock flows' category amounted to 112.0 tonnes in the second quarter. Similar to the activity seen in ETFs, anecdotal evidence suggests that European investors were accessing gold through OTC markets, while a number of major banks in the US are also increasingly offering alternative ways for investors to access the market. The latest available clearing statistics from the London Bullion Market Association (LBMA) estimate that the daily net amount of gold transferred between accounts in April was 22.5 million ounces (699.8 tonnes).

Demand for gold bars and coins totalled 307.7 tonnes during the second quarter, a gain of 9% over Q2 2010. This demand was valued at US\$14.9bn, an increase of 37% above year-earlier levels and just 9% below the record US\$16.3bn of the previous quarter. At 222.9 tonnes, physical bar demand took up the lion's share of this category, but demand for medals and imitation

coins generated the strongest growth – up 29% year-on-year at 20.5 tonnes. Demand for official coins slipped 7% year-on-year to 64.2 tonnes, a figure that is nevertheless very healthy compared with historical averages.

Once again, the market for bars and coins was dominated by the two major participants: India and China. Combined demand from these two countries accounted for more than half of the global total, with both generating impressive year-on-year rates of growth.

Indian demand totalled 108.5 tonnes, the second highest quarter for investment demand on record and 78% up on the second quarter of last year. In value terms, the market more than doubled to reach a record of Rs235.1bn. Much of this upsurge in demand was concentrated in May, stimulated not only by the auspicious Akshaya Tritiya festival but also by dips in the price below the US\$1,500/oz level, which was viewed by many as a key buying opportunity.

The strong rise in demand was also indicative that Indian investors continue to harbour bullish price expectations, a fact that was further evidenced by the relative lack of recycling activity during the quarter. Inflation concerns and the relative underperformance of other assets (notably the domestic equity market and property) continued to bolster demand for gold bars and coins among Indian investors. Given the budget constraints at the record price levels that were seen during the quarter, investors were keen buyers of gold coins in weights as low as 1g in order to gain exposure to gold. Anecdotal evidence also points to significant buying by Indian investors for short term gains.

China was the second largest investment market in Q2, with demand of 53.0 tonnes giving a local currency value equivalent of RMB16.7bn. Domestic investors were keen to buy into the rising gold price, while high inflation rates also remained a key driver of demand. The underperformance of the domestic stock market and a sluggish property sector further fuelled purchases of bars and coins. The Gold Accumulation Plan (GAP) jointly launched by ICBC and the World Gold Council in December 2010 continued to grow, with 1.71 million accounts opened as of June 2011 encompassing gold holdings of around 22.0 tonnes. Sales of the Only Gold gift bar also rose steadily through the quarter.

Investment in Taiwan was muted, but far lower levels of selling-back were witnessed in the second quarter, resulting in a swing to small net positive levels of investment from net disinvestment in Q2 2010. Investors here seemed to be reluctant to add to positions during a quarter in which the price was making new record highs, although the Bank of Taiwan reported healthy interest in its Gold Passbook. In Hong Kong, investment demand was 38% up year-on-year, although absolute levels of demand remained very modest at 0.3 tonnes.

The rest of the Asian region witnessed improved levels of demand for gold bars and coins, with the sole exception of Thailand. Demand here declined 26% year-on-year, although the market was nevertheless still the largest at 14.5 tonnes (US\$704.2mn). The decline was primarily driven by profit-taking in late April as the price surged up to US\$1,500/oz and beyond. Investment in South Korea swung from negative to a small positive (0.7 tonnes), while in Indonesia bar and coin investment of 3.2 tonnes was 14% up year-on-year.

Vietnamese investors sought to acquire gold tael bars, despite the rumoured introduction of legislation limiting (or possibly banning) the production and sale of gold bars, as inflation continued to rise. Consequently, demand jumped 12% to 14.0 tonnes, equal in value to US\$678mn. In the event, the legislation drafted by the central bank, to be implemented in the fourth quarter, will not ban gold bars but will impose quotas on the production of gold bars. In this case, it is likely that demand for 'chi' rings will remain firm.

Investment demand in Japan was negative for the 10th consecutive quarter, with investors selling into the rising price. However, levels of net disinvestment were less than half those seen in the second quarter of last year, as healthy buying activity mitigated the profit taking. Although Japanese investors do not have the same inflation motive as investors in many other markets, there is a sense that the earthquake and tsunami that hit the country in March have made investors more aware of the need for ways in which they can better protect their investments and wealth.

Investment demand in Turkey registered the strongest rate of growth of any market globally in the second quarter. Demand almost doubled to 13.6 tonnes, equal to a 144% rise in value to TL1.0bn. Although these year-on-year growth rates are flattered by the comparison with a very weak Q2 2010, demand was nevertheless robust in the face of record prices and waves of buying were elicited on price dips. Investors, more accustomed to higher prices of gold, are also showing increasing awareness of gold's wealth preservation attributes. Although coins remain the most popular form of investment in Turkey, small bars of between 1 and 20 grams are increasing in popularity and demand for these items increased significantly from the previous quarter.

Markets across the rest of the Middle East region continue to generate only marginal investment demand; the combined total for the region was 6.8 tonnes, equivalent to US\$327mn. Demand in tonnage was up by 11% year-on-year, with Saudi Arabia (+26% YoY) generating the bulk of this growth. Small increases were also seen in UAE (+6% YoY) and the Other Gulf group of countries (+17% YoY). Egypt was again the outlier as demand slipped by 28% to 0.4 tonnes.

Second quarter data for the western markets was, on the face of it, unexpectedly weak. Against the backdrop of escalating concerns over Greece's ability to avoid default, frail economic recovery in the US and Europe, and increasing inflationary pressures, investment demand in all markets was down year-on-year, with the exception of France. US demand, at 22.8 tonnes, was 31% below year-earlier levels, while aggregate European demand fell 48% to 54.0 tonnes. In value terms, US investment demand of US\$1.1bn was 14% weaker, while demand of €1.8bn in Europe was 43% down year-on-year. Nevertheless, the absolute level of investment demand for gold bars and coins across the US and Europe remains very high on a historical basis.

Anecdotal evidence suggests that many investors with concerns over the European debt crisis who purchased gold during the wave of demand in Q2 2010, considered themselves to be sufficiently 'protected' against the events that unfolded during the second quarter, therefore negating the need for further purchases.

However, some perspective on these numbers can be gained by considering that Q2 2010 was remarkably strong for most of these markets (again with the exception of France), as it was a time when the European debt crisis began to unfold and the ECB announced its first rescue package. Consequently, investors across the western markets clamoured for gold bars and coins, driving investment demand to exceptional levels.

Comparing the second quarter demand numbers with average second quarter demand from Q2 2006 to Q2 2009, growth rates for the US, and Germany are almost double the historical average, while the magnitude of growth for Switzerland and Other Europe is 154% and 133% respectively. For France, the average investment number is negative, so the swing to small net positive demand in Q2 2011 represents a considerable improvement.

Early indications suggest that third quarter demand in Europe will be considerably stronger, with investors initially taking advantage of the dip in the price below US\$1,500/oz that occurred towards the end of the second quarter. Demand quickly gained momentum on fears of European meltdown as Greece received another bailout, Portugal's debt was downgraded and the spotlight fell on Italy's precarious finances.

