

**STRICTLY EMBARGOED UNTIL 7AM EDT (12 noon GMT): 15 NOVEMBER, 2006**

## **PRESS RELEASE**

### **PRICE STABILITY DRIVES RECOVERY IN Q3 GOLD DEMAND**

- Total demand for gold fell 3% in tonnage terms but increased 37% in value terms year on year
- Gold jewellery demand reached a quarterly record of \$11.8 billion
- Industrial demand for gold rose 5% in tonnage terms, 49% in value terms year on year
- Strong consumer demand from September as gold price stabilised

**15 November 2006:** Gold demand figures for the third quarter 2006, compiled independently for the World Gold Council by GFMS Ltd, concealed a dramatic shift in gold demand over the three month period from July to September. In line with spending patterns during the first half of this year, consumer and trade demand for jewellery and net retail investment was subdued at the beginning of the quarter. But as price movements stabilised later in the quarter and then fell below \$600/oz in September, consumer demand surged. The last few weeks of September saw vibrant demand for jewellery and retail investment, particularly in Asia and the Middle East, with Indian imports in September at the second highest monthly level ever (see chart).

With the exception of industrial usage, the demand figures in tonnage terms were all down on the same quarter in 2005, with total demand for gold down 3%, jewellery demand down 4%, investment demand down 10%, and industrial demand up 5% with electronics demand setting a new quarterly record. However, the gold price was, on average, 41% higher than in the same period for 2005.

A stabilising price towards the end of the quarter drove the total demand for gold in Q3 up 37% in value terms on Q3'05. Demand for gold through jewellery consumption was up 36% in value terms on the same period in 2005, with the majority of demand coming in the latter part of the quarter. Investment demand increased on the back of sustained interest in gold-backed Exchange Traded Funds and related products, with an increase of 28% in value terms. Largely driven by electronics, industrial demand for gold saw a very strong quarter, with a rise of 49% in value terms year-on-year.

James Burton, Chief Executive of the World Gold Council, commented today:

“As expected, the price volatility seen at the beginning of the quarter dampened consumer appetite, which was then followed by a stabilisation in the price and a subsequent resurgence in demand from consumers toward the end of the quarter. It is encouraging to see that consumers have become comfortable with prices in the \$570 to \$600 range, in the same way that they adapted to the price range of \$420-\$440 in the first half of 2005.

During the quarter both July and August saw gains in overall holdings of gold-backed Exchange Traded Funds, with only a slight fall in September. This once again indicates that ETFs are primarily being bought by long-term investors.

I am also encouraged to see the strong performance in industrial demand for gold. The role of gold in industry, which accounts for around 12% of total demand, is slowly growing, and it is an area that the WGC is actively supporting. Gold performs vital functions in many areas of everyday life, and its unique properties make it useful in medical applications, pollution control, mobile telephones, laptop computers, and many other things we consider indispensable to our modern lives.”

## Investment Demand

The different categories of gold investment performed in various ways during Q3, reflecting in part the varying behaviour of investors in different countries. Net retail investment was 7% higher in tonnage terms in Q3 than a year earlier with, once again, strong performances in both official and imitation coins.

The increase in investment in Exchange Traded Funds (ETFs) and similar products was lower than in most recent quarters at 19 tonnes. As usual the bulk of the increase was accounted for by the largest fund, streetTRACKS Gold Shares where holdings increased by 14.5 tonnes.

It was in the Over-the-Counter market and on the futures exchanges that the main investor swings took place. The first weeks of the quarter saw investors coming back into gold, and driving the price up to the July peak of \$663/oz on the back of political developments. A period of liquidation followed; from then and into September, during the lighter trading of the Northern hemisphere summer holidays, investor sentiment was erratic moving according to political, economic and oil supply factors. On September 11, a slide in the oil price triggered some sell-off and the gold price fell under \$600 where it largely remained until the end of October.

