Gold Demand Trends

November 2010

THIRD QUARTER 2010

Outlook

Strong outlook for gold demand for remainder of 2010

The WGC expects global gold demand in 2010 to exceed that of 2009 for three key reasons: strong demand for jewellery in Asian markets; a revival in the use of gold by the industrial sector; and robust investment demand as a result of concern over quantitative easing, currency conflict and inflation fears.

Gold jewellery demand for full-year 2010 is likely to exceed that of 2009. We expect India, the most significant market, to continue the recovery in 2010, and anticipate continued strength in China. Jewellery demand will continue to face price pressures; but the latest figures prove that demand in key Asian markets has shown resilience in the face of higher price levels. The fourth quarter will offer seasonal support as we are entering a period of significance for gold purchases in many markets, notably the Indian festival season (Diwali and Dhanteras), Eid Al-Adhha in the Middle East and Christmas/New Year in the west.

Global fiscal imbalances and currency tensions are supportive for investment demand over the coming months. Investment in gold will be sustained as a result of the recent additional US$600bn of quantitative easing (QE) in the US, as well as by the consequent weakening of the US dollar and associated global currency tensions as countries compete to maintain their competitive advantage by suppressing the value of their currencies. Support for gold is also expected from higher gold price expectations, as demonstrated by the strength of buying on recent price corrections; increasing awareness of gold's investment qualities among retail investors; and the development of channels to access gold. The combination of these factors is likely to trigger fresh demand for gold in the coming months.

We also expect the central bank sector to continue to hold and purchase gold in the coming months, although this will be tempered somewhat by the sale of the remaining 52 tonnes of IMF gold. In Q3 2010, Russian central bank gold holdings rose 7%, bringing its total to 756 tonnes, while the central banks of the Philippines and Thailand increased their holdings by 2% and 19% respectively during the same period. This was also followed by Bangladesh, which bought 10 tonnes from the IMF in September. These central banks have increased their gold holdings in order to diversify their foreign exchange reserves.

Industrial demand has returned to long-term trend levels and is expected to remain firm as economic growth in key markets such as India and China drives demand for consumer electronics, while the increased prevalence of consumer devices with gold components (such as smart phones and notebooks) is supporting demand for gold in the electronics sector. The WGC

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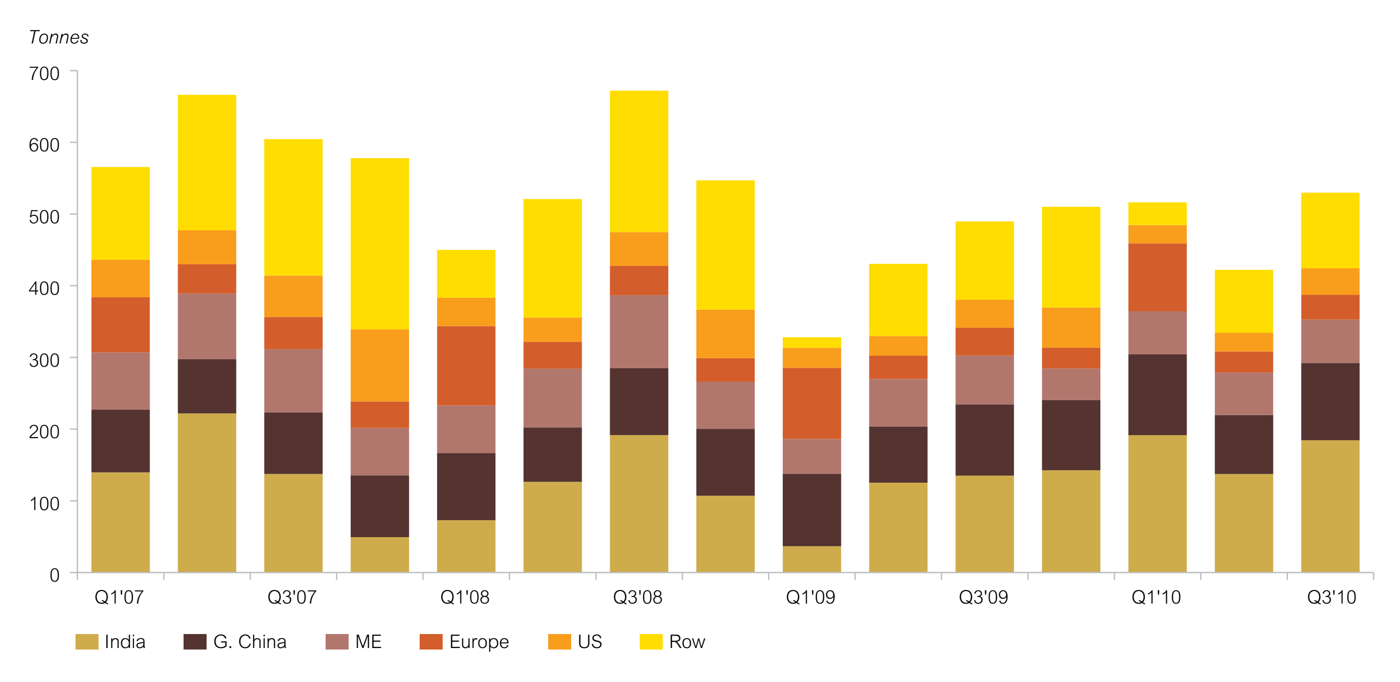
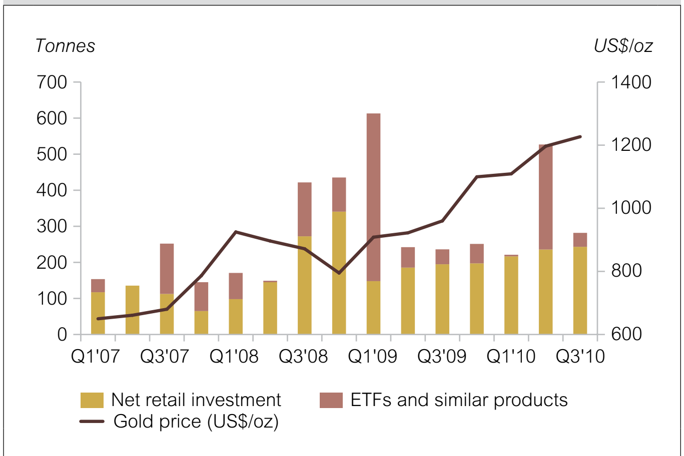
gold

Chart 1: Quarterly gold jewellery consumption by region (tonnes)



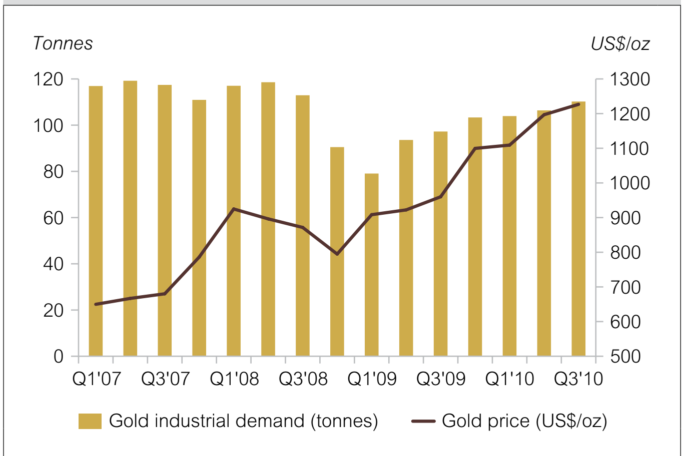
Note: Row = Rest of World, G. China = Greater China, ME = Middle East
Source: GFMS, WGC

Chart 2: Quarterly gold identifiable investment demand (tonnes) and gold prices (US$/oz)



Source: GFMS, IHS Global Insight, WGC

Chart 3: Quarterly gold industrial demand (tonnes) and gold price (US$/oz)

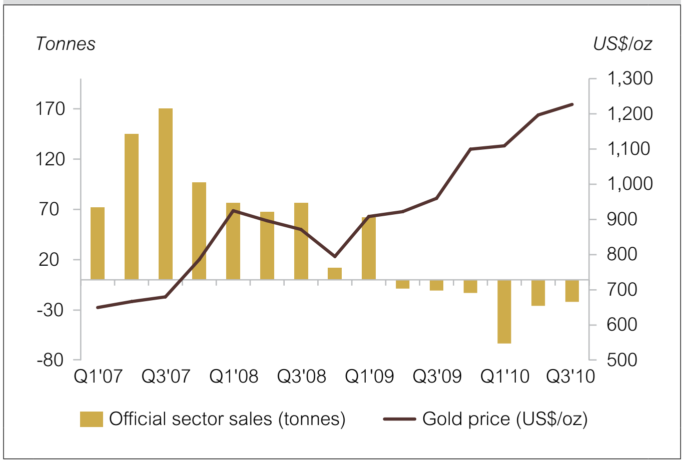


Source: GFMS, IHS Global Insight, WGC

believes that gold's distinctive and reliable properties,of conductivity, malleability and resistance to corrosion, will ensure it is viewed as the material of choice for many industrial uses. New applications such as nanoparticles could enhance gold's desirability in this sector and it is expected to be less sensitive to price increases.

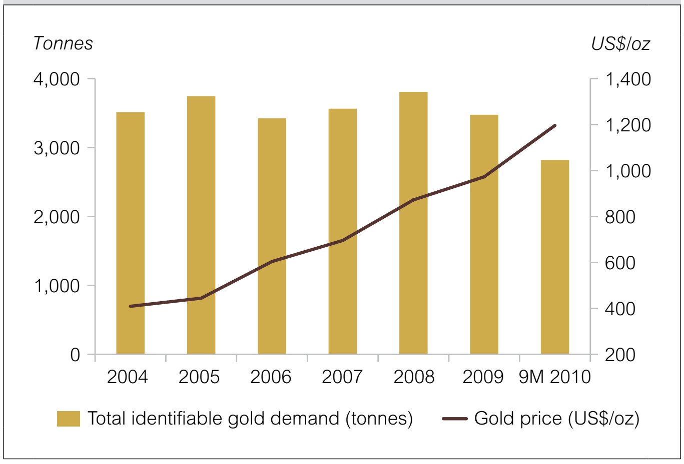
On the supply side, we reiterate our projection that total mine supply is likely to trend higher. This is due to mine project expansions, a ramping up of production to meet the recovery in gold demand and the diminishing scope for producer de-hedging in 2010. Higher supply is also expected to come from China, Australia and US, although this may be partially offset by lower output from countries such as South Africa and Peru due to declining ore grades and rising costs.

Chart 4: Quarterly contribution to supply from the official sector (tonnes) and gold price (US$/oz)



Source: GFMS, IHS Global Insight, WGC

Chart 5: Global gold demand (tonnes) and gold price (US$/oz)



Source: GFMS, IHS Global Insight, WGC

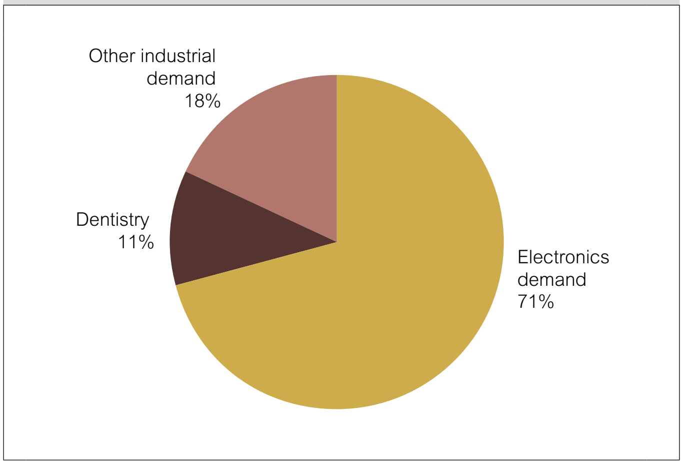
Focus piece

Industrial demand revives

We expect global gold industrial demand to sustain the recovery witnessed in the third quarter back to its long-term trend levels. In 2009, it accounted for approximately 11% of total annual gold demand. Q3 saw its portion of total demand of 12% move closer to its 5-year average of 13%. Electronics is the largest sector within the industrial category of demand, steadily growing its share of global industrial demand to reach 69% in 2009. Of the remainder, 20% is accounted for by other industrial and decorative demand for gold and 14% by dentistry. Taken as a whole, the sector has proved a very stable component of demand over the last decade. Although recent global recessionary pressures undoubtedly dampened this demand, it looks to have rapidly recovered, supported by growth in the dynamic economies of the developing world.