Supply

At 1,058.7 tonnes, the total supply of gold in the second quarter was slightly below year-earlier levels, down 4%. Mine production was the only element of supply to register positive growth (+7% year-on-year); the remaining elements of supply all experienced a net decrease compared with Q2 2010.

Second quarter mine production of 708.8 tonnes was 49.4 tonnes above the levels of Q2 2010. Similar to the previous quarter, the distribution of gains in mine production was geographically widespread, with positive contributions from all regions.

Increases were particularly strong in Africa as Randgold Resources' Tongon mine in Cote d'Ivoire, which poured its first gold in November, benefited from an increase in average ore grade. Production at Nevsun's recently established Bisha mine in Eritrea also contributed to growth after coming on stream in February. Operations in Ghana and Burkina Faso also generated growth in mine production.

A number of new starts in Canada bolstered production there, while in North America Barrick's Cortez mine benefitted from increased mill throughput.

Higher throughput at Newmont's Boddington mine and significant production improvement at Catalpa Resources' Edna May operation both contributed to growth in Australian gold production.

Further increases in mine production were seen in Russia and Kazakhstan, as well as Turkey, Papua New Guinea, Mexico and Chile.

Net producer hedging swung back to a negative number in the second quarter. Net de-hedging of 10 tonnes reversed just over half of the modest 18.8 tonnes of net hedging that took place during the second quarter of 2010. The impact on supply from hedging activity is likely to remain insignificant over the coming quarters; the outstanding global hedge book remains small on a historical basis and new, so far modest, hedging activity remains largely project-based.

Central banks remained net buyers of gold in the second quarter of the year. Although well below the first quarter's elevated levels, central bank purchases of gold of 69.4 tonnes were the second highest quarter since the official sector began buying again in the second quarter of 2009. The central banks reporting net purchases were a mixture of banks with a known, existing programme of purchasing and one or two newcomers. In a continuation of the recent trend, buying is concentrated among the central banks of emerging economies, which remain largely underweight in their allocation to gold.

Russia, which continues to buy local production with the express intention of diversifying its reserves, purchased 26 tonnes during the course of the quarter. This takes Russia's gold holdings to around 837 tonnes, equivalent to almost 8% of the country's reserve assets.

In August, South Korea's central bank announced that it had purchased 25 tonnes of gold over the course of June and July. Added to the existing holdings of 14.4 tonnes, South Korea now owns 39.4 tonnes of gold, which makes it the 45th largest holder of gold in the world according to our August table of world official gold holdings. Elsewhere in Asia, Thailand's central bank made a further purchase, adding 17.0 tonnes to its reserves.

Mexico added to the buying seen in the first quarter with an additional purchase of 5.9 tonnes. Over the year-to-date, Mexico has added almost 100 tonnes to its reserves, boosting total gold holdings to 106.0 tonnes.

The 429.3 tonnes of recycling activity in Q2 was fairly subdued, 3% down year-on-year and only slightly above the average of the last 10 quarters of 407.3 tonnes. This modest result is particularly interesting given the record price levels reached during the quarter. Recycling in developed markets was steady, with the decline resulting wholly from weaker recycling levels in emerging markets.

A number of factors appear to be behind the decline in recycling activity, including an increasing acceptance of higher price levels, which in turn drive bullish price expectations; the depletion of near-market stocks; and improving economic conditions in a number of those countries in which recycling is prevalent (most notably India).

Gold demand statistics

Demand

Table 1: Gold demand¹ (tonnes)

	2009	2010	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11 ²	Q2'11 vs Q2'10 % chg	4-quarter % chg ³
Jewellery	1,813.6	2,016.7	492.1	520.5	521.2	416.7	518.9	559.9	554.4	442.5	6	6
Technology	409.8	466.4	107.2	112.5	114.1	116.1	120.1	116.2	113.6	117.9	2	4
Electronics	274.9	326.8	74.3	77.5	78.8	80.4	86.2	81.4	79.7	83.8	4	6
Other industrial	82.2	90.9	19.7	21.8	22.4	23.3	22.0	23.2	22.6	23.2	0	4
Dentistry	52.7	48.7	13.2	13.2	12.8	12.4	11.8	11.6	11.3	10.9	-12	-12
Investment	1,393.2	1,516.1	252.3	250.6	247.8	574.2	352.1	342.0	303.7	359.4	-37	2
Total bar and coin demand	776.1	1,148.4	210.0	208.8	243.0	282.6	303.0	319.7	365.8	307.7	9	37
Physical bar demand	488.4	853.0	142.7	133.7	175.4	197.9	228.3	251.4	279.4	222.9	13	51
Official coin	228.8	207.1	49.5	54.9	45.2	68.8	50.4	42.8	63.1	64.2	-7	1
Medals/imitation coin	58.9	88.3	17.8	20.3	22.5	16.0	24.3	25.5	23.3	20.5	29	22
ETFs and similar products ⁴	617.1	367.7	42.2	41.7	4.7	291.6	49.1	22.3	-62.1	51.7	-82	-84
Gold demand	3,616.6	3,999.2	851.6	883.6	883.1	1,107.0	991.1	1,018.1	971.7	919.8	-17	5
London PM fix (US\$/oz)	972.3	1,224.5	960.0	1,099.6	1,109.1	1,196.7	1,226.8	1,366.8	1,386.3	1,506.1	26	26

1 Gold demand excluding central banks.

2 Provisional.

3 Percentage change, 12 months ended June 2011 vs 12 months ended June 2010.

4 Exchange Traded Funds and similar products including: Gold Bullion Securities (London), Gold Bullion Securities (Australia), SPDR® Gold Shares (formerly streetTRACKS Gold Shares), NewGold Gold Debentures, iShares Comex Gold Trust, ZKB Gold ETF, GOLDIST, ETF Securities Physical Gold, ETF Securities (Tokyo), ETF Securities (NYSE), XETRA-GOLD, Julius Baer Physical Gold, Central Fund of Canada and Central Gold Trust, Swiss Gold, Claymore Gold Bullion ETF, Sprott Physical Gold Trust, ETF Securities Glitter, Mitsubishi Physical Gold ETF, Credit Suisse Xmtch, Dubai Gold Securities, ETF Securities Physical Asian Gold Shares, Claymore Gold Bullion ETF (Non-hedged), DB Physical Gold and iShares Physical Gold.

Source: GFMS, LBMA, World Gold Council

Table 2: Gold demand¹ (US\$m)

	2009	2010	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11 ²	Q2'11 vs Q2'10 % chg	4-quarter % chg ³
Jewellery	56,695	79,395	15,188	18,402	18,587	16,032	20,465	24,602	24,711	21,428	34	34
Technology	12,811	18,363	3,310	3,979	4,067	4,466	4,736	5,106	5,064	5,711	28	30
Electronics	8,595	12,867	2,294	2,739	2,811	3,094	3,401	3,576	3,554	4,059	31	33
Other industrial	2,568	3,579	609	771	799	896	869	1,020	1,005	1,124	25	31
Dentistry	1,648	1,916	407	468	458	477	467	510	505	528	11	11
Investment	43,555	59,689	7,786	8,858	8,836	22,095	13,888	15,029	13,536	17,402	-21	26
Total bar and coin demand	24,264	45,212	6,483	7,383	8,667	10,875	11,952	14,051	16,303	14,899	37	71
Physical bar demand	15,270	33,581	4,406	4,726	6,253	7,615	9,004	11,049	12,453	10,795	42	88
Official coin	7,153	8,155	1,526	1,940	1,610	2,646	1,988	1,881	2,810	3,109	18	27
Medals/imitation coin	1,841	3,477	550	716	804	615	959	1,120	1,039	995	62	53
ETFs and similar products ⁴	19,291	14,476	1,304	1,475	169	11,219	1,937	978	-2,767	2,502	-78	-81
Gold demand	113,061	157,446	26,285	31,238	31,490	42,593	39,090	44,737	43,310	44,540	5	30