Recently, renewed concerns related to the outlook for the US economy and the dollar appear to have caused a more positive sentiment towards gold. Investment in Exchange Traded Funds and similar products is currently over 30 tonnes higher than at the end of September.

## Jewellery Demand

The change in demand patterns during the quarter meant that the fall in jewellery demand in tonnage terms from a year earlier was considerably less than in the first half of the year: 4% compared to 24%. In most markets the year on year fall was less than that recorded for the first half year, with only a small number showing a double-digit fall, while in India jewellery demand was higher than a year earlier. In India, where jewellery demand rose 11.9% in tonnage terms year on year, large retailers reported significantly stronger sales in September and the lead-up to the peak Diwali buying season, as prices remained stable.

Q3 is usually the weakest quarter seasonally but this year jewellery demand, at 592 tonnes, was higher than in Q2 at 556 tonnes and Q1 at 521 tonnes. This limited fall in tonnage combined with the very sharp price rise compared to one year earlier resulted in a value figure of \$11.8bn, a new record and 36% higher than a year earlier. Indeed the value of jewellery demand in Q3 was higher than a year earlier in national currency terms in all key markets.

## Industrial Demand

Industrial demand in Q3 was 5% higher than a year earlier (49% higher in dollar terms), thanks to strong demand from the electronics industry. With a 9% rise to 79.1 tonnes, electronics demand set a new quarterly record.

Other industrial demand was little changed in tonnage terms from a year earlier. Dental demand fell by 5% year on year with much of the drop resulting from lower demand in Japan and Germany.

## Supply

At 824 tonnes, overall gold supply was 12% below Q3 2005 with all elements of supply contributing to this reduction. This brought the fall in supply for the first three quarters compared to the corresponding period of 2005 to 13%.

Mine production was 3% lower than a year earlier. At 62 tonnes, de-hedging was higher than in Q3 2005 but much lower than the exceptional levels of the first half year. Thus overall mine supply, including de-hedging, fell by 11% year on year.

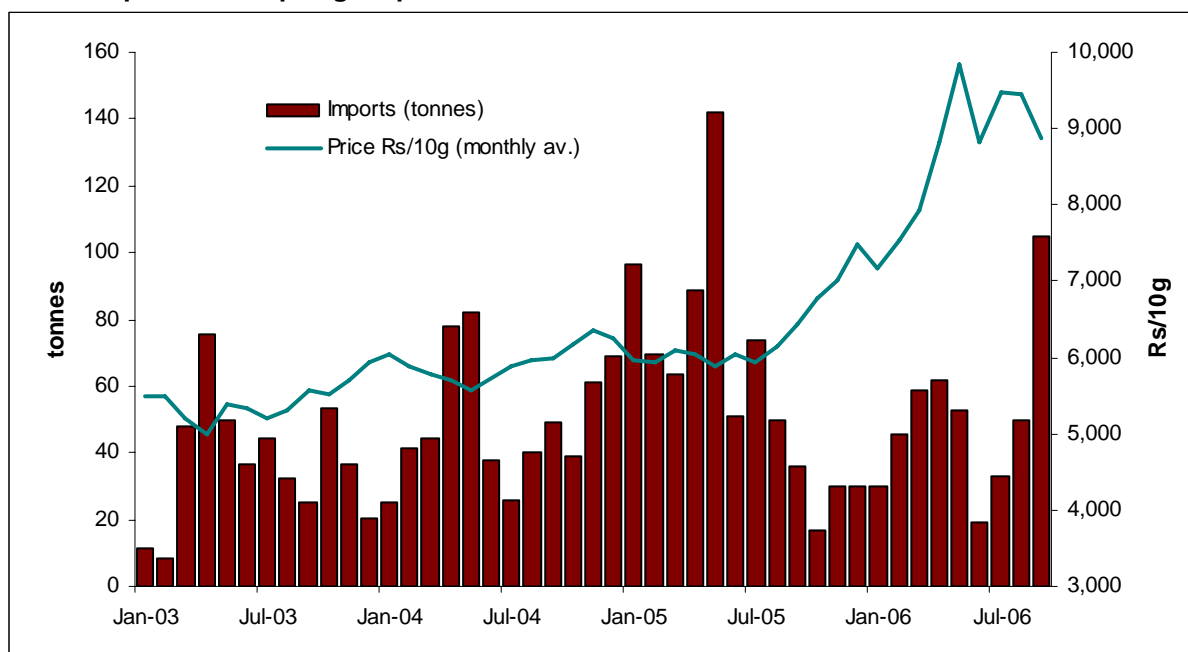
At 59 tonnes, official sector sales were 31% below Q3 2005. Interest during the quarter focused on sales under the Central Bank Gold Agreement (CBGA). Year 2 of the current Agreement ended on September 26 (each CBGA year runs from September 27 to September 26 of the following year) and reported sales for that year amount to around 395 tonnes, over 100 tonnes less than the annual limit of 500 tonnes.