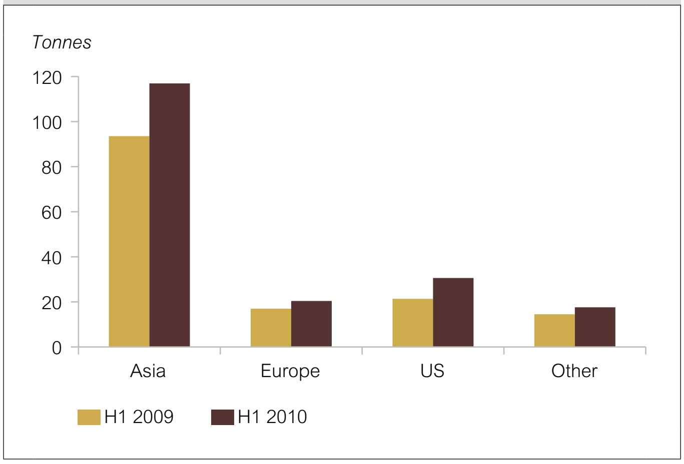
During the first 9 months of 2010 (9M'10), gold used in industrial applications rose 19% compared with the previous corresponding period, to 321 tonnes. The largest increase came from gold used in electronics in developing Asian countries. Gold used in electronic applications rose by 46 tonnes (26% YoY) from 176 tonnes in 9M'09 to 222 tonnes in 9M'10. Demand for gold used in other industrial and decorative products increased by 13% during the same period, to 62 tonnes. This was in sharp contrast to the continued contraction of gold used in dental alloys, dental fillings and crowns, where gold use fell 6% to 37 tonnes at the end of 9M'10.

Chart 6: Distribution of gold industrial demand (9 months 2010)



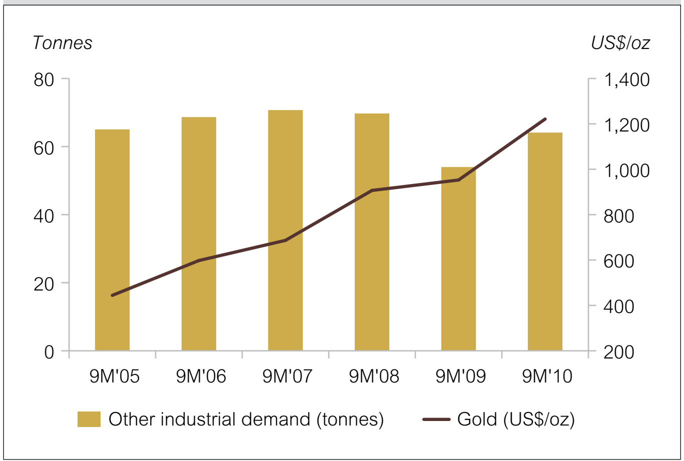
Source: GFMS, IHS Global Insight, Bloomberg, WGC

Chart 8: Gold industrial demand by region, 1H'10 vs. 1H'09 (tonnes)



Source: GFMS, IHS Global Insight, WGC

Chart 7: Gold use in other idustrial application (tonnes) and gold price (US$/oz)

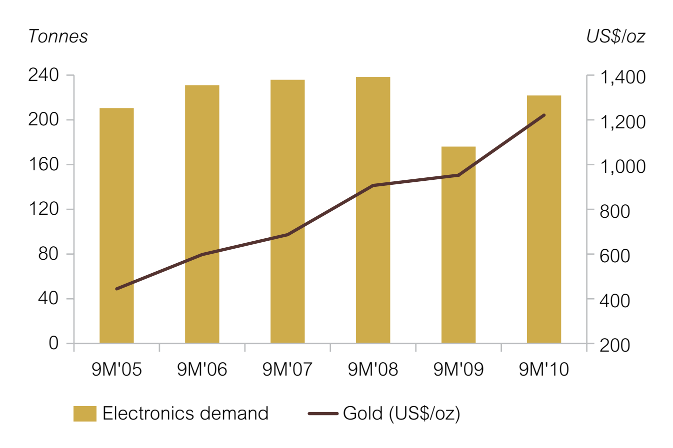


Source: GFMS, IHS Global Insight, Bloomberg, WGC

Chart 9: Largest gold industrial consuming countries in 1H'10 (% global market share)

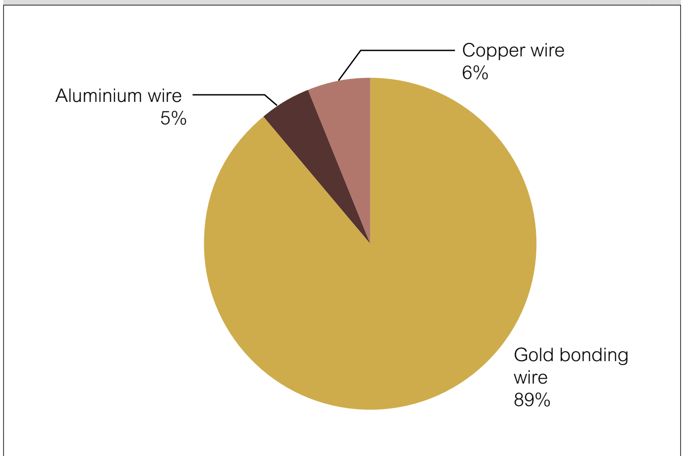
Source: GFMS, WGC

Chart 10: Gold use in electronics industry (tonnes) and gold price (US$/oz)



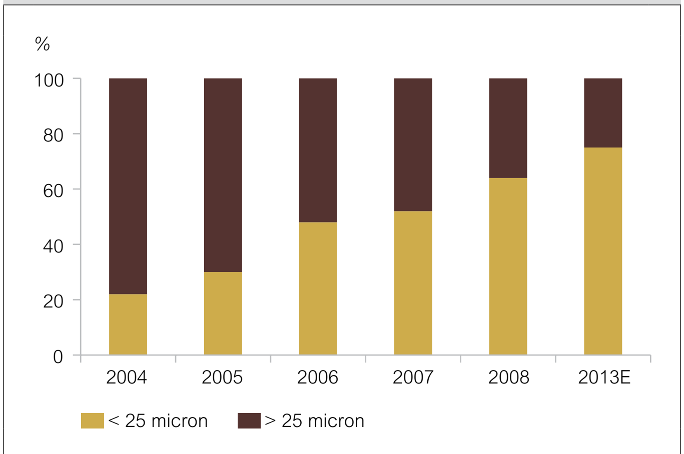
Source: GFMS, Bloomberg, WGC

Chart 11: Global bonding market volume by type (2009)



Source: SEMI Industry Research and Statistics, November 2009

Chart 12: Diameter trends for gold bonding wire (2004 - 2013E)



Note: E =Estimates from SEMICON
Source: SEMI Industry Research and Statistics, November 2009

In the first half of 2010 (H1 2010), Asia represented 63% of total gold industrial demand, followed by the US (16%). Demand in Asian markets totalled around 117 tonnes, up 25%year-on-year from 94 tonnes in H1 2009, while US and European demand improved by 43% year-on-year and 20% year-on-year, respectively, in the same period. Combined with other regions, global gold industrial demand increased 27% year-on-year, from 146 tonnes in H1 2009 to approximately 186 tonnes in H1 2010. The five largest markets for gold demand in the industrial sector are Japan, US, South Korea, China (including Hong Kong) and Taiwan.

Gold industrial demand to be driven by electronics and new tech demand

Electronics demand

A number of specific components in electronic goods - gold bonding wire, electroplated contacts, solder alloys, thick film pastes and metallised coatings - together used around 290 tonnes of gold per year on average over the five years from 2005 to 2009. In 2009, consuming industries from Japan, US and South Korea dominated the sector with a combined global market share of 68%.

Gold has a number of key attributes including excellent conductivity, resistance to corrosion, reliability and malleability, which make the metal the material of choice for many electronics uses, despite higher gold prices. Bonding wire is used to create the multitude of electronic connections within the chips that drive modern electronic products. These products also have significant quantities of gold plating on contacts and connectors. As a result, in electronic devices such as mobile phones and computers, there can typically be up to 25mg and 200mg of gold present per unit respectively.

According to SEMI, the industry association serving the global manufacturing supply chain for the microelectronics industry, in 2009 gold bonding wire represented almost 90% of the global bonding wire market in terms of volume and the metal is still the material of choice in advanced chip designs.

However, in the current gold price environment, chip manufacturers are undertaking considerable efforts to make thriftier use of gold. These initiatives focus on reducing the diameter of gold bond wire. Consumption for 25 micron diameter gold bonding wire and larger wire has been in decline since 2004, although there are technical limits to how far this trend can continue.

Another key challenge in relation to the use of gold in industrial and technology products is the consideration of substitutes and, specifically, the cost of alternative materials, particularly copper. Where manufacturers are producing low cost, mass-market electronic products, copper wire could initially be seen to be more appealing as the rising gold price is a growing concern for semiconductor makers. However, despite its basic cost, gold wire continues to be used for the vast majority of products for two key reasons. First, it is the fastest, easiest and most reliable wire to employ in chip manufacturing. Secondly, the reliability of chips produced using copper is still of widespread concern to key players in the semiconductor industry, as reported in a recent global survey of the industry.[1]

SEMI forecast the gold bonding wire market to grow at a compound annual growth rate of 7.7% on a volume basis between 2009 and 2013 to 18,420 million meters, with two-thirds of the sales to be of narrower (less than 25 micron diameter) wire.[2]

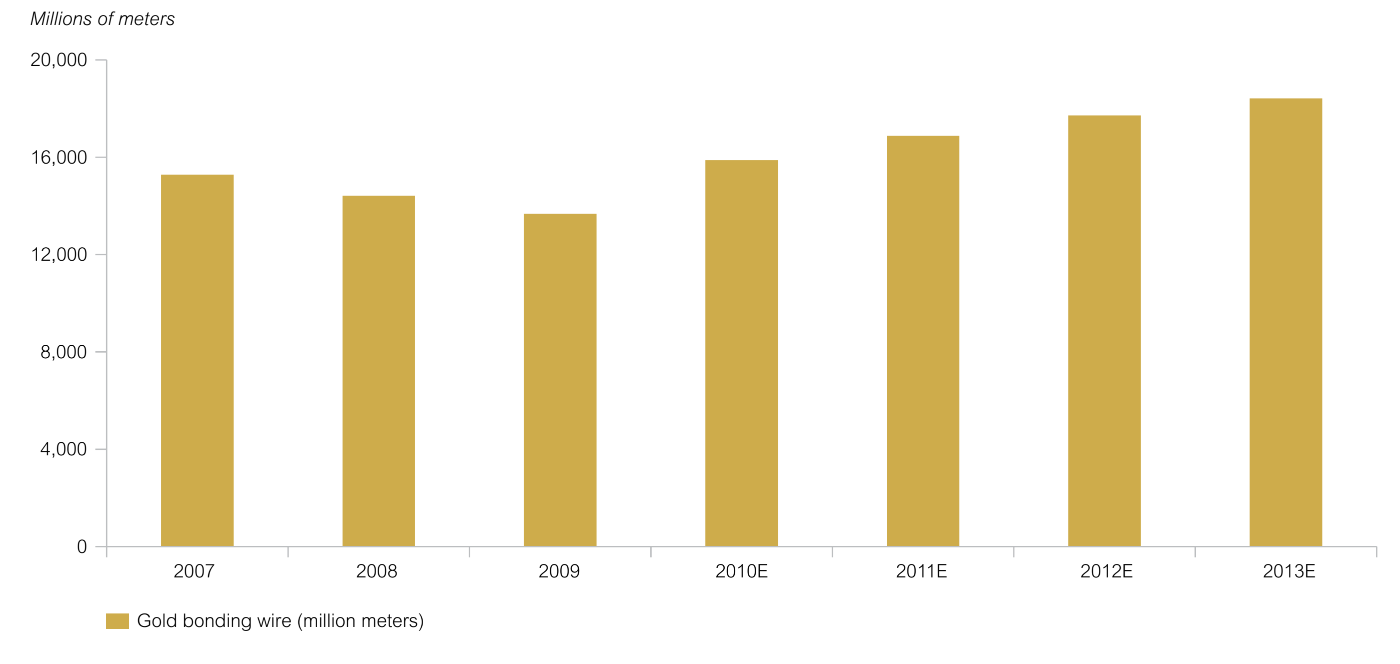
Dentistry

Gold's use in the dentistry sector in 2009 fell by 5% YoY to 53 tonnes, at a time when the average annual gold price increased by 12%YoY. This marks the fifth consecutive year in which dental demand for gold has continued to dwindle. Given the higher gold price environment in 2010, dental alloy manufacturers, dentists and patients continue to select cheaper alternatives such as ceramics, palladium, and epoxies.