1 Gold demand excluding central banks.

2 Provisional.

3 Percentage change, 12 months ended June 2011 vs 12 months ended June 2010.

4 Exchange Traded Funds and similar products including: Gold Bullion Securities (London), Gold Bullion Securities (Australia), SPDR® Gold Shares (formerly streetTRACKS Gold Shares), NewGold Gold Debentures, iShares Comex Gold Trust, ZKB Gold ETF, GOLDIST, ETF Securities Physical Gold, ETF Securities (Tokyo), ETF Securities (NYSE), XETRA-GOLD, Julius Baer Physical Gold, Central Fund of Canada and Central Gold Trust, Swiss Gold, Claymore Gold Bullion ETF, Sprott Physical Gold Trust, ETF Securities Glitter, Mitsubishi Physical Gold ETF, Credit Suisse Xmtch, Dubai Gold Securities, ETF Securities Physical Asian Gold Shares, Claymore Gold Bullion ETF (Non-hedged), DB Physical Gold and iShares Physical Gold.

Source: GFMS, LBMA, World Gold Council

Table 3: Total investment demand¹ (tonnes except where specified)

	2009	2010	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11 ²	Q2'11 vs Q2'10 % chg	4-quarter % chg ³
Investment	1,393.2	1,516.1	252.3	250.6	247.8	574.2	352.1	342.0	303.7	359.4	-37	2
Total bar and coin demand	776.1	1,148.4	210.0	208.8	243.0	282.6	303.0	319.7	365.8	307.7	9	37
Physical bar demand	488.4	853.0	142.7	133.7	175.4	197.9	228.3	251.4	279.4	222.9	13	51
Official coin	228.8	207.1	49.5	54.9	45.2	68.8	50.4	42.8	63.1	64.2	-7	1
Medals/imitation coin	58.9	88.3	17.8	20.3	22.5	16.0	24.3	25.5	23.3	20.5	29	22
ETFs and similar products ⁴	617.1	367.7	42.2	41.7	4.7	291.6	49.1	22.3	-62.1	51.7	-82	-84
OTC investment and stock flows ⁵	464.1	162.3	5.8	129.8	6.3	0.1	-0.8	156.7	-111.5	112.0	500+	10
Total investment	1,857.3	1,678.5	258.1	380.3	254.1	574.4	351.3	498.7	192.2	471.3	-18	3
Total investment US\$m	58,062	66,080	7,966	13,446	9,062	22,099	13,855	21,914	8,567	22,823	3	28

1 Total investment demand excluding central banks.

2 Provisional.

3 Percentage change, 12 months ended June 2011 vs 12 months ended June 2010.

4 Exchange Traded Funds and similar products including: Gold Bullion Securities (London), Gold Bullion Securities (Australia), SPDR® Gold Shares (formerly streetTRACKS Gold Shares), NewGold Gold Debentures, iShares Comex Gold Trust, ZKB Gold ETF, GOLDIST, ETF Securities Physical Gold, ETF Securities (Tokyo), ETF Securities (NYSE), XETRA-GOLD, Julius Baer Physical Gold, Central Fund of Canada and Central Gold Trust, Swiss Gold, Claymore Gold Bullion ETF, Sprott Physical Gold Trust, ETF Securities Glitter, Mitsubishi Physical Gold ETF, Credit Suisse Xmtch, Dubai Gold Securities, ETF Securities Physical Asian Gold Shares, Claymore Gold Bullion ETF (Non-hedged), DB Physical Gold and iShares Physical Gold.

5 This includes institutional investment (other than ETFs and similar), stock movements and other elements as well as any residual error.

Source: GFMS, LBMA, World Gold Council

Table 4: Gold supply and demand (tonnes, World Gold Council presentation)

	2009	2010	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11 ¹	Q2'11 vs Q2'10 % chg	4-quarter % chg ²
Supply												
Mine production	2,588.8	2,698.0	683.5	677.2	622.2	659.4	712.7	703.7	646.7	708.8	7	5
Net producer hedging	-236.4	-108.4	-96.7	-108.9	-18.7	18.8	-54.4	-54.1	6.1	-10.0	-	-
Total mine supply	2,352.4	2,589.7	586.9	568.2	603.5	678.1	658.3	649.7	652.8	698.8	3	9
Official sector sales ³	33.6	-73.6	-9.7	-10.2	-58.8	-14.1	-23.0	22.2	-122.9	-69.4	-	-
Recycled gold	1,694.7	1,645.5	302.9	408.4	369.3	444.3	376.9	455.0	350.9	429.3	-3	6
Total supply	4,080.6	4,161.6	880.1	966.3	914.0	1,108.3	1,012.3	1,126.9	880.9	1,058.7	-4	5
Demand												
Fabrication												
Jewellery	1,813.6	2,016.7	514.8	473.5	545.8	417.9	540.9	512.0	575.0	469.5	12	7
Technology	409.8	466.4	107.2	112.5	114.1	116.1	120.1	116.2	113.6	117.9	2	4
Sub-total above fabrication	2,223.3	2,483.1	622.0	586.0	659.9	534.0	661.0	628.2	688.6	587.4	10	7
Total bar and coin demand ⁴	776.1	1,148.4	210.0	208.8	243.0	282.6	303.0	319.7	365.8	307.7	9	37
ETFs and similar	617.1	367.7	42.2	41.7	4.7	291.6	49.1	22.3	-62.1	51.7	-82	-84
Gold demand (fabrication basis)	3,616.6	3,999.2	874.3	836.6	907.7	1,108.2	1,013.2	970.2	992.3	946.8	-15	5
OTC investment and stock flows ⁵	464.1	162.3	5.8	129.8	6.3	0.1	-0.8	156.7	-111.5	112.0	500+	10
Total demand	4,080.6	4,161.6	880.1	966.3	914.0	1,108.3	1,012.3	1,126.9	880.9	1,058.7	-4	5
London PM fix (US\$/oz)	972.3	1,224.5	960.0	1,099.6	1,109.1	1,196.7	1,226.8	1,366.8	1,386.3	1,506.1	26	26

1 Provisional.

2 Percentage change, 12 months ended June 2011 vs 12 months ended June 2010.

3 Excluding any delta hedging of central bank options.

4 Total bar and coin demand combines the investment categories previously identified as relating to 'retail' demand.

5 This includes institutional investment (other than ETFs and similar), stock movements and other elements as well as any residual error.

Source: GFMS, LBMA, World Gold Council. Data in this table are consistent with those published by GFMS in their Gold Survey but adapted to the World Gold Council's presentation and take account of the additional demand data now available. The "OTC investment and stock flows" figure differs from the "implied net (dis)investment" figure in GFMS' supply and demand table as it excludes "ETFs and similar". 'Total bar and coin demand' is equal to GFMS' 'Physical bar investment' plus the 'Official coin' and 'Medals/imitation coin' categories. Note that jewellery data refer to fabrication and quarterly data differ from those for consumption in Tables 1 and 2.