Scrap supply was 9% lower than a year earlier and considerably lower than the amounts generated in the first two quarters of the year. In the absence of any widespread economic distress, scrap is determined by price movements and the fall in the price during the quarter was less conducive to scrap generation than price movements earlier in the year.

## Outlook for Q4'06

Consumer demand was very strong in October with Diwali and the Eid-al-Fitr at the end of Ramadan adding to its strength. Traders in India reported very high increases in Diwali-related sales compared with the poor season in 2005. Price movements will, however, be the prime determining factor. It is clear that consumers and trade buyers are very willing to buy at prices below \$600/oz, but there are, at least at the moment, signs of resistance to volatile prices above that level.

## Indian imports and rupee gold price<sup>1</sup>



Source: WGC. 1. International price converted to rupees/10gm.

End-use gold demand (tonnes)<sup>1</sup>

	2004	2005	Q2'05	Q3'05	Q4'05	Q1'06	Q2'06	Q3'06 <sup>2</sup>	% ch Q3'06 vs Q3'05	% ch Ytd'06 vs Ytd'05
<b>Jewellery consumption</b>	2,612.8	2,708.8	738.7	614.0	673.6	521.4	555.9	592.1	-4	-18
<b>Industrial &amp; dental</b>	411.0	429.4	113.5	108.4	105.8	111.5	114.3	114.0	5	5
Electronics	260.4	281.4	74.0	72.3	70.7	75.7	78.2	79.1	9	11
Other Industrial	83.1	85.6	24.0	20.2	19.5	20.7	21.1	20.0	-1	-7
Dentistry	67.6	62.4	15.5	15.8	15.7	15.0	15.1	15.0	-5	-4
<b>Identifiable Investment</b>	473.2	595.9	108.7	122.8	155.4	195.1	140.0	110.8	-10	1
<b>Net retail investment</b>	340.5	387.9	110.2	85.3	71.8	82.2	91.1	91.6	7	-16
Bar Hoarding	256.6	262.7	83.7	56.7	39.9	38.3	48.3	57.0	1	-36
Official Coin	114.5	112.0	25.8	28.0	20.0	33.0	43.6	31.9	14	18
Medals/Imitation Coin	26.3	37.0	10.1	8.6	8.8	11.7	11.0	10.8	26	19
Other identified retail invest. <sup>3</sup>	-56.8	-23.8	-9.3	-8.0	3.1	-0.8	-11.7	-8.1	...	...
<b>ETFs &amp; similar products<sup>4</sup></b>	132.6	208.1	-1.6	37.5	83.6	112.9	48.9	19.2	-49	45
<b>Total end-user demand</b>	3,497.0	3,734.1	960.8	845.2	934.8	828.0	810.2	816.9	-3	-12
<b>London pm fix, \$/oz</b>	409.17	444.45	427.39	439.72	484.201	554.066	627.708	621.67	41	39