Other industrial and decorative uses

Other industrial uses of gold cover a broad range of applications, including gold thread used in Indian cloth *(jari)*, decorative pastes and plating salts (i.e. gold potassium cyanide or GPC). GPC is mainly used in plating jewellery and accessories. The WGC expects demand from this sector to remain stable as a result of the move in some jewellery markets towards plated jewellery due to affordability issues.

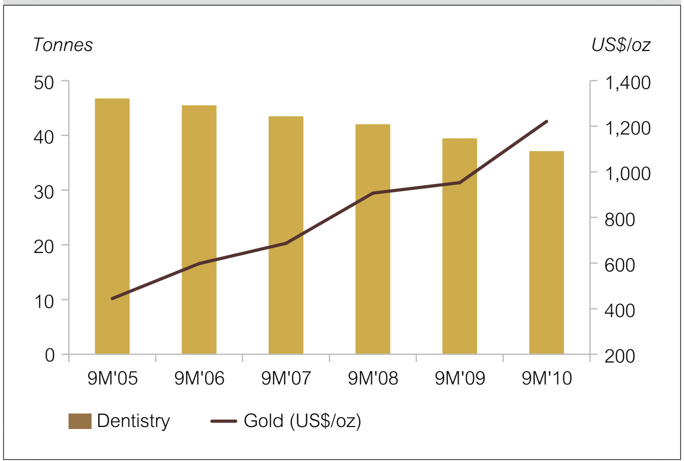
Chart 13: Gold bonding wire demand (million meters)



Note: E =Estimates from SEMICON
Source: SEMI Industry Research and Statistics, November 2009

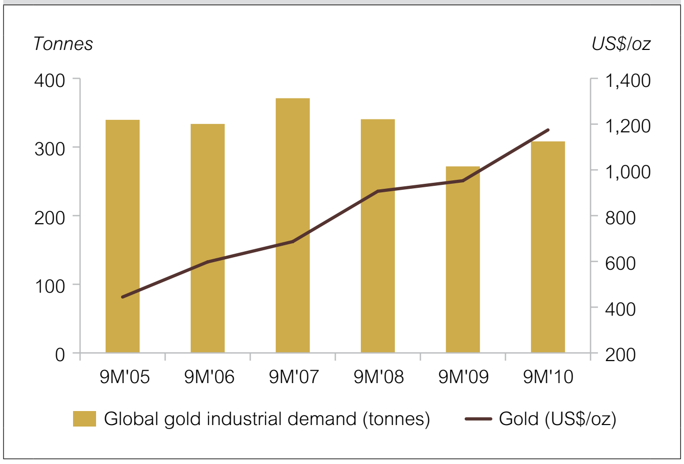
[1] Report by SEMI *'Semiconductor Industry Opinions Concerning the Selection of Bonding Wire Material' January 2010*
[2] Please refer to SEMICON's *Global Semiconductor Packaging Materials Outlook, November 2009*

Chart 14: Gold use in dentistry (tonnes) and gold price (US$/oz)



Source: GFMS, Bloomberg, WGC

Chart 15: Global gold industrial demand (tonnes) and gold price (US$/oz)



Source: GFMS, Bloomberg, WGC

New applications

Recent years have seen an explosion in research and development activities exploiting gold's unique chemical and physical properties. Many of these new technologies rely on using minute particles of gold (the field of science known as 'nanotechnology') meaning potential new industrial markets for the metal are viable even as the price rises.

Catalysts

The production of most industrially important chemicals involves catalysis. Important chemical procedures already benefit from the availability of gold-based catalysts, the most significant of which being the production of vinyl acetate monomer which is a key ingredient in polymers and resins. Recent years have seen vast improvements in the quality, activity and availability of gold catalysts, which the WGC believe will translate into deployment of the metal into other key chemical processes in the coming years.

In addition to chemical production, gold catalysts have other unique properties which may develop further demand for the metal. Environmental considerations are a key driver here, with legislation in a number of fields becoming increasingly stringent, particularly in automotive emissions.

Other examples in the field of environmental catalysis include gold's use in the removal of contaminants from coal-fired power stations, and in the treatment of chlorinated pollutants from waste-water streams. Each of these areas is becoming increasingly important, and represents significant potential for the use of gold in an industrial setting.

Medical

As the world's population continues to rise unabated, the diagnosis and treatment of disease becomes even more prominent as one of the key challenges of the 21st century. Gold is already a key component in a range of diagnostics (for example in pregnancy testing kits, and tests for food-borne pathogens) and therapeutics (such as the rheumatoid arthritis drug *Auranofin*).

Advances in the field of nanotechnology have widened the potential for gold in this key field. Gold nanoparticles are now being used as drug delivery vehicles in the treatment of cancer. Companies such as CytImmune and Nanospectra have conducted successful early phase human trials on treatments for solid tumours based on gold nanotechnology. Numerous other companies and academic groups are in the process of commercialising gold-based diagnostic tests for a huge range of diseases including cancer, HIV/AIDS and cardiovascular disease amongst others. There is also growing interest in the use of gold nanoparticles as an antimicrobial agent. This is at an early stage of development, but holds potential as a significant future source of demand for gold.

We expect the total future demand for gold in the medical sector to continue to rise, albeit from currently low levels. However, considering gold's increasingly significant role in a range of new treatments and the increased demands for medical applications from an ageing population across the globe, gold will be 'punching above its weight' in absolute terms.

Technology

Gold's use in the electronics industry as a vital component material is expected to continue in the long-term and have a wider application potential. For example, to enhance production of new advanced electronic devices, a number of companies (including Johnson Matthey) have developed gold nanoparticle inks that can be printed onto all manner of materials including plastics and paper. As so-called 'flexible electronics' gain traction in the market, the use of this conductive circuitry made with gold will add a new source of demand in technology.

In addition, gold has been shown to offer functional benefits to other areas of technology; visual display technology (through, for example, the use of gold nanoparticles in touch sensitive screens) and in higher density data storage (gold nanoparticles employed in flash memory and recordable disks). Of longer term interest is the potential of gold nanoparticles in solar cell technology.

Conclusion

The WGC expects demand for gold in the industrial sector to be supported by strong long-term fundamental electronics demand, given the metal's unique properties and the semiconductor industry's need for a material that combines proven performance and high reliability. Much of the growth in gold used in electronic products is anticipated to occur in India, China, Japan and other Asian nations, both due to growth in the electronics manufacturing industries in these regions and consumer demand for new consumer electronic products.

In addition to its current industrial applications, we believe gold will lie at the core of many technological breakthroughs in the coming years. The field of nanotechnology is of particular importance, and we expect the development of new applications, which will have a positive impact on lives around the world.[3]

[3] For an in depth study please refer to the World Gold Council, *Gold for Good: Gold and nanotechnology in the age of innovation (January 2010)*

Global gold market – Third quarter 2010 review

Third quarter total identifiable gold demand was 12% above year-earlier levels at 921.8 tonnes. Demand was down 10% from the previous quarter, largely due to a decline in investment demand from the exceptional levels seen in Q2 2010. In value terms, global gold demand totalled $36.4bn, a rise of 43% from Q3 2009. Rolling four quarter demand, in total value terms, reached an all time high of US$137.5bn.

The gold price rose 28% higher year-on-year to set a new quarterly record, averaging US$1,226.75 (using the London PM Fix) and eclipsing the previous quarter's record of US$1,196.74. The local currency gold price in China and Turkey rose by a similar magnitude (27% and 29% respectively year-on-year), while in India the rupee price rose by a slightly more restrained 23% year-on-year as the rupee appreciated moderately against the dollar. The average quarterly gold price in euro terms was 41% higher than year-earlier levels.

Global jewellery demand increased by 8% year-on-year to 529.8 tonnes. This was particularly noteworthy given that the gold price in a number of currencies was reaching new record highs. Growth was largely due to a strong performance in a small number of key markets including India, China, Russia and Turkey.

Jewellery demand measured in US$ value terms increased in every country, with the sole exception of South Korea. The value of global jewellery demand was up 38% year-on-year at US$21bn. The largest contribution to the increase in total demand came from the investment sector. Identifiable investment grew by 19% year-on-year, with the bulk of this growth coming from retail investors who increased their demand for retail gold products by 25%. Investment into ETFs and similar products was more subdued, down 7% compared to Q3 2009 levels.

Bar hoarding in particular recorded the healthiest growth rate, up 44% from year-earlier levels at 132.4 tonnes. This was primarily driven by a surge in demand among Asian investors, although the Middle East region also witnessed sturdy growth.

The quarterly supply of gold picked up momentum as recycling levels stayed buoyant in the high price environment. However, another quarter of net purchases from the official sector, combined with a higher than expected amount of producer de-hedging, offset this increase to some degree. Mine production remains above historical averages as producers respond to the high price environment.

During the third quarter, jewellery demand accounted for 57% of total tonnage demand, while investment contributed 31%. Industrial demand accounted for the remaining 12%, which is in line with the five-year annual average demand contribution from this sector. The five year average annual contribution from jewellery and investment is 65% and 23% respectively.

Jewellery demand

Third quarter jewellery demand totalled 529.8 tonnes, 8% above the corresponding period of 2009. Growth was fuelled by a small number of key markets. In an environment of rising prices, with record price levels being reached in a number of currencies, jewellery demand was up year-on-year in India, China, Turkey, Russia and Hong Kong. These results demonstrate that consumers in these countries are becoming accustomed to higher price ranges and, in some cases, that the investment aspect of gold is increasingly playing a role in demand for jewellery. Price expectations are also being revised upwards, with consumers preferring to make gold jewellery purchases at current prices in order to avoid purchasing at yet higher prices in future.

The data showing the value of jewellery demand across individual countries shows a different picture, with virtually every market recording a year-on-year increase in the US$ measure of demand. In other words, consumers were spending more money on gold jewellery.

India experienced the highest growth in jewellery demand, posting a increase of 36%. A rise in the value of the rupee against the US dollar offered Indian consumers some degree of protection from the full extent of the rise in the US$ price during the quarter. Demand increased to 184.5 tonnes from 135.2 tonnes a year earlier. In local currency value terms demand reached a remarkable Rs.338bn, 67% higher than the same period of 2009. Restocking by the trade ahead of the fourth quarter festive season was a key driver of growth. The India International Jewellery Show (IIJS) in August in particular witnessed enthusiastic demand.

Given the dual purpose of Indian jewellery, as both an adornment and an investment, the rising price helped to support demand for jewellery. Furthermore, consumers have adjusted their price expectations and are anticipating yet higher prices. This has had the twin effects of further reinforcing investment-related demand for gold jewellery while also encouraging consumers to purchase gold now rather than defer purchases to a time when prices are higher.

Jewellery demand across the Greater China region registered positive growth of 9% year-on-year. This growth was concentrated in mainland China and Hong Kong, while Taiwan witnessed a drop-off in demand (-13%) as record prices and a sluggish retail sector had a negative impact.