Table 5: Consumer demand in selected countries: Q2 2011 (tonnes)

	Q2'10			Q2'11*			Q2'11* vs Q2'10, % chg		
	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total
India	119.4	61.0	180.4	139.8	108.5	248.3	17	78	38
Greater China	95.3	33.9	129.3	111.5	54.4	166.0	17	60	28
China	88.4	36.7	125.1	102.9	53.0	155.9	16	44	25
Hong Kong	4.9	0.2	5.1	6.8	0.3	7.1	38	38	38
Taiwan	2.1	-3.0	-1.0	1.9	1.2	3.0	-9	-	-
Japan	4.9	-16.7	-11.8	4.2	-7.9	-3.7	-14	-	-
Indonesia	6.2	2.8	9.0	6.0	3.2	9.2	-3	14	2
South Korea	3.1	-1.3	1.8	3.0	0.7	3.7	-2	-	105
Thailand	1.3	19.5	20.8	1.2	14.5	15.8	-5	-26	-24
Vietnam	3.2	12.5	15.7	3.3	14.0	17.3	6	12	11
Middle East	55.2	6.1	61.3	50.3	6.8	57.1	-9	11	-7
Saudi Arabia	24.9	2.3	27.2	21.0	2.9	23.9	-16	26	-12
Egypt	9.0	0.6	9.6	8.3	0.4	8.7	-8	-28	-9
UAE	16.2	2.7	18.9	16.1	2.9	19.0	-1	6	0
Other Gulf	5.1	0.4	5.6	4.9	0.5	5.4	-4	17	-2
Turkey	16.2	7.2	23.4	17.4	13.6	31.0	7	90	33
Russia	16.8	-	16.8	16.9	-	16.9	1	-	1
USA	23.8	33.3	57.0	21.7	22.8	44.5	-8	-31	-22
Italy	6.6	-	6.6	5.6	-	5.6	-15	-	-15
UK	5.2	-	5.2	4.4	-	4.4	-16	-	-16
Europe ex CIS	-	104.8	104.8	-	54.0	54.0	-	-48	-48
France	-	0.4	0.4	-	0.5	0.5	-	33	33
Germany	-	49.6	49.6	-	22.6	22.6	-	-54	-54
Switzerland	-	35.7	35.7	-	20.7	20.7	-	-42	-42
Other Europe	-	19.1	19.1	-	10.2	10.2	-	-47	-47
Total above	357.1	263.1	620.2	385.4	284.7	670.0	8	8	8
Other	59.6	19.5	79.1	57.1	23.0	80.2	-4	18	1
World total	416.7	282.6	699.3	442.5	307.7	750.2	6	9	7

*Provisional.

Source: GFMS, World Gold Council

Table 6: Indian supply estimates (tonnes)

Figures in tonnes	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11 ¹	2010
Supply						
Net imports, available for domestic consumption	167	250	281	286	267	958
Domestic supply from recycled gold	20	22	25	10	10	81
Domestic supply from other sources ²	3	3	2	3	3	10
Equals total supply ³	190	275	308	299	280	1,050

1 Provisional.

2 Domestic supply from local mine production, recovery from imported copper concentrates and disinvestment.

3 This supply can be consumed across the three sectors – jewellery, investment and technology. Consequently, the total supply figure in the table will not add to jewellery plus investment demand for India.

Source: GFMS

Table 7: Consumer demand in selected countries: Q2 2011 (value, US\$mn)

	Q2'10			Q2'11*			Q2'11* vs Q2'10, % chg		
	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total
India	4,594	2,347	6,941	6,770	5,254	12,023	47	124	73
Greater China	3,668	1,306	4,973	5,400	2,637	8,036	47	102	62
China	3,400	1,412	4,812	4,983	2,565	7,548	47	82	57
Hong Kong	189	9	198	327	16	343	73	73	73
Taiwan	79	-115	-37	90	56	146	14	-	-
Japan	189	-643	-454	203	-383	-179	8	-	-
Indonesia	239	108	346	291	155	445	22	44	29
South Korea	117	-48	69	145	34	179	23	-	158
Thailand	50	752	802	60	704	764	19	-6	-5
Vietnam	121	481	602	162	678	840	33	41	39
Middle East	2,125	234	2,358	2,437	327	2,764	15	40	17
Saudi Arabia	958	88	1,047	1,017	140	1,157	6	59	11
Egypt	346	23	369	402	21	423	16	-10	14
UAE	623	105	728	780	140	920	25	34	26
Other Gulf	197	17	214	238	25	263	21	48	23
Turkey	623	275	898	843	659	1,501	35	139	67
Russia	646	-	646	818	-	818	27	-	27
USA	914	1,281	2,194	1,053	1,104	2,157	15	-14	-2
Italy	254	-	254	271	-	271	7	-	7
UK	200	-	200	211	-	211	5	-	5
Europe ex CIS	-	4,032	4,032	-	2,616	2,616	-	-35	-35
France	-	15	15	-	26	26	-	67	67
Germany	-	1,908	1,908	-	1,096	1,096	-	-43	-43
Switzerland	-	1,374	1,374	-	1,003	1,003	-	-27	-27
Other Europe	-	735	735	-	492	492	-	-33	-33
Total above	13,739	10,124	23,863	18,662	13,784	32,446	36	36	36
Other	2,293	751	3,044	2,766	1,115	3,881	21	48	27
World total	16,032	10,875	26,908	21,428	14,899	36,327	34	37	35

*Provisional.

Source: GFMS, LBMA, World Gold Council

Table 8: Consumer demand in selected countries: four-quarter totals (tonnes)

	12 months ended Q2'10			12 months ended Q2'11*			Year on Year % chg		
	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total
India	583.7	268.3	852.0	696.7	402.7	1,099.4	19	50	29
Greater China	430.5	136.9	567.4	522.8	259.2	781.9	21	89	38
China	403.7	144.4	548.2	491.2	254.2	745.4	22	76	36
Hong Kong	18.8	0.9	19.7	24.2	1.3	25.5	29	37	29
Taiwan	8.1	-8.5	-0.4	7.4	3.7	11.0	-9	-	-
Japan	20.1	-56.5	-36.4	17.1	-34.2	-17.1	-15	-	-
Indonesia	37.3	1.5	38.8	33.3	16.5	49.8	-11	500+	28
South Korea	18.5	-3.9	14.7	15.7	1.8	17.5	-15	-	19
Thailand	6.8	50.2	57.0	5.8	52.1	57.9	-15	4	2
Vietnam	15.5	55.4	70.9	14.9	68.6	83.5	-4	24	18
Middle East	225.6	25.5	251.0	187.7	31.0	218.7	-17	22	-13
Saudi Arabia	77.9	13.3	91.2	60.6	15.3	75.9	-22	15	-17
Egypt	55.6	2.1	57.7	43.5	2.0	45.5	-22	-4	-21
UAE	68.6	8.7	77.3	62.4	11.2	73.6	-9	29	-5
Other Gulf	23.5	1.3	24.9	21.3	2.5	23.8	-10	87	-4
Turkey	73.1	26.5	99.6	74.0	56.1	130.1	1	112	31
Russia	65.6	-	65.6	67.3	-	67.3	3	-	3
USA	141.7	108.9	250.5	125.0	100.4	225.4	-12	-8	-10
Italy	39.1	-	39.1	33.4	-	33.4	-15	-	-15
UK	31.1	-	31.1	25.9	-	25.9	-17	-	-17
Europe ex CIS	-	251.9	251.9	-	255.6	255.6	-	1	1
France	-	0.0	0.0	-	2.0	2.0	-	500+	500+
Germany	-	115.1	115.1	-	119.0	119.0	-	3	3
Switzerland	-	85.8	85.8	-	91.9	91.9	-	7	7
Other Europe	-	51.0	51.0	-	42.7	42.7	-	-16	-16
Total above	1,688.8	864.6	2,553.3	1,819.4	1,209.8	3,029.2	8	40	19
Other	261.8	80.0	341.7	256.2	86.5	342.7	-2	8	0
World total	1,950.5	944.6	2,895.1	2,075.7	1,296.2	3,371.9	6	37	16

*Provisional.

