PRESS RELEASE

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WORLD GOLD COUNCIL REPORTS THIRD SUCCESSIVE QUARTER OF STRONG CONSUMER DEMAND

- ***Consumers undeterred by upward trend in gold price in Q3***
- ***Supply heavily constrained – 22% down on Q3 2004***

London, 25 November 2004: Figures published today by the World Gold same period in 2003. Net retail investment was 10% higher in tonnage terms and 21% higher in dollar terms.

- **India**

In Q3 both jewellery and retail investment in **India** were 16% higher than a year earlier. Strong economic growth, underpinned by fast growth in manufacturing and services, and the financial comfort afforded by last year's good monsoon contributed to this growth rate. 2004 also saw an increase in shopping festivals and promotions allied to festive occasions.

The rise in price encouraged investment buying as did the underlying concerns regarding geopolitical issues and fears over potential inflation, particularly in the light of the oil price rise.

- **East Asia**

Japanese retail investment continued to boom in Q3, rising 74% above Q3 2003 levels. In additional to the positive impact of Senryobako, there was strong buying of kilo-bars on price dips as economic and political concerns continued to support gold purchases.

Chinese jewellery demand showed a solid 5% increase over Q3 2003, bringing the year-to-date rise to 12%. While there was some small increase in the traditional 24 carat chuk kam jewellery, the main growth was in the 18 carat or K-gold market. K-gold is a WGC marketing initiative launched last year in Shanghai with a further launch in Beijing in May this year. K-gold is designed to appeal to a younger, contemporary market that is less interested in more traditionally inspired ornate design. Net retail investment remains low, with the relaxation of the regulations that restrict this activity still awaited.

- **Middle East & Turkey**

High oil prices, and the resultant economic prosperity, coupled with some extension in promotion activities, continued to underpin gold jewellery buying in **Saudi Arabia** and the **Gulf States**. In Saudi Arabia, jewellery demand was 12% higher than in Q3 2003.

UAE purchases of jewellery were 5% higher than a year earlier buoyed by a booming economy and a substantial increase in the number of tourists. Nevertheless gold faces ever-increasing competition from heavily marketed competitor products – such as diamonds and other luxury goods and services – and continued promotion is vital to ensure that gold is able to capture some of the potential spending power available. Gold shopping festivals were introduced in **Kuwait** and **Bahrain** to boost off-take in those countries.

Turkey, which last year became the world's third largest gold market after India and the US, continued as a star performer. Demand remains vibrant, with jewellery demand in the first three quarters alone nearly equalling last year's record and investment demand running at levels only slightly below last year's exceptional figure.

- **US & Europe**

With the economy showing some signs of nervousness**, US** jewellery demand was just 2% higher in Q3 than a year earlier, a growth rate slightly lower than that achieved earlier in the year. The approach of the election also contributed to consumer uncertainty. Jewellery sales are traditionally low during an election period.

Jewellery demand remained weak in Europe. In **Italy** demand fell by 5% as consumer taste continued to shift to less traditional jewellery materials. Nevertheless there were some early signs of increased consumer interest indicating that the long decline may be about to bottom out.

Although **UK** consumer spending has remained reasonably strong, the rise in interest rates, concerns over the housing market and fears about the future led to gold jewellery demand 2% lower than a year earlier. The latest hallmarking statistics have, however, confirmed the trend of last quarter showing an increase in the quality and stylistic end of the market. This is illustrated by an increase by 22% in weight of 18 carat pieces.

Industrial Demand

Industrial demand accounted for 83 tonnes in Q3, a 5% rise on the same period in 2003. Electronic demand continued to be the main influence, although the growth rate of this component was lower than in Q2, reflecting the first signs of economic slowdown.

Regional