Demand in mainland China continued to improve, rising 8% from year-earlier levels to 101.3 tonnes, the second-highest quarterly figure on record. Strong economic growth continues to provide the backdrop to growth in this market, with retail sales of consumer goods in the first three quarters this year up 18.3% year-on-year. Gold's store of value and wealth accumulation properties came to the fore and consumers flocked to buy pure gold jewellery in recognition of these attributes. Demand for K-Gold (18K) was slightly less buoyant, but nevertheless above Q3 2009 levels as it is increasingly penetrating 2nd tier cities.

Gold jewellery demand in Hong Kong was up 22% year-on-year, the highest fourth quarter number for three years. Surging numbers of Chinese tourists boosted demand, aided by the September National Day holidays. The upcoming wedding season in Hong Kong further boosted demand numbers and information from the trade suggests that the average consumption of Chinese tourist of jewellery in Hong Kong is now above HK$ 6,000, almost double the level of 2007.

Demand throughout the rest of Asia was weak year-on-year as affordability was severely impaired by surging prices. Gold jewellery demand across these markets suffered at the hands of retail investment demand. Consumers responded to the record international gold price by switching their attention to gold bars and investment products. The mark up on these products tends to be lower than those on gold jewellery, which will include manufacturing and, sometimes, branding costs. South Korea was the largest casualty; demand here fell 31% year-on-year. Thailand (-13%), Indonesia (-19%) and Vietnam (-17%) all recorded double-digit losses. Japan posted less of a decline than these markets (-3%) but the market has become more polarised, with demand for high end items being offset by lower carat, mass market product. In local currency value terms, demand gained 13% from the year earlier period, to almost ¥15bn.

Tonnage demand in the Middle East declined 11% on a regional basis to 60.4 tonnes from 68.0 tonnes in the third quarter of 2009. However, demand in value terms showed a solid performance, with all countries recording double-digit year-on-year gains. Egypt (-8%) and the UAE (-9%) showed the smallest declines in volume terms. Saudia Arabia and the Other Gulf group of countries both witnessed a drop of 10% year-on-year. Demand across the region followed a similar pattern: healthy demand in July, aided by the wedding season coinciding with a dip in prices, followed by a weak August and September, as Ramadan and price volatility discouraged purchases. Across the region, the uplift in demand during July was concentrated in the 21 and 22 carat segments, while demand for lower carat jewellery remained subdued.

Third quarter jewellery demand in Turkey managed a modest 3% year-on-year rise to 31.4 tonnes. This translated to a 33% rise in local currency value terms, to TL1.9bn. Much of this growth took place in the first few weeks of the quarter. Demand surged in July, stimulated by a correction in the local gold price at the same time as the wedding season, before tailing off again in August (the holy month of Ramadan) and September. Consumers seemed to use the dip in price as an opportunity to buy higher carat gold, as the increase in demand was largely directed towards 18-22 carat jewellery while 14 carat did not experience the same lift.

Russia was the sixth largest market in the third quarter as domestic consumers increasingly satisfied their appetite for gold jewellery. Demand of 17.7 tonnes was up 17% on Q3 2009. The 14 carat segment was the most popular, with 18 carat and diamond-set jewellery tailing behind.

Gold jewellery demand in the western markets continued to suffer during the third quarter in the environment of high gold prices.

In the US, jewellery tonnage was down 5% year-on-year, which represented a marginal improvement on the year-to-date decline of 6%. An improvement in consumer confidence versus 2009 has predominantly supported the higher end of the market, where higher prices encouraged consumers to buy into the premium value of gold jewellery. However, with the average third quarter US$ gold price up 28% versus Q3 2009, and surpassing US$1,300/oz by end of Q3, mass market retailers have continued to be negatively affected. In particular jewellery chains and discount stores, where the majority of gold sales are under US$500 per piece, have continued to decrease the weight of gold in their pieces in order to maintain low price points. Sterling silver and gold plated pieces are also growing in popularity and taking market share from gold jewellery. In US$ value terms, year-on-year demand growth was 21%, suggesting that consumers are willing to allocate a greater share of their spending on gold jewellery.

European consumers showed similar tendencies, with markets across the region witnessing a shift to lower carat jewellery and significant substitution of silver at the lower end. In Italy, the high gold price and difficult economic conditions combined to discourage consumers from spending on gold jewellery. Consequently, tonnage demand fell 11% to 5.2 tonnes. In euro terms however, this equated to a rise of 26% as value demand totalled €158mn. The third quarter was much the same for the UK, with tonnage demand falling 10% from year-earlier levels while value demand was up 21% at £116mn.

Industrial demand

Demand for gold used in industrial and dental applications registered a 13% year-on-year increase in Q3 (to 110.2 tonnes), delivering the sixth consecutive quarterly rise since the recession-driven lows of Q1 2009. Electronics demand was again the main engine of growth (up 18% year-on-year), boosted by healthy consumer demand. Other industrial & decorative fabrication also saw solid gains, rising 13% year-on-year on the back of a strong performance in Indian demand. Lastly, gold used in dental applications remained stable on a quarterly basis though declined 7% from year-earlier levels.

The electronics sector continued to generate solid demand in the third quarter, up 18% year-on-year. From the low of Q1 2009, gold used in the electronics industry has risen consecutively each quarter and volumes have now increased by over 50% from this period. Stronger economic growth, particularly from the developing world (principally China and India), and improving consumer sentiment elsewhere have boosted demand for electronic personal and household products that use semiconductors. These include personal computers, notebooks, televisions and mobile and smart phones. Moreover, there is little sign that the surge in gold prices seen to date has had a significant effect on gold bonding wire fabrication. While take up of cheaper alternatives such as plain copper and palladium coated copper wire has gained pace, demand for traditional gold wires currently remains healthy. According to the Semiconductor Industry Association (SIA), semiconductor sales in August (the latest data available) reached US$25.7bn, up 2% on July and 33% stronger than the corresponding period in 2009.

Personal computer sales for the period surged 11% year-on-year according to industry analysts, although this figure was slightly below industry expectations. The major obstacle to growth in the third quarter of 2010 appears to be softness in consumer demand in the US and Western Europe, a product of a weaker economic climate and poor consumer sentiment. The success of media tablets (iPads for example) is also reportedly having an impact on sales of personal computers and notebooks to some extent, although growth in this segment is still being achieved.

Demand growth was witnessed across all the major markets in Q3, with Japan and the US both recording increases of approximately 20% year-on-year. Elsewhere across East Asia, China's electronics segment benefited from surging domestic demand, rising almost 30% for the period, while Taiwan saw gains of around 25%.

Demand from the other industrial and decorative segment was 13% up on year-earlier levels at 20.1 tonnes. This was chiefly due to a near 70% jump in Indian demand, although solid gains were also registered in several markets across East Asia, Europe and the United States. Price acceptance and expectations look to be the twin drivers of India's robust demand as consumers have become more accustomed to higher price levels and are willing to restock inventory given the belief that higher prices will prevail. The demand for gold thread *(jari)* used in traditional clothing has been a notable beneficiary. Higher rupee gold prices have also led to a rise in demand for gold potassium cyanide (GPC) used to produce plated costume jewellery. Elsewhere, domestic demand in China for gold plated items (electroplated giftware for example) shows little sign of slowing as the economy continues to grow at a rapid clip, boosting demand in this area. Double-digit gains were also recorded in South Korea and Taiwan, while demand was stable in Italy and modest falls were registered in Japan and Switzerland.

Lastly, gold used in dental applications slipped 7% year-on-year. This was primarily the result of rival products gaining market share (namely ceramic for its cosmetic attributes and cobalt-chrome amalgams for their price benefits). The sharp rise in the gold price over the quarter accelerated the rate of decline, encouraging consumers to more readily accept the less expensive alternatives. Annual declines were registered across all the major markets, led by a marked decline in Germany.

Investment demand

Third quarter identifiable investment reached 281.8 tonnes, equating to growth of 19% from year-earlier levels. In US$ terms, this translated to a quarterly value of US$11.1bn (up 53% year-on-year).

Investment growth was the result of a sharp improvement in demand for physical gold products among retail investors globally. The strongest performance occurred in the bar hoarding element of retail investment, which largely accounts for physical demand in the non-western markets. However, the 'other identified retail investment' category of demand, which largely covers demand among western investors, also generated healthy year-on-year gains. Official coin demand was less buoyant, but managed a 2% improvement over Q3 2009 to 50.3 tonnes.

Demand for ETFs and similar products of 38.7 tonnes was well below the previous quarter's remarkable levels, and moderately down on year-earlier levels, as a result of net outflows early in the quarter. July's price correction, at a time when concerns regarding sovereign default risk were receding, encouraged some investors to take profit on their investments. However, August and September subsequently witnessed substantial inflows as the gold price resumed its upward trend. Inflows into ETFs fully backed by physical gold during Q3 2010 recorded 28.0 tonnes, as reported in the Gold Investment Digest. These ETFs correspond to a subset that the WGC independently monitors among the broader category of ETFs and similar products.

Investment in physical gold products (bars and coins etc) in Q3 was a global phenomenon, benefitting from a broad base of investor support that spanned all regions. However, there were some regional differences in the motives driving the investment demand.

Chinese investors continued to flock to gold in the third quarter. Demand for gold bars and coins reached 45.1 tonnes, exceeding the previous quarterly record of 39.6 tonnes in Q1 2010. The value of this demand in local currency terms was a record RMB12bn, a year-on-year gain of 64%.

The rising price of gold attracted investment flows, but the appeal of gold was also enhanced by the shortcomings of alternative investment vehicles. Rising inflation has been eating away at real interest rates in China, with the result that bank deposits now offer negative real returns (of around -1.0%). Meanwhile the property market, another popular investment choice in China, has been subject to government measures designed to cool rising prices. Faced with these limitations, Chinese investors in their droves have instead chosen to direct a proportion of their considerable savings to gold investment products. This trend has been aided by the increasing availability of physical gold investment products, with gold bars being offered by a wider range of outlets including banks, bullion houses and even department stores.

In Taiwan, although net retail investment was a negligible 0.4 tonnes, this represented a swing from negative investment of -2.0 tonnes in the year earlier period. Transaction volume was brisk during the quarter, with profit-taking almost matching fresh demand. Demand for the Bank of Taiwan's Gold Passbook and golden Holobars was firm. In Hong Kong, gold investment of 0.3 tonnes remained insignificant, but nevertheless this was a notable improvement (32% YoY) on just 0.2 tonnes in the corresponding period of 2009.

Investment across the Asian markets was firmer with the exception of Japan, where dishoarding gathered pace. Japanese investors sold back 10.0 tonnes of gold in the third quarter, compared with 2.7 tonnes in Q3 2009. The rise in gold prices generated considerable media interest, although the local currency price did not rise to the same extent as the US$ price, as the yen appreciated against the US dollar during the quarter. The level of dishoarding was only half that of the previous quarter as the surging price encouraged some investors to hold on to their gold for a bit longer, aiming for a higher target price.

Conversely, in the remaining East Asian markets, net retail investment demand was buoyant. Thailand witnessed a tremendous surge in the demand for gold bars (+173% year-on-year), as investors aggressively bought into the price rally. The net figure masks a considerable degree of profit-taking among the Thai investment community, but new buying outweighed selling back by 20.5 tonnes.

In Vietnam, investment demand increased by 25% year-on-year as investors rushed to capitalise on the price rise by purchasing large amounts of gold *tael* bars. Local prices were pushed to a significant premium above the international price as result of the stampede, which was also encouraged by high domestic inflation rates and continued devaluation of the Vietnamese dong versus the US dollar.

Investors in both Indonesia and South Korea experienced a surge in interest in gold bars, as the price rise attracted considerable attention, although absolute levels of investment remained low at 1.5 tonnes and 1.3 tonnes respectively.

Indian third quarter net retail investment edged up to 45.1 tonnes (up 1% from Q3 2009). This small increase reflected the growing expectation among retail investors of still higher prices to come. Consequently, even at record prices, new investors were seen entering the market. Existing investors generally tended to hold on to their holdings in anticipation of greater longer-term returns.