Source: GFMS, World Gold Council

Table 9: Consumer demand in selected countries: four-quarter totals (value, US\$mn)

	12 months ended Q2'10			12 months ended Q2'11*			Year on Year % chg		
	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total	Jewellery	Total bar and coin invest	Total
India	20,469	9,437	29,906	30,610	17,806	48,416	50	89	62
Greater China	15,084	4,810	19,894	23,013	11,470	34,483	53	138	73
China	14,139	5,078	19,216	21,612	11,248	32,860	53	122	71
Hong Kong	661	33	694	1,076	57	1,133	63	73	63
Taiwan	284	-301	-17	325	165	490	15	-	-
Japan	707	-2,044	-1,337	753	-1,498	-744	7	-	-
Indonesia	1,280	58	1,338	1,448	727	2,175	13	500+	63
South Korea	644	-133	511	689	77	766	7	-	50
Thailand	238	1,805	2,043	256	2,276	2,532	8	26	24
Vietnam	544	1,930	2,475	661	3,001	3,661	21	55	48
Middle East	7,860	890	8,750	8,260	1,360	9,619	5	53	10
Saudi Arabia	2,721	458	3,180	2,688	666	3,354	-1	45	5
Egypt	1,925	75	2,000	1,882	90	1,972	-2	19	-1
UAE	2,397	309	2,707	2,760	495	3,255	15	60	20
Other Gulf	816	47	864	930	109	1,039	14	132	20
Turkey	2,505	940	3,445	3,209	2,465	5,674	28	162	65
Russia	2,310	-	2,310	2,974	-	2,974	29	-	29
USA	4,915	3,880	8,795	5,448	4,416	9,864	11	14	12
Italy	1,378	-	1,378	1,470	-	1,470	7	-	7
UK	1,095	-	1,095	1,138	-	1,138	4	-	4
Europe ex CIS	-	9,023	9,023	-	11,295	11,295	-	25	25
France	-	3	3	-	88	88	-	500+	500+
Germany	-	4,131	4,131	-	5,248	5,248	-	27	27
Switzerland	-	3,074	3,074	-	4,072	4,072	-	32	32
Other Europe	-	1,815	1,815	-	1,887	1,887	-	4	4
Total above	59,028	30,598	89,625	79,929	53,393	133,322	35	75	49
Other	9,182	2,810	11,991	11,277	3,811	15,087	23	36	26
World total	68,210	33,407	101,617	91,205	57,204	148,409	34	71	46

*Provisional.

Source: GFMS, LBMA, World Gold Council

Historical data for gold demand

Table 10: Historical data for gold demand¹

	Tonnes					US\$bn				
	Jewellery	Total bar and coin invest	ETFs and similar	Technology	Total	Jewellery	Total bar and coin invest	ETFs and similar	Technology	Total
2001	3,009	357	-	363	3,729	26.2	3.1	-	3.2	32.5
2002	2,662	351	3	358	3,374	26.5	3.5	0.0	3.6	33.6
2003	2,484	304	39	386	3,213	29.0	3.6	0.5	4.5	37.5
2004	2,616	355	133	419	3,522	34.4	4.7	1.7	5.5	46.3
2005	2,719	396	208	438	3,761	38.9	5.7	3.0	6.3	53.7
2006	2,300	417	260	468	3,446	44.6	8.1	5.1	9.1	66.9
2007	2,423	434	253	476	3,586	54.2	9.7	5.7	10.6	80.2
2008	2,304	875	321	461	3,962	64.6	24.5	9.0	12.9	111.1
2009	1,814	776	617	410	3,617	56.7	24.3	19.3	12.8	113.1
2010	2,017	1,148	368	466	3,999	79.4	45.2	14.5	18.4	157.4
Q2'05	741	112	-2	111	962	10.2	1.5	0.0	1.5	13.2
Q3'05	613	88	38	108	847	8.7	1.2	0.5	1.5	12.0
Q4'05	673	71	84	107	934	10.5	1.1	1.3	1.7	14.5
Q1'06	492	93	113	112	810	8.8	1.7	2.0	2.0	14.4
Q2'06	530	97	49	115	792	10.7	2.0	1.0	2.3	16.0
Q3'06	558	112	19	116	804	11.1	2.2	0.4	2.3	16.1
Q4'06	708	114	79	116	1,018	14.0	2.3	1.6	2.3	20.1
Q1'07	566	117	36	117	836	11.8	2.4	0.8	2.4	17.5
Q2'07	666	135	-3	119	918	14.3	2.9	-0.1	2.6	19.7
Q3'07	604	112	139	117	974	13.2	2.5	3.1	2.6	21.3
Q4'07	578	65	80	111	834	14.6	1.6	2.0	2.8	21.1
Q1'08	484	101	73	122	779	14.4	3.0	2.2	3.6	23.2
Q2'08	559	149	4	124	837	16.1	4.3	0.1	3.6	24.1
Q3'08	694	283	149	119	1,245	19.4	7.9	4.2	3.3	34.9
Q4'08	567	346	95	96	1,104	14.5	8.8	2.4	2.5	28.2
Q1'09	356	147	465	88	1,056	10.4	4.3	13.6	2.6	30.8
Q2'09	445	210	68	102	825	13.2	6.2	2.0	3.0	24.5
Q3'09	492	210	42	107	852	15.2	6.5	1.3	3.3	26.3
Q4'09	521	209	42	113	884	18.4	7.4	1.5	4.0	31.2
Q1'10	521	243	5	114	883	18.6	8.7	0.2	4.1	31.5
Q2'10	417	283	292	116	1,107	16.0	10.9	11.2	4.5	42.6
Q3'10	519	303	49	120	991	20.5	12.0	1.9	4.7	39.1
Q4'10	560	320	22	116	1,018	24.6	14.1	1.0	5.1	44.7
Q1'11	554	366	-62	114	972	24.7	16.3	-2.8	5.1	43.3
Q2'11 ²	443	308	52	118	920	21.4	14.9	2.5	5.7	44.5

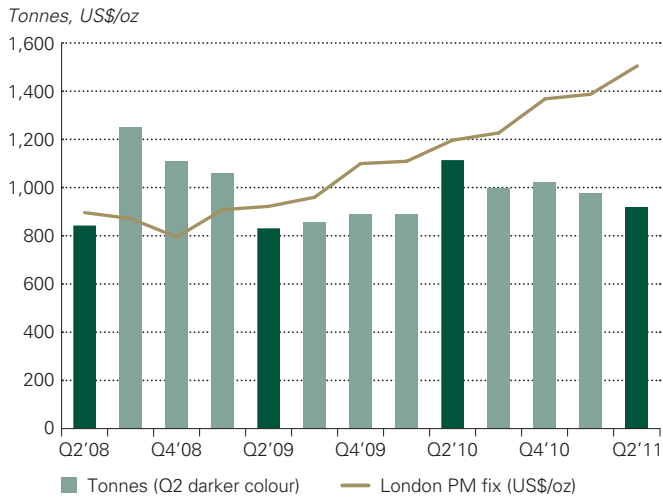
1 See footnotes to Table 1 for definitions and notes.