Source: GFMS Ltd. 1. Identifiable end-use consumption excluding central banks. 2. Provisional . 3. "Other retail" excludes bar and primary coin offtake; it represents mainly activity in North America and Western Europe. 4. Exchange Traded Funds and similar products including: LyxOR Gold Bullion Securities, Gold Bullion Securities (Australia), streetTRACKS Gold Shares, NewGold Gold Debentures, iShares Comex Gold Trust, Zürcher Kantonalbank Gold ETF, Istanbul Gold ETF, Central Fund of Canada and Central Gold Trust.

End-use gold demand (\$m)<sup>1</sup>

	2004	2005	Q2'05	Q3'05	Q4'05	Q1'06	Q2'06	Q3'06 <sup>2</sup>	% ch Q3'06 vs Q3'05	% ch Ytd'06 vs Ytd'05
<b>Jewellery consumption</b>	34,372	38,707	10,150	8,681	10,486	9,289	11,220	11,835	36	15
<b>Industrial &amp; dental</b>	5,407	6,135	1,560	1,532	1,647	1,986	2,307	2,279	49	46
Electronics	3,425	4,021	1,017	1,023	1,100	1,348	1,578	1,580	55	54
Other Industrial	1,093	1,223	329	286	303	370	425	399	40	30
Dentistry	889	892	213	224	244	268	304	299	34	34
<b>Identifiable Investment</b>	6,225	8,516	1,493	1,736	2,419	3,475	2,825	2,214	28	40
<b>Net retail investment</b>	4,480	5,542	1,515	1,206	1,118	1,464	1,838	1,830	52	17
Bar Hoarding	3,375	3,754	1,150	802	622	682	974	1,140	42	-9
Official Coin	1,507	1,600	354	396	312	588	879	637	61	65
Medals/Imitation Coin	345	528	139	121	137	209	221	215	78	65
Other identified retail invest.	-748	-340	-128	-114	48	-14	-236	-162	...	...
<b>ETFs &amp; similar products</b>	1,745	2,973	-22	531	1,301	2,011	986	384	-28	96
<b>Total end-user demand</b>	46,004	53,358	13,203	11,949	14,552	14,749	16,351	16,328	37	22

Source: GFMS Ltd. 1. See notes to Table 1. 2. Provisional.

Gold supply and demand (WGC presentation)

	2004	2005	Q2'05	Q3'05	Q4'05	Q1'06	Q2'06	Q3'06 <sup>1</sup>	% ch Q3'06 vs Q3'05	% ch Ytd'06 vs Ytd'05
<b>Supply</b>										
Mine production	2,469	2,522	608	658	678	571	598	635	-3	-2
Net producer hedging	-427	-86	-71	-14	21	-156	-139	-62	...	...
Total Mine supply	2,042	2,436	537	644	699	415	459	573	-11	-17
Official sector sales <sup>2</sup>	470	659	143	85	162	99	66	59	-31	-55
Old gold scrap	849	888	198	211	276	292	311	192	-9	30
Total Supply	3,361	3,983	878	940	1,136	805	837	824	-12	-13
<b>Demand</b>										
Fabrication										
Jewellery	2,613	2,709	774	659	568	527	536	664	1	-19
Industrial & dental	411	429	114	108	106	111	114	114	5	5
Sub-total above fabrication	3,024	3,138	888	768	674	638	650	778	1	-16
Bar & coin retail investment <sup>3</sup>	397	412	120	93	69	83	103	100	7	-17
Other retail investment	-57	-24	-9	-8	3	-1	-12	-8	...	...
ETFs & similar	133	208	-2	38	84	113	49	19	-49	45
Total Demand	3,497	3,734	996	890	830	834	790	889	0	-13
<b>Balance<sup>4</sup></b>	-136	249	-118	50	306	-28	47	-65	...	...
London PM fix (US\$/oz)	409.17	444.45	427.39	439.72	484.20	554.07	627.71	621.67	41	39