In Turkey, the local currency value of net retail investment demand rocketed 353%, to almost equal the previous peak set in the third quarter of 2008 (when demand spiked as the global economic scenario took a turn for the worse). Demand in value terms reached TL943m, equivalent to tonnage demand of 15.8 tonnes (+251% year-on-year). A resurgence of coin demand was aided by the price dip in July coinciding with the wedding season (gold coins play a traditional role in the wedding ceremony.

Markets across the Middle East region had a mixed quarter, with Egypt recording a slight drop in investment (-5% YoY) while the UAE experienced healthy growth in net demand (+23% YoY) despite a good degree of profit-taking. Saudi Arabia (+4% YoY) and the Other Gulf countries (+1% YoY) were muted, but increasing interest is being reported in Saudi Arabia in response to the rising price.

A 36% year-on-year increase in retail investment demand in the US demonstrated a continued appetite for gold investment products among US consumers. The quarter-on-quarter comparison was less positive however, as the fears and concerns that fuelled a sharp rise in Q2 demand receded and investors were not chasing gold products with the same urgency. Demand growth was concentrated in September as the summer months of July and August were relatively subdued.

It was much the same story in Europe, with demand slowing sharply quarter-on-quarter as the sovereign debt crisis eased and investor concerns abated. The year-on-year comparison was less positive however, with Germany and Switzerland broadly stable compared with Q3 2009, while 'Other Europe' (which mostly covers German-speaking countries) slipped -18%. France was the best performer as fresh purchases of gold products outweighed selling for a third consecutive quarter, by a modest 0.3 tonnes.

US and European markets are notable for the fact that investment demand seems to be long term in nature and profit-taking is insignificant. This is even the case in France, where dishoarding is concentrated among long-term holders of gold and limited selling back is being seen from new investors.

Supply

The supply of gold in the third quarter totalled 1,028 tonnes, 18% above year-earlier levels. A 3% rise in mine production and a 41% increase in the supply of recycled gold were partially offset by larger net purchases from the official sector.

Third quarter mine production grew by 3% year-on-year to reach 702.0 tonnes. Growth was due to a combination of a number of new projects coming on stream and expansion of production at a number of existing mines.

In Australia, output at Newmont's Boddington mine was up 7.0 tonnes year-on-year, with higher grades of ore boosting production. In the US, higher than expected grades from Barrick's Cortez Hills mine resulted in increased gold production, while its Veladero operation in Argentina generated an additional 7.0 tonnes of production compared with Q3 2009, also thanks to higher grades.

Offsetting these gains were declines in gold mine production in Peru and Indonesia. Year-on-year losses in Peru amounted to 10.0 tonnes, largely as a result of lower grades due to mine sequencing at Yanacocha. In Indonesia, mine sequencing again resulted in a drop in production at Grasberg.

Net producer de-hedging continued to act as a slight constraint on supply during the third quarter, although at 70.0 tonnes this was below the 97.7 tonnes of de-hedging recorded during the year-earlier period. Anglogold Ashanti announced in early October that it had completed the elimination of its hedge book, which had stood at around 95.0 tonnes at the end of the second quarter. The move enables the company to sell gold at market prices.

Australian company Resolute Mining also reported that it would close out its hedge book, while Norton Gold Fields also announced that it had cleared its hedge book after completing a litigation settlement with Lehman Brothers, which cancelled its gold hedge with the bankrupt investment bank.

Elsewhere, the only significant hedging activity undertaken to lock in prices was by Sumitomo Mining, which extended the options hedging it took out in September 2009. The transaction limits the company's exposure to the gold price between July 2012 and June 2013.

The official sector posted its sixth consecutive quarter of net purchases, although these were not significant in magnitude compared with historical levels of selling. Purchases by central banks outweighed sales by some 21.9 tonnes, double the net purchase amount of 10.7 tonnes in the corresponding period of 2009. This reflects a growing buy-side interest among the official sector community, although IMF sales have continued under the auspices of the third Central Bank Gold Agreement (CBGA3).

September saw the end of first year of CBGA3. During this time, sales from Eurozone banks amounted to just 6.9 tonnes, the lowest annual sales figure under any of the Agreements, demonstrating a reduced appetite among the eurozone banks for disposing of gold reserves. In September 2009, the Bundesbank announced that it would limit sales during the first 12 months of the agreement to 6.5 tonnes. In the event, sales have come in slightly below this level, with 5.8 tonnes sold for the purpose of minting coin. Elsewhere, the central banks of Greece and Malta have each sold negligible amounts.

According to latest available information, IMF sales of gold covered by the agreement total 129.1 tonnes, in addition to the 222.0 tonnes of gold sold in off-market transactions to a number of central banks. As at the end of September, this left 52.2 tonnes of IMF gold remaining for sale from the total allocation of 403.3 tonnes.

Outside of the CBGA, a number of official institutions were seen purchasing gold during the quarter, including the central banks of Russia (+46.2 tonnes) and the Philippines (+4.2 tonnes to end-August, latest data available). Russia's central bank has a well-documented programme of accumulation and the central bank of the Philippines continues to buy locally produced gold. Thailand and Sri Lanka also added to their gold reserves during the quarter. Thailand reported a purchase of 15.6 tonnes of gold in July, taking its gold reserves to 99.5 tonnes. Latest statistics show Sri Lanka's reserves increasing by 6.9 tonnes in July, on top of a series of purchases made between October 2009 and February 2010. The bank confirmed to local media that it had been adding gold to its reserves in the 10-month period to end-July 2010, including the 10 tonnes purchased from the IMF in an off-market transaction. Total gold holdings have grown to 24.2 tonnes.

The supply of recycled gold remained at elevated levels in comparison to long term averages, 41% up year-on-year at 417.7 tonnes. This growth partly reflects an increasing contribution from Western consumers, who are becoming more aware of the value of their gold holdings, thanks to media interest generated by record gold prices and increased advertising by gold dealers. For the most part, however, the growth was generated by the more traditional gold markets where gold recycling activity is well established, such as India and the Middle East.

As supplies of recycled gold have been relatively buoyant for several consecutive quarters, there is some evidence that near-market supplies in these traditional markets are becoming exhausted and that a fresh surge in the price would be required to generate another significant wave of selling-back. However, awareness is growing among western consumers as to the opportunities for selling back items of old gold while the infrastructure for them to do so is improving rapidly, reflected in the steadily rising numbers for Western recycling activity over the last twelve quarters.

Gold demand statistics

Demand

Table 1: Identifiable gold demand[1] (tonnes)

	2008	2009	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10[2]	% Ch Q3'10 vs Q3'09	4 Quarter % Ch[3]
Jewellery consumption	2,189.8	1,758.5	328.1	430.5	489.7	510.1	516.3	422.2	529.8	8	10
Industrial and dental	439.1	373.2	79.1	93.6	97.2	103.3	103.9	106.4	110.2	13	18
Electronics	292.9	246.4	49.9	60.0	66.3	70.3	70.4	73.6	77.9	18	27
Other industrial	90.5	74.2	16.2	20.4	17.8	19.8	20.9	20.6	20.1	13	6
Dentistry	55.7	52.7	13.0	13.2	13.2	13.2	12.7	12.2	12.2	-7	-5
Identifiable investment	1,176.7	1,342.4	612.9	242.2	236.1	251.2	221.1	526.8	281.8	19	-16
Net retail investment	855.8	725.3	147.9	185.5	194.7	197.2	216.6	235.6	243.1	25	3
Bar hoarding	381.0	211.6	-23.1	72.8	92.2	69.8	119.0	102.8	132.4	44	64
Official coins	187.3	230.7	69.9	56.5	49.4	54.9	44.7	69.3	50.3	2	-8
Medals/imitation coins	67.7	53.3	2.5	13.2	17.6	20.0	20.1	12.8	17.2	-2	34
Other identified retail invest.[4]	219.8	229.7	98.6	43.0	35.5	52.6	32.7	50.7	43.3	22	-44
ETFs and similar products[5]	320.9	617.1	465.1	56.7	41.4	54.0	4.5	291.3	38.7	-7	-41
Total identifiable demand	3,805.6	3,474.1	1,020.1	766.3	823.0	864.6	841.3	1,055.4	921.8	12	0
London PM fix, US$/oz	871.96	972.35	908.41	922.18	960.00	1,099.63	1,109.12	1,196.74	1,226.75	28	29

Source: GFMS. 1. Identifiable end-use consumption excluding central banks. 2. Provisional. 3. Percentage change, 12 months ended September 2010 vs 12 months ended September 2010. 4. "Other retail" excludes primary coin off-take; it represents mainly activity in North America and Western Europe. 5. 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, Credit Suisse Xmtch and Dubai Gold Securities.

Table 2: Identifiable gold demand[1] (US$mn)

	2008	2009	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10[2]	% Ch Q3'10 vs Q3'09	4 Quarter % Ch[3]
Jewellery consumption	61,196	55,497	9,583	12,765	15,114	18,034	18,411	16,243	20,895	38	43
Industrial and dental	12,375	11,739	2,309	2,775	3,002	3,653	3,706	4,094	4,348	45	52
Electronics	8,275	7,765	1,456	1,779	2,045	2,485	2,509	2,830	3,071	50	63
Other industrial	2,538	2,326	472	605	549	700	745	793	794	45	38
Dentistry	1,561	1,648	381	392	407	468	451	470	483	19	23
Identifiable investment	32,310	41,249	17,902	7,180	7,287	8,880	7,884	20,271	11,115	53	11
Net retail investment	23,425	22,801	4,319	5,499	6,009	6,973	7,725	9,065	9,589	60	36
Bar hoarding	10,542	6,793	-676	2,158	2,845	2,466	4,243	3,956	5,221	84	117
Official coins	5,172	7,183	2,041	1,676	1,526	1,940	1,596	2,668	1,983	30	20
Medals/imitation coins	1,881	1,713	73	391	543	705	718	492	677	25	74
Other identified retail invest.[4]	5,829	7,111	2,880	1,274	1,095	1,861	1,167	1,949	1,707	56	-25
ETFs and similar products[5]	8,885	18,448	13,582	1,681	1,278	1,907	159	11,206	1,526	19	-22
Total identifiable demand	105,881	108,485	29,794	22,720	25,403	30,568	30,001	40,608	36,357	43	31

Source: GFMS. 1. Identifiable end-use consumption excluding central banks. 2. Provisional. 3. Percentage change, 12 months ended September 2010 vs 12 months ended September 2010. 4. "Other retail" excludes primary coin off-take; it represents mainly activity in North America and Western Europe. 5. 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, Credit Suisse Xmtch and Dubai Gold Securities.

Table 3: Investment demand[1] (tonnes except where specified)

	2008	2009	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10[2]	% Ch Q3'10 vs Q3'09	4 Quarter % Ch[3]
Identifiable investment	1,177	1,342	613	242	236	251	221	527	282	19	-16
Net retail investment	856	725	148	185	195	197	217	236	243	25	3
Bar hoarding	381	212	-23	73	92	70	119	103	132	44	64
Official coin	187	231	70	57	49	55	45	69	50	2	-8
Medals/imitation coins	68	53	3	13	18	20	20	13	17	-2	34
Other identified retail invest.[4]	220	230	99	43	35	53	33	51	43	22	-44
ETFs and similar products[5]	321	617	465	57	41	54	4	291	39	-7	-41
Inferred investment[6]	-200	554	217	188	25	123	34	-2	89	248	-41
Total investment	976	1,897	830	431	262	375	255	525	370	42	-21
Total investment, US$mn	26,954	58,323	24,239	12,765	8,073	13,246	9,102	20,213	14,609	81	3

Source: GFMS. 1. Identifiable end-use consumption excluding central banks. 2. Provisional. 3. Percentage change, 12 months ended September 2010 vs 12 months ended September 2010. 4. "Other retail" excludes primary coin off-take; it represents mainly activity in North America and Western Europe. 5. 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, Credit Suisse Xmtch and Dubai Gold Securities. 6. This is the residual from combining all the other data in the table. It includes institutional investment (other than ETFs & similar), stock movements and other elements as well as any residual error.