2 Provisional.

Source: GFMS, LBMA, World Gold Council

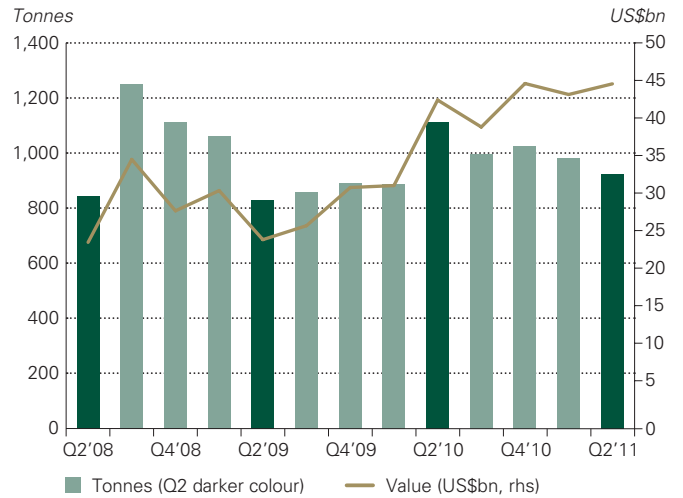
Appendix

Chart 11: Gold demand in tonnes and the gold price (US\$/oz)



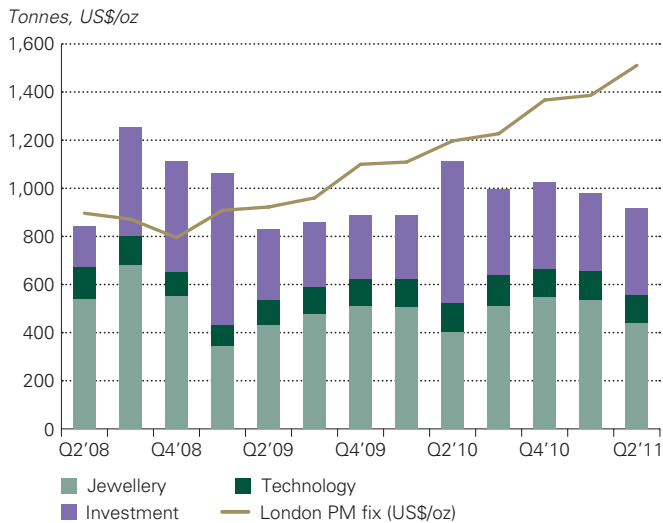
Source: GFMS, World Gold Council

Chart 12: Gold demand in tonnes and value (US\$bn)



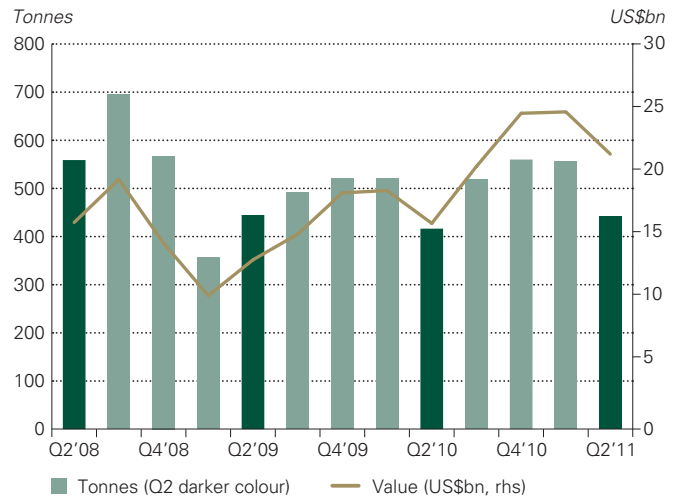
Source: GFMS, LBMA, World Gold Council

Chart 13: Gold demand by category in tonnes and the gold price (US\$/oz)



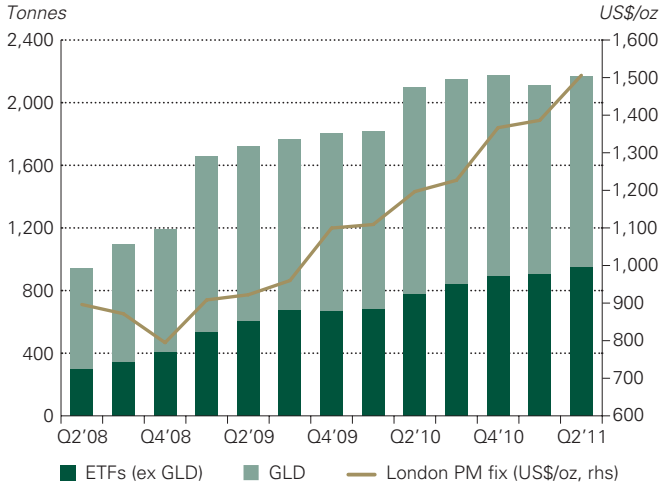
Source: GFMS, LBMA, World Gold Council

Chart 14: Jewellery demand in tonnes and value (US\$bn)



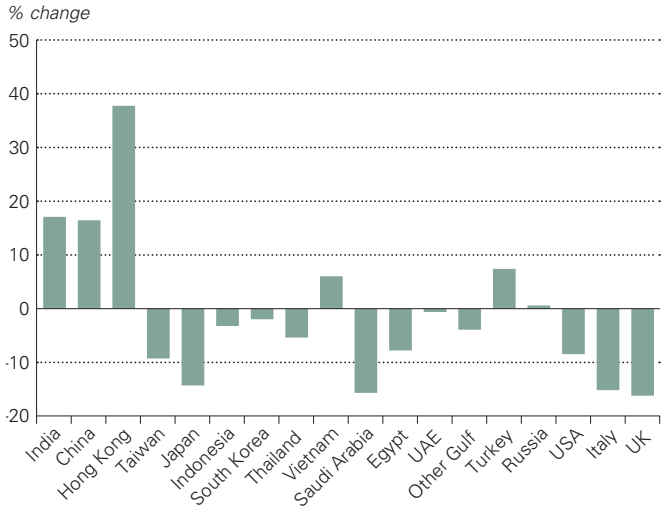
Source: GFMS, LBMA, World Gold Council

Chart 15: Holdings in Exchange Traded Funds (tonnes) and the gold price (US\$/oz)