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 "balance" 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". Note that jewellery data refer to fabrication and quarterly data differ from those for consumption in tables 1 and 2. 1. Provisional. 2. Excluding any delta hedging of central bank options. 3. Equal to the sum of the first three rows in Table 1. 4. 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 in selected countries: Q3 2006

	2005 year			Q3 2005 Total	Q3 2006 <sup>1</sup>			% ch. Q3 2006 vs Q3 2005			
	Jewellery	Net retail invest.			Jewellery	Net retail invest.		Jewellery	Net retail invest.		Total
		Total	Total			Total	Total		Total		
India	587.1	134.5	721.6	142.4	127.8	37.0	164.8	12	31	16	
<b>Greater China</b>	277.7	14.8	292.5	69.9	68.3	3.5	71.7	1	72	3	
China	241.4	11.7	253.1	60.9	60.4	2.5	62.9	1	119	3	
Hong Kong	14.0	0.6	14.6	3.3	3.1	0.2	3.3	3	-43	-1	
Taiwan	22.4	2.5	24.9	5.7	4.8	0.9	5.6	-7	42	-2	
Japan	34.0	40.0	74.0	18.9	7.8	-9.5	-1.7	-7	...	...	
Indonesia	78.0	3.0	81.0	24.1	16.6	0.4	17.0	-28	-60	-29	
Vietnam	26.9	34.0	60.9	11.8	6.2	22.2	28.4	8	270	142	
<b>Middle East</b>	365.2	22.6	387.7	94.3	81.3	5.3	86.6	-9	0	-8	
Saudi Arabia	146.2	7.3	153.5	37.1	31.6	2.3	33.9	-10	15	-9	
Egypt	75.3	0.9	76.2	21.2	17.8	0.1	17.9	-15	-60	-16	
UAE	96.4	10.0	106.4	22.9	20.8	2.1	22.9	0	5	0	
Other Gulf	47.3	4.4	51.6	13.2	11.1	0.8	12.0	-8	-22	-9	
Turkey	194.9	53.5	248.4	75.6	54.8	13.3	68.1	-12	2	-10	
USA	349.0	28.3	377.3	84.9	71.2	6.3	77.5	-8	-12	-9	
Italy <sup>2</sup>	71.0	...	71.0	10.0	9.0	...	9.0	-10	...	-10	
UK <sup>2</sup>	59.4	...	59.4	10.2	8.9	...	8.9	-13	...	-13	
Europe <sup>3</sup>	...	-13.9	-13.9	-3.2	...	-3.3	-3.3	...	...	...	
<b>Total above</b>	2,043.1	316.8	2,359.9	538.8	451.9	75.2	527.1	-4	7	-2	
Other & stk ch	665.7	71.1	736.8	160.5	140.2	16.3	156.6	-3	7	-2	
<b>World Total</b>	2,708.8	387.9	3,096.6	699.3	592.1	91.6	683.7	-4	7	-2	

Source: GFMS Ltd

1. Provisional. 2. Jewellery only. 3. Net retail investment only.

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For further Information,

UK:

Rebecca Clark – World Gold Council, on +44 (0) 20 7826 4716, or e-mail [rebecca.clark@gold.org](mailto:rebecca.clark@gold.org)

Annabel Forbes - Capital MS&L on +44 (0) 20 7307 5330, or e-mail [firstname.lastname@capitalmsl.com](mailto:firstname.lastname@capitalmsl.com)

US:

Ivan Peill / Jennifer McClellan – Capital MS&L, on +1 212 468 4264/4346, or email

[ivan.peill@capitalmsl.com](mailto:ivan.peill@capitalmsl.com) / [Jennifer.mcclellan@mslpr.com](mailto:Jennifer.mcclellan@mslpr.com)

Notes to Editors:

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