Supply

Table 4: Gold supply and demand (WGC presentation)
Note: Jewellery data in this table refer to fabrication not consumption and quarterly data differ from the data in tables 1 and 2

	2008	2009	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10[1]	% Ch Q3'10 vs Q3'09	4 Quarter % Ch[2]
Supply											
Mine production	2,410	2,579	584	639	681	675	608	644	702	3	3
Net producer hedging	-352	-252	0	-31	-97	-125	-19	5	-70	...	..
Total mine supply	2,058	2,327	584	608	584	550	588	649	632	8	2
Official sector sales[3]	232	30	62	-9	-11	-13	-63	-26	-22	...	...
Recycled gold	1,316	1,672	606	366	297	403	365	452	418	41	-1
Total supply	3,605	4,028	1,252	965	871	940	890	1,075	1,028	18	-4
Demand											
Fabrication											
Jewellery	2,190	1,758	343	441	512	462	531	443	548	7	11
Industrial and dental	439	373	79	94	97	103	104	106	110	13	18
Sub-total above fabrication	2,629	2,132	422	535	609	566	635	549	658	8	12
Bar and coin retail investment[4]	636	496	49	143	159	145	184	185	200	26	30
Other retail investment	220	230	99	43	35	53	33	51	43	22	-44
ETFs and similar products	321	617	465	57	41	54	4	291	39	-7	-41
Total demand	3,806	3,474	1,035	777	845	817	856	1,076	940	11	1
Inferred investment[5]	-200	554	217	188	25	123	34	-2	89	248	-41
London PM fix (US$/oz)	872	972	908	922	960	1,100	1,109	1,197	1,227	28	29

Source: GFMS. Data in this table are consistent with those published by GFMS but adapted to the WGC's presentation and take account of the additional demand data now available. The "inferred investment" figure differs from the "implied net (dis)investment" figure in GFMS' supply and demand table as it excludes "ETFs and similar" and "other retail investment". 1. Provisional. 2. Percentage change, 12 months ended September 2010 vs 12 months ended September 2010. 3. Excluding any delta hedging of central bank options. 4. Equal to net retail investment from Table 1 less the 'other identified retail investment' category. 5. This is the residual from combining all the other data in the table. It includes institutional investment other than ETFs & similar, stock movements and other elements as well as any residual error.

Consumer demand[1] trends in individual countries

Table 5: Consumer demand[1] in selected countries: Q3 2010 (tonnes)

	Q3 2009			Q3 2010			% Ch Q3 2010 vs Q3 2009		
	Jewellery	**Net retail invest.**	**Total**	**Jewellery**	**Net retail invest.**	**Total**	**Jewellery**	**Net retail invest.**	**Total**
India	135.2	44.4	179.6	184.5	45.0	229.5	36	1	28
Greater China	99.3	33.0	132.3	107.9	45.8	153.7	9	39	16
China	93.5	34.8	128.2	101.3	45.1	146.4	8	30	14
Hong Kong	4.1	0.3	4.4	5.0	0.3	5.3	22	32	23
Taiwan	1.8	-2.0	-0.2	1.6	0.4	2.0	-13	...	...
Japan	4.5	-2.7	1.8	4.4	-10.0	-5.7	-3	...	...
Indonesia	13.6	1.0	14.6	11.0	1.5	12.5	-19	50	-15
South Korea	5.0	-1.6	3.4	3.4	1.3	4.7	-31	...	38
Thailand	1.7	7.5	9.2	1.5	20.5	22.0	-13	173	139
Vietnam	3.6	16.0	19.6	2.9	20.0	22.9	-17	25	17
Middle East	68.0	6.4	74.5	60.4	6.9	67.4	-11	8	-10
Saudi Arabia	25.3	4.5	29.8	21.7	4.7	26.4	-14	4	-11
Egypt	16.6	0.2	16.8	15.2	0.2	15.4	-8	-5	-8
UAE	18.8	1.3	20.1	17.2	1.6	18.8	-9	23	-6
Other Gulf	7.3	0.4	7.7	6.3	0.4	6.7	-14	1	-13
Turkey	30.5	4.5	35.0	31.4	15.8	47.2	3	251	35
Russia[2]	15.1	...	15.1	17.7	...	17.7	17	...	17
USA	39.0	18.3	57.3	37.0	24.8	61.8	-5	36	8
Italy[2]	5.8	...	5.8	5.2	...	5.2	-11	...	-11
UK[2]	5.1	...	5.1	4.6	...	4.6	-10	...	-10
Europe ex CIS[3]	...	49.7	49.7	...	48.0	48.0	...	-3	-3
France[3]	...	-0.1	-0.1	...	0.3	0.3	...	...	...
Germany[3]	...	21.9	21.9	...	22.1	22.1	...	1	1
Switzerland[3]	...	16.8	16.8	...	16.5	16.5	...	-2	-2
Other Europe[3]	...	11.1	11.1	...	9.1	9.1	...	-18	-18
Total above	426.3	176.5	602.9	471.8	219.7	691.4	11	24	15
Other	63.3	18.2	81.5	58.0	23.4	81.5	-8	29	0
World total	489.7	194.7	684.4	529.8	243.1	772.9	8	25	13

Source: GFMS. 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

Table 6: Indian supply estimates

Figures in tonnes	Q3'09	Q4'09	Q1'10	Q2'10	Q3'10	2009
Supply						
Net imports, available for domestic consumption	176	204	250	160	214	559
Domestic supply from recycled gold	18	16	14	20	25	111
Domestic supply from other sources	3	3	1	1	1	-25
Equals total supply available for fabrication	197	223	265	181	240	645
Net imports of finished jewellery and inventory change	-12	-11	-11	-6	-5	-32
Supply available for end use consumption	185	212	254	175	235	612

Source: GFMS. 1. Domestic supply from local mine production, recovery from imported copper concentrates and disinvestment. 2. This supply can be consumed across the three sectors - jewellery, investment and industrial. Consequently, the total supply figure in the table will not add to jewellery plus net retail investment demand for India.

Table 7: Consumer demand[1] in selected countries: Q3 2010 (value, US$mn)

	Q3 2009			Q3 2010			% Ch Q3 2010 vs Q3 2009		
	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total
India	4,173	1,370	5,544	7,277	1,775	9,052	74	30	63
Greater China	3,066	1,019	4,084	4,254	1,806	6,060	39	77	48
China	2,884	1,073	3,957	3,995	1,778	5,773	39	66	46
Hong Kong	127	8	134	197	13	210	56	69	57
Taiwan	55	-62	-7	61	16	77	11	...	...
Japan	139	-85	54	172	-394	-223	24	...	...
Indonesia	420	31	451	432	59	491	3	92	9
South Korea	153	-48	105	134	51	185	-12	...	77
Thailand	52	233	284	58	810	868	11	248	205
Vietnam	110	494	604	116	789	905	6	60	50
Middle East	2,099	198	2,298	2,384	273	2,657	14	38	16
Saudi Arabia	781	139	920	856	185	1,041	10	33	13
Egypt	512	6	519	601	8	609	17	22	17
UAE	580	40	620	678	63	741	17	57	20
Other Gulf	226	13	239	249	17	266	10	29	11
Turkey	941	139	1,080	1,239	623	1,863	32	349	72
Russia[2]	465	...	465	698	...	698	50	...	50
USA	1,204	563	1,767	1,459	978	2,437	21	74	38
Italy[2]	179	...	179	204	...	204	14	...	14
UK[2]	157	...	157	180	...	180	15	...	15
Europe ex CIS[3]	...	1,534	1,534	...	1,893	1,893	...	23	23
France[3]	...	-3	-3	...	12	12	...	...	...
Germany[3]	...	676	676	...	872	872	...	29	29
Switzerland[3]	...	519	519	...	651	651	...	26	26
Other Europe[3]	...	343	343	...	359	359	...	5	5
Total above	13,159	5,448	18,607	18,607	8,664	27,271	41	59	47
Other	1,955	561	2,516	2,288	925	3,213	17	65	28
World total	15,114	6,009	21,123	20,895	9,589	30,483	38	60	44

Source: GFMS. 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

Table 8: Consumer demand[1] in selected countries: four quarter totals (tonnes)

	12 months ended Q3 2009			12 months ended Q3 2010			% Ch Year on Year		
	Jewellery	**Net Retail Invest.**	**Total**	**Jewellery**	**Net Retail Invest.**	**Total**	**Jewellery**	**Net Retail Invest.**	**Total**
India	404.4	115.3	519.7	656.1	199.7	855.8	62	73	65
Greater China	372.1	80.9	453.1	401.0	148.2	549.2	8	83	21
China	345.7	90.1	435.7	373.6	153.2	526.8	8	70	21
Hong Kong	16.8	1.0	17.8	19.7	1.0	20.7	17	7	16
Taiwan	9.7	-10.1	-0.4	7.8	-6.1	1.7	-19	...	...
Japan	19.9	15.2	35.1	21.6	-68.0	-46.4	9	...	...
Indonesia	43.0	-0.2	42.8	34.7	-0.4	34.3	-19	...	-20
South Korea	20.5	-3.9	16.6	17.0	-1.0	16.0	-17	...	-4
Thailand	8.1	0.0	8.1	6.6	71.2	77.7	-18	...	859
Vietnam	16.1	61.9	78.0	14.9	59.4	74.3	-8	-4	-5
Middle East	248.4	24.6	273.1	223.3	22.0	245.4	-10	-10	-10
Saudi Arabia	84.2	14.7	98.8	79.2	13.3	92.5	-6	-9	-6
Egypt	63.2	1.1	64.3	54.2	0.9	55.1	-14	-25	-14
UAE	74.6	7.4	82.0	67.4	7.2	74.6	-10	-3	-9
Other Gulf	26.5	1.5	28.0	22.5	0.7	23.3	-15	-49	-17
Turkey	83.7	27.1	110.8	74.1	37.0	111.0	-11	36	0
Russia[2]	68.1	...	68.1	68.3	...	68.3	0	...	0
USA	161.8	114.1	275.9	144.7	112.9	257.5	-11	-1	-7
Italy[2]	43.8	...	43.8	37.9	...	37.9	-13	...	-13
UK[2]	33.0	...	33.0	30.6	...	30.6	-7	...	-7
Europe ex CIS[3]	...	388.4	388.4	...	229.2	229.2	...	-41	-41
France[3]	...	5.5	5.5	...	0.4	0.4	...	-92	-92
Germany[3]	...	179.9	179.9	...	110.1	110.1	...	-39	-39
Switzerland[3]	...	127.0	127.0	...	74.9	74.9	...	-41	-41
Other Europe[3]	...	75.9	75.9	...	43.8	43.8	...	-42	-42
Total above	1,522.8	823.5	2,346.2	1,730.7	810.1	2,540.8	14	-2	8
Other	272.5	45.2	317.7	247.6	82.5	330.1	-9	82	4
World total	1,795.3	868.7	2,663.9	1,978.3	892.6	2,870.9	10	3	8

Source: GFMS. 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

Table 9: Consumer demand[1] in selected countries: four quarter totals (value, US$mn)

	12 months ended Q3 2009			12 months ended Q3 2010			% Ch Year on Year		
	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total
India	11,700	3,276	14,976	24,439	7,368	31,807	109	125	112
Greater China	10,727	2,372	13,099	14,911	5,542	20,453	39	134	56
China	9,971	2,635	12,606	13,889	5,727	19,616	39	117	56
Hong Kong	482	28	510	732	38	770	52	39	51
Taiwan	273	-290	-17	290	-223	67	6	...	...
Japan	571	365	935	800	-2,511	-1,711	40	...	...
Indonesia	1,245	-5	1,241	1,292	-5	1,287	4	...	4
South Korea	583	-112	470	625	-34	591	7	...	26
Thailand	232	-53	179	243	2,690	2,934	5	...	1537
Vietnam	461	1,783	2,244	551	2,225	2,776	19	25	24
Middle East	7,158	695	7,853	8,345	823	9,168	17	19	17
Saudi Arabia	2,446	412	2,858	2,981	497	3,478	22	21	22
Egypt	1,810	32	1,842	2,013	31	2,044	11	-2	11
UAE	2,139	209	2,349	2,511	267	2,778	17	28	18
Other Gulf	762	42	804	840	28	868	10	-33	8
Turkey	2,443	803	3,245	2,803	1,395	4,197	15	74	29
Russia[2]	1,924	...	1,924	2,543	...	2,543	32	...	32
USA	4,555	3,235	7,790	5,354	4,199	9,553	18	30	23
Italy[2]	1,204	...	1,204	1,381	...	1,381	15	...	15
UK[2]	908	...	908	1,118	...	1,118	23	...	23
Europe ex CIS[3]	...	10,897	10,897	...	8,577	8,577	...	-21	-21
France[3]	...	148	148	...	18	18	...	-88	-88
Germany[3]	...	5,044	5,044	...	4,127	4,127	...	-18	-18
Switzerland[3]	...	3,568	3,568	...	2,801	2,801	...	-21	-21
Other Europe[3]	...	2,138	2,138	...	1,631	1,631	...	-24	-24
Total above	43,710	23,255	66,965	64,404	30,270	94,675	47	30	41
Other	7,727	1,276	9,004	9,179	3,081	12,260	19	141	36
World total	51,438	24,531	75,969	73,584	33,351	106,934	43	36	41