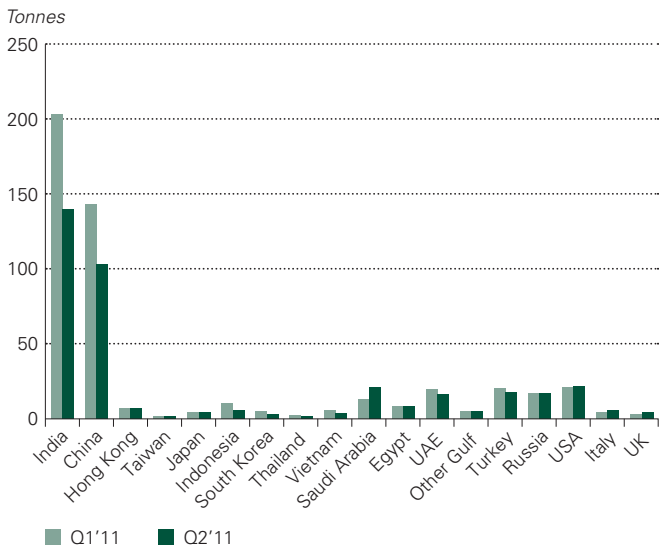
Source: GFMS, www.exchangetradedgold.com, LBMA, World Gold Council

Chart 16: Jewellery demand by country in tonnes (Q2 2011 vs Q2 2010, % change)



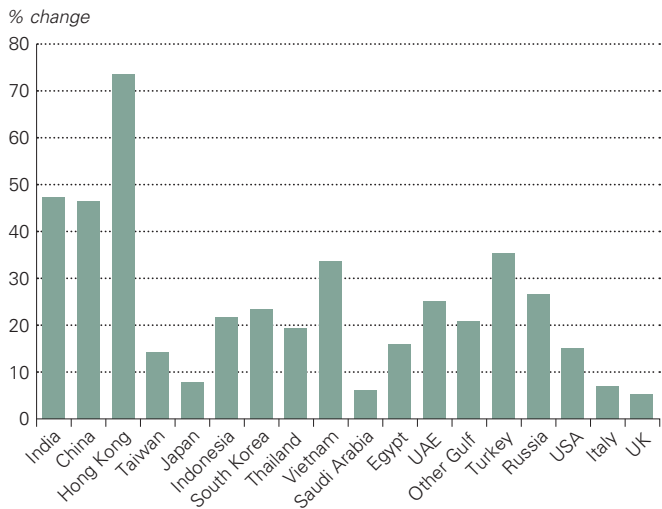
Source: GFMS, World Gold Council

Chart 17: Jewellery demand in tonnes (Q2 2011 vs Q1 2011)



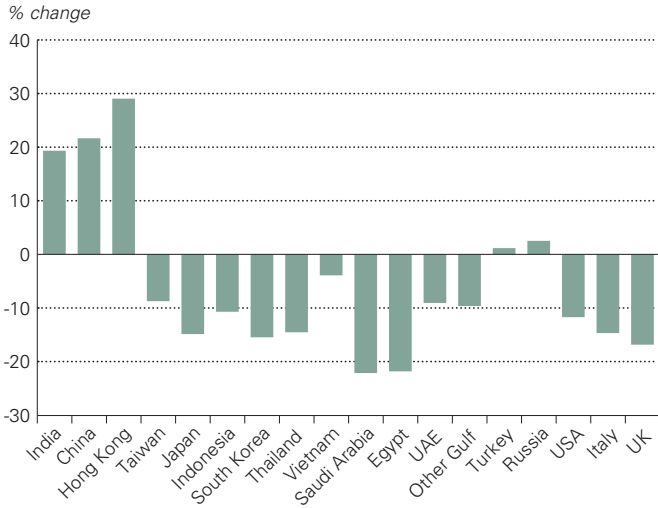
Source: GFMS, World Gold Council

Chart 18: Jewellery demand by country in US\$ (Q2 2011 vs Q2 2010, % change)



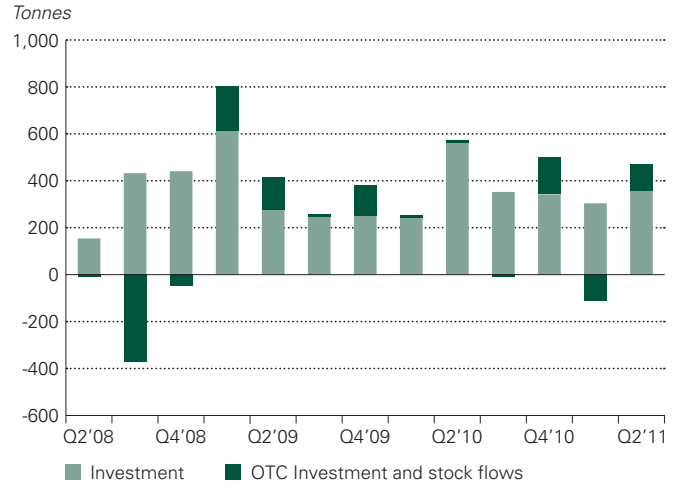
Source: GFMS, World Gold Council

Chart 19: Jewellery demand by country in tonnes (4-quarter rolling total, % change)



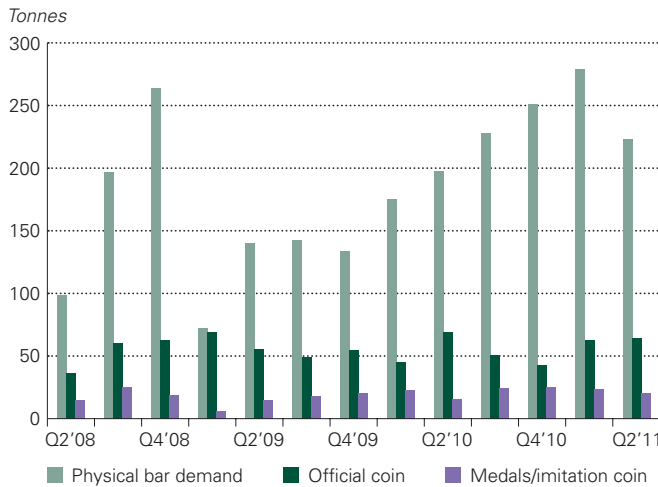
Source: GFMS, World Gold Council

Chart 20: Total investment demand in tonnes



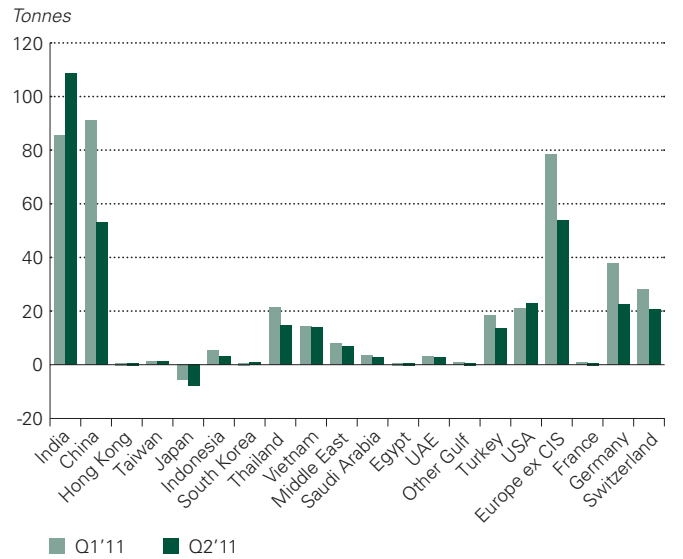
Source: GFMS, World Gold Council

Chart 21: Total bar and coin demand by category in tonnes



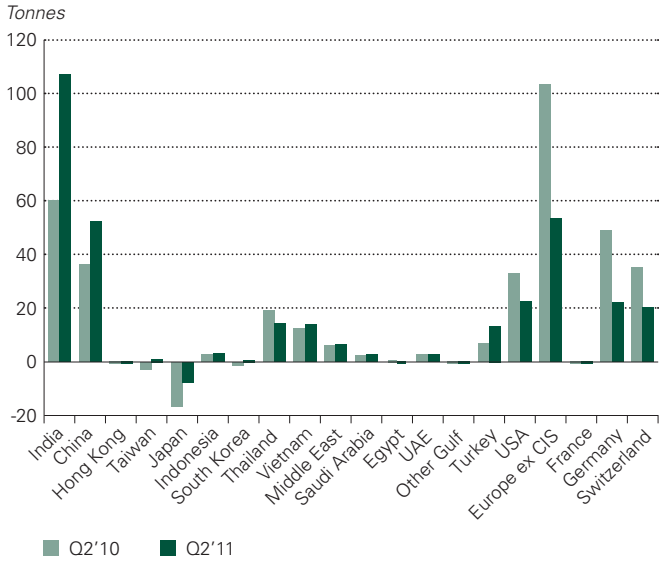
Source: GFMS, World Gold Council

Chart 22: Total bar and coin demand in tonnes (Q2 2011 and Q1 2011)



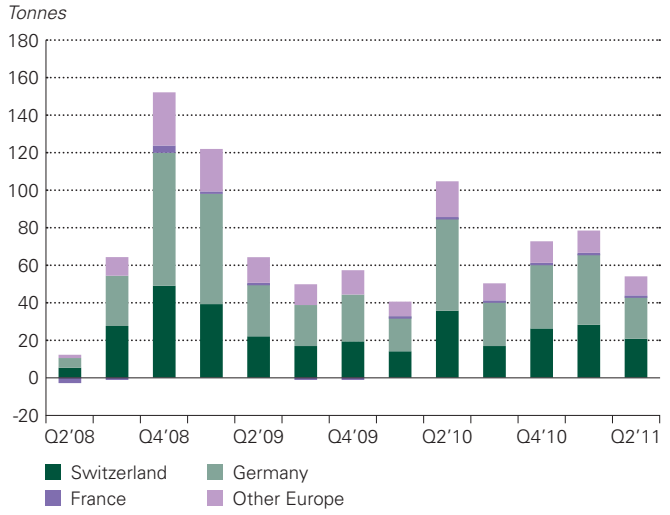
Source: GFMS, World Gold Council

Chart 23: Total bar and coin demand in tonnes (Q2 2011 and Q2 2010)



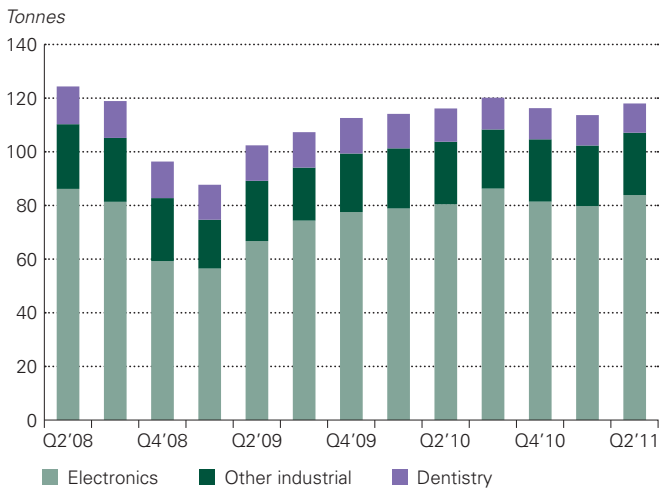
Source: GFMS, World Gold Council

Chart 24: European total bar and coin demand in tonnes



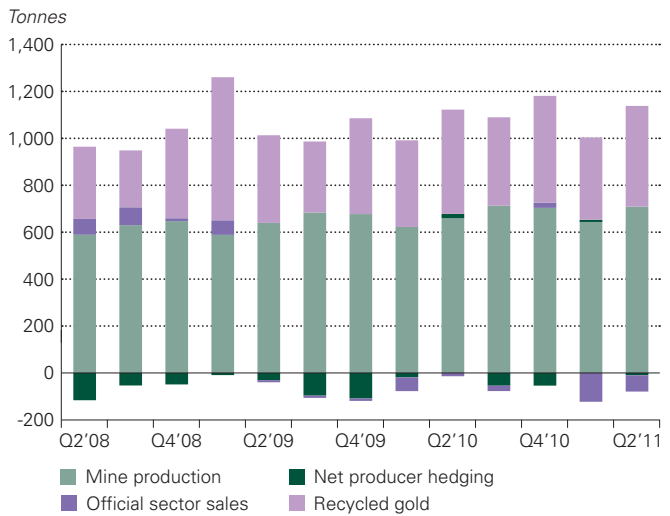
Source: GFMS, World Gold Council

Chart 25: Technology demand by category in tonnes



Source: GFMS, World Gold Council

Chart 26: Quarterly supply in tonnes



Source: GFMS, World Gold Council

Notes and definitions

All statistics (except where specified) are in weights of fine gold
“_”

Not applicable or Not available

Consumer demand

The sum of jewellery and total bar and coin purchases for a country i.e. the amount of gold acquired directly by individuals.

Dental

The first transformation of raw gold into intermediate or final products destined for dental applications such as dental alloys.

London PM fix

Unless described otherwise, gold price values are based on the London PM fix.

Jewellery

All newly-made carat jewellery and gold watches, whether plain gold or combined with other materials. It excludes second-hand jewellery, other metals plated with gold, coins and bars used as jewellery and purchases funded by the trading in of existing jewellery.

Mine production

Formal and informal output.

N/A

Not available

Net producer hedging

The change in the physical market impact of mining companies' gold loans, forwards and options positions.

Official sector sales

Gross sales less gross purchases by central banks and other official institutions. Swaps and the effects of delta hedging are excluded.

OTC investment and stock flows

Partly a statistical residual, this data is largely reflective of demand in the opaque OTC market, with an additional contribution occasionally from changes to fabrication inventories.

Physical bar demand

Global investment in physical gold in bar form.

Recycled gold (previously gold scrap)

Gold sourced from old fabricated products which has been recovered and refined back into bars.

Technology

This captures all gold used in the fabrication of electronics, dental, medical, industrial, decorative and other technological applications, with electronics representing the largest component of this category. This includes gold destined for plating jewellery.

Tonne

1,000 kg or 32,151 troy oz of fine gold.

Total bar and coin demand

This comprises individuals' purchases of coins and bars, defined according to the standard adopted by the European Union for investment gold, but includes demand for coins and bars in both the western and non-western markets. Medallions of at least 99% purity, wires and lumps sold in small quantities are also included. In practice this includes the initial sale of many coins destined ultimately to be considered as numismatic rather than bullion. It excludes second hand coins and is measured as net purchases.

Total investment

Represents the amalgamation of all components of investment demand, including all demand for physical bars and coins, demand for ETFs and similar products, and OTC investment and stock flows.

Revisions to data

All data may be subject to revision in the light of new information.

Historical data

Data covering a longer time period will be available on Bloomberg after initial publication of this report; alternatively, contact GFMS Ltd (+44 20 7478 1777; gold@gfms.co.uk).

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World Gold Council

10 Old Bailey, London EC4M 7NG
United Kingdom

E investment@gold.org

T +44 20 7826 4700

F +44 20 7826 4799

W www.gold.org