Source: GFMS. 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

Historical data for identifiable gold demand

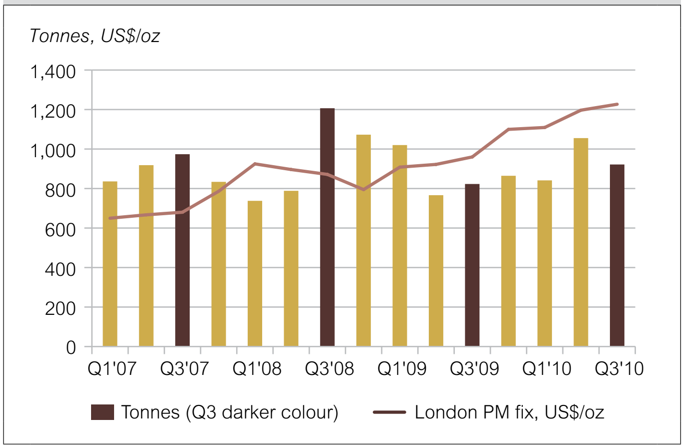
Table 10: Historical data for identifiable gold demand[1]

	Tonnes					US$bn				
	Jewellery	Net retail invest.	ETFs and similar	Industrial and dental	Total	Jewellery	Net retail invest.	ETFs and similar	Industrial and dental	Total
2000	3,205	166	...	451	3,822	28.76	1.49	...	4.05	34.30
2001	3,009	357	...	363	3,729	26.22	3.11	...	3.16	32.49
2002	2,662	340	3	358	3,363	26.50	3.39	0.03	3.56	33.48
2003	2,481	300	39	382	3,203	28.99	3.51	0.46	4.46	37.41
2004	2,614	348	133	414	3,508	34.39	4.57	1.75	5.45	46.15
2005	2,716	391	208	433	3,749	38.81	5.59	2.97	6.19	53.57
2006	2,296	414	260	462	3,432	44.57	8.03	5.05	8.96	66.62
2007	2,414	430	253	465	3,562	53.98	9.62	5.66	10.39	79.64
2008	2,190	856	321	439	3,806	61.39	23.99	9.00	12.31	106.69
2009	1,758	725	617	373	3,474	54.97	22.67	19.29	11.67	108.61
Q1'05	684	122	89	106	1,001	9.40	1.68	1.22	1.46	13.76
Q2'05	741	112	-2	111	962	10.18	1.54	-0.02	1.52	13.22
Q3'05	613	88	38	108	847	8.67	1.24	0.53	1.53	11.97
Q4'05	673	71	84	107	934	10.48	1.10	1.30	1.66	14.55
Q1'06	492	93	113	112	810	8.76	1.65	2.01	2.00	14.42
Q2'06	530	97	49	115	792	10.70	1.96	0.99	2.33	15.98
Q3'06	558	112	19	116	804	11.15	2.23	0.38	2.32	16.08
Q4'06	708	114	79	116	1,018	13.96	2.25	1.56	2.29	20.06
Q1'07	566	117	36	117	836	11.82	2.45	0.76	2.44	17.47
Q2'07	666	135	-3	119	918	14.28	2.90	-0.05	2.56	19.69
Q3'07	604	112	139	117	974	13.22	2.46	3.05	2.57	21.29
Q4'07	578	65	80	111	834	14.61	1.64	2.02	2.80	21.08
Q1'08	450	98	73	117	738	13.38	2.91	2.16	3.48	21.94
Q2'08	521	145	4	119	788	15.01	4.18	0.12	3.42	22.72
Q3'08	672	272	149	113	1,207	18.83	7.63	4.19	3.16	33.81
Q4'08	547	341	95	91	1,073	13.98	8.70	2.42	2.31	27.41
Q1'09	328	148	465	79	1,020	9.58	4.32	13.58	2.31	29.79
Q2'09	431	185	57	94	766	12.77	5.50	1.68	2.77	22.72
Q3'09	490	195	41	97	823	15.11	6.01	1.28	3.00	25.40
Q4'09	510	197	54	103	865	18.03	6.97	1.91	3.65	30.57
Q1'10	516	217	4	104	841	18.41	7.72	0.16	3.71	30.00
Q2'10	422	236	291	106	1,055	16.24	9.06	11.21	4.09	40.61
Q3'10[2]	530	243	39	110	922	20.89	9.59	1.53	4.35	36.36

Source: Tonnage data are GFMS; Value data are WGC calculations based on GFMS data.
1. See footnotes to Table 1 for definitions and notes. 2. Provisional.

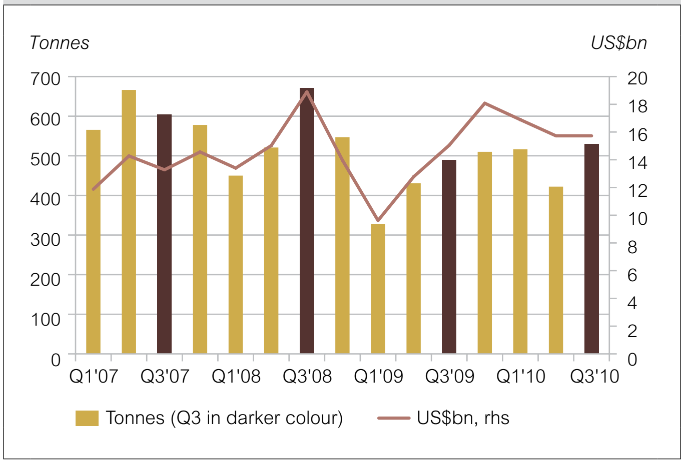
Appendix

Chart 16: Total identifiable demand (tonnes) and the gold price (US$/oz)



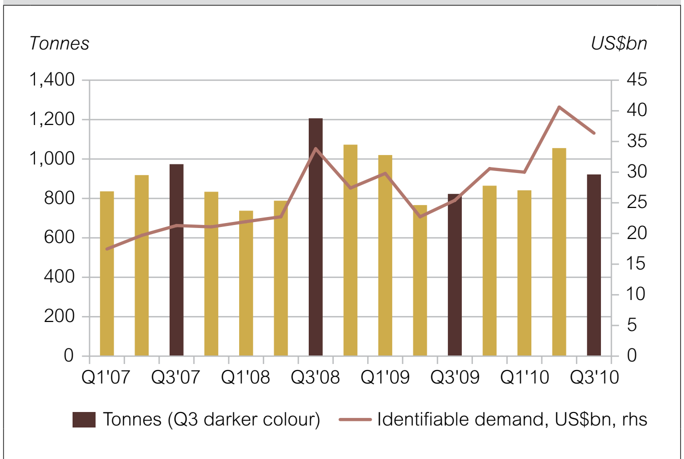
Source: GFMS, IHS Global Insight

Chart 19: Jewellery consumption (tonnes and value in US$bn)



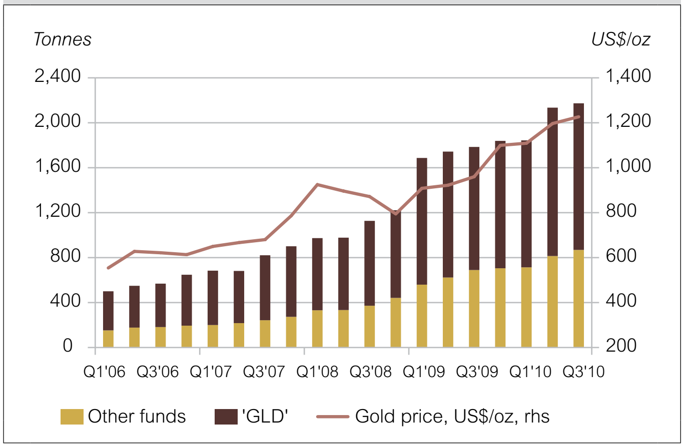
Source: GFMS, IHS Global Insight, WGC

Chart 17: Total identifiable demand (tonnes and value in US$bn)



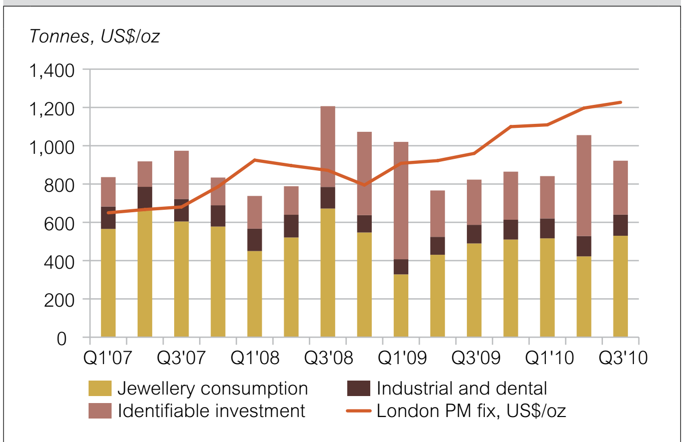
Source: GFMS, IHS Global Insight, WGC

Chart 20: Holdings in Exchange Traded Funds (tonnes) and the gold price (US$/oz) Q1'06 - Q3'10



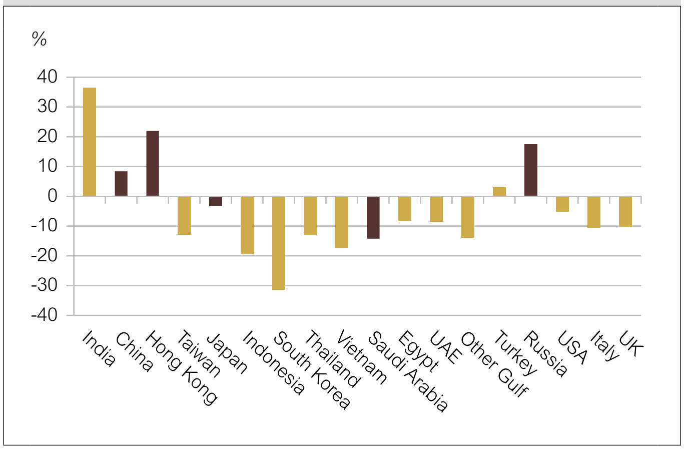
Source: www.exchangetradedgold.com, IHS Global Insight

Chart 18: Total identifiable demand, tonnes and the gold price (US$/oz)



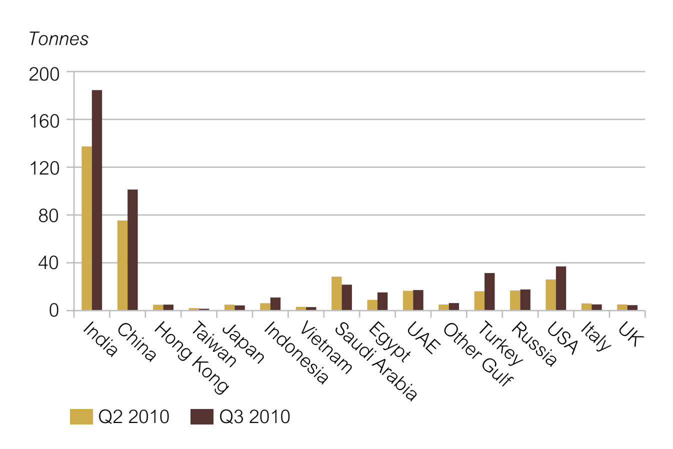
Source: GFMS, IHS Global Insight

Chart 21: Jewellery by country in tonnes (Q3'10 vs Q3 09, % change)



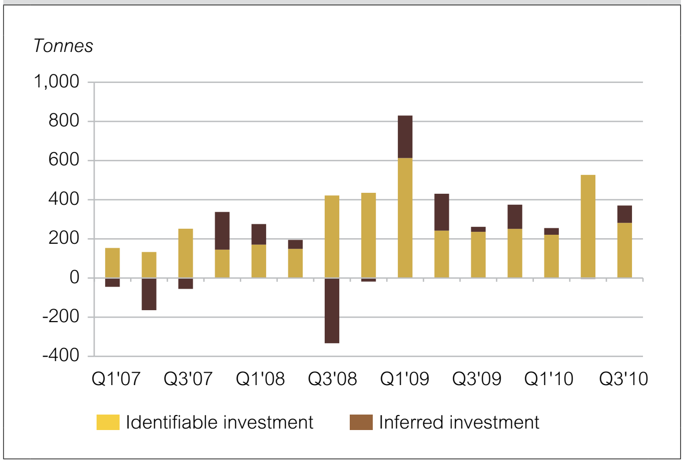
Source: GFMS, WGC

Chart 22: Jewellery demand in tonnes, Q3'2010 vs Q2'2010



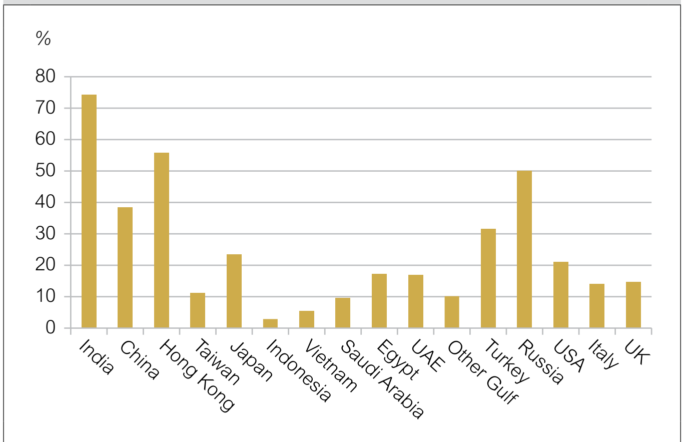
Source: GFMS

Chart 25: Identifiable investment plus inferred investment (tonnes)



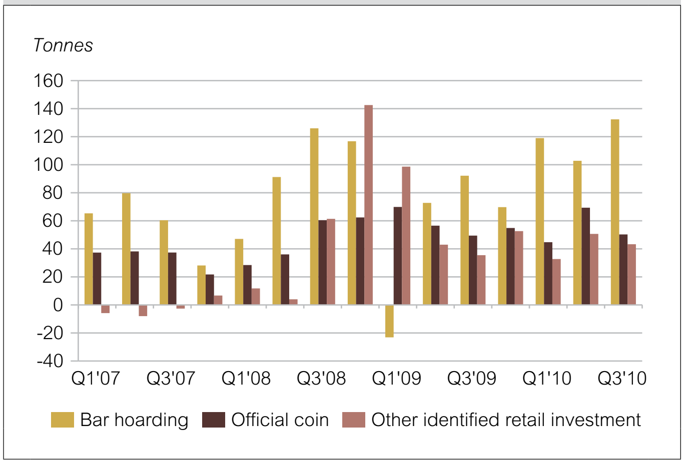
Source: GFMS

Chart 23: Jewellery by country (US$value, Q3'10 vs Q3'09, % change)



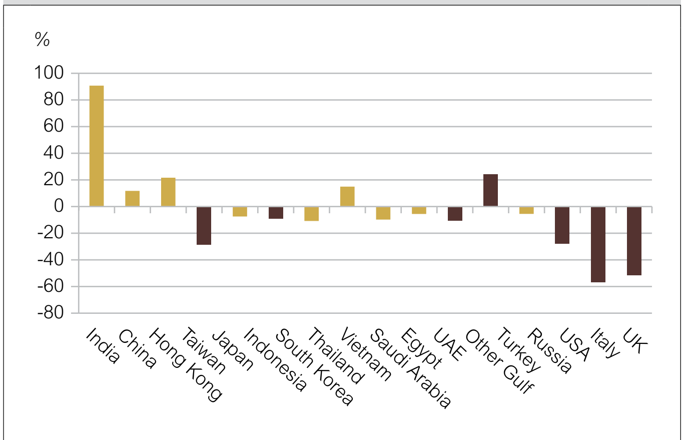
Source: GFMS, WGC

Chart 26: Net retail investment by category (tonnes)



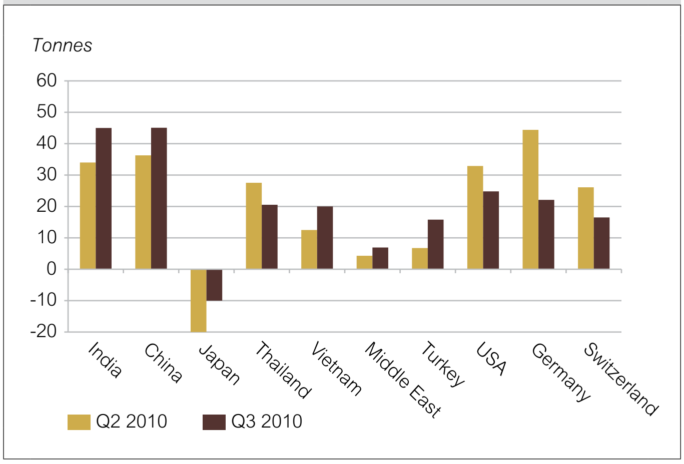
Source: GFMS

Chart 24: Jewellery by country in tonnes (9M'10 vs 9M'09, % change)



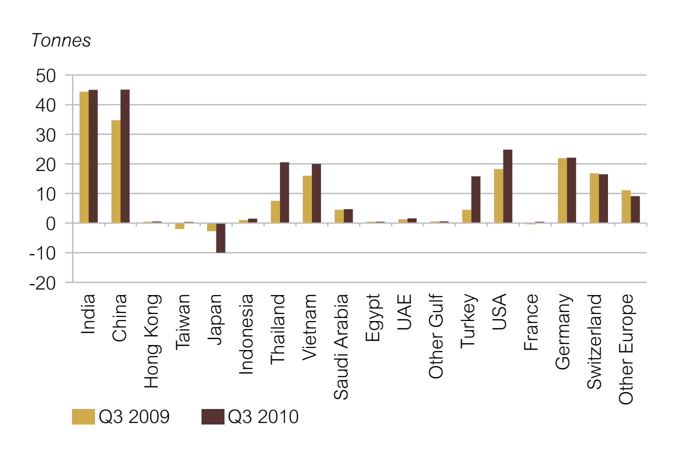
Source: GFMS

Chart 27: Net retail investment in tonnes, Q3'2010 vs Q3'2009



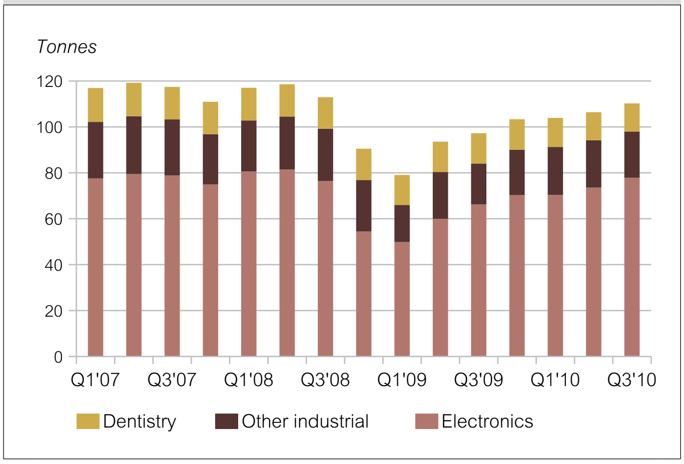
Source: GFMS

Chart 28: Net retail investment (tonnes) Q3'2010 vs Q3'2009



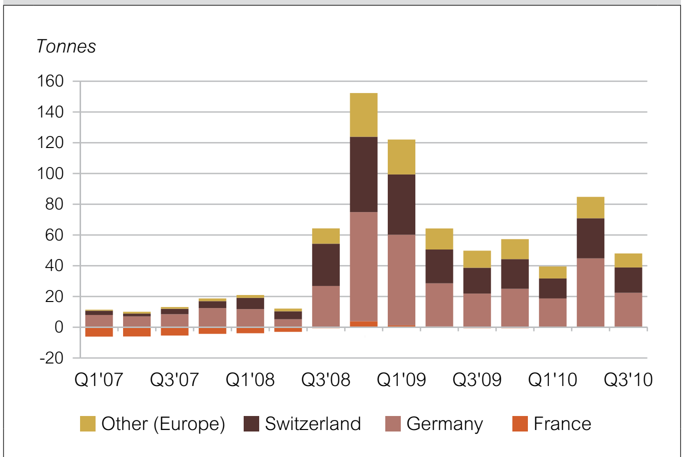
Source: GFMS

Chart 30: Industrial demand by category (tonnes)



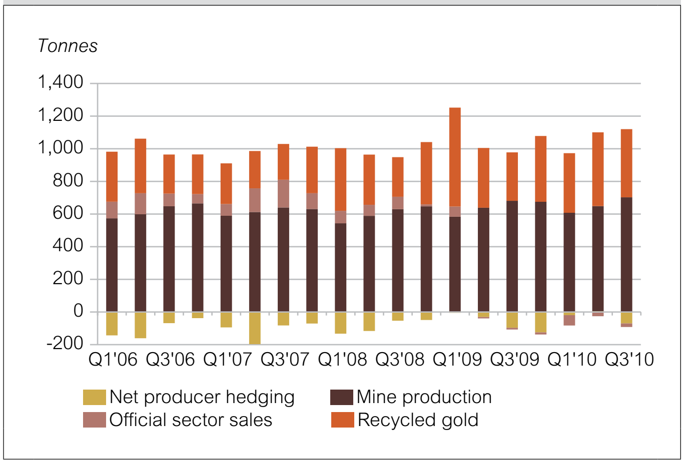
Source: GFMS

Chart 29: European retail investment demand in tonnes



Source: GFMS

Chart 31: Quarterly supply (tonnes)



Source: GFMS

Notes and definitions

All statistics (except where specified) are in weights of fine gold.

Tonne = 1,000 kg or 32,151 troy oz of fine gold.
N/A = not available
… = not applicable

Mine production. Formal and informal output.
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 effect of delta hedging are excluded.
Recycled gold (previously old gold scrap). Gold sourced from old fabricated products which has been recovered and refined back into bars.
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.
Retail investment. For the three bar, coin and medallions categories this comprises individuals' purchases of coins and bars defined according to the standard adopted by the European Union for investment gold. 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.
"Other" identified retail investment refers to Western Europe and North America. It includes net investment in physical bullion as defined by the EU (other than new coins which are included in the two coin categories), individuals' paper transactions with a direct physical counterpart plus Over-The-Counter activity and changes in metal account holdings where measurable and retail targeted.
Consumer demand. The sum of jewellery and retail investment purchases for a country i.e. the amount of gold acquired directly by individuals.
Industrial demand. The first transformation of raw gold into intermediate or final products destined for industrial use such as gold potassium cyanide, gold bonding wire, sputtering targets. This includes gold destined for plating jewellery.
Dental. The first transformation of raw gold into intermediate or final products destined for dental applications such as dental alloys.
Tourist purchases and "luggage trade". Purchases by foreign visitors which are normally for their own use or for gifts are included in demand in the country of purchase. Bulk purchases by foreign visitors ("luggage trade") which appear to be intended for resale in the visitors' country of origin or a third country are attributed to the country in which they are resold.
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 from November 19th; alternatively contact GFMS Ltd (+44 (0)20 7478 1777; gold@gfms.co.uk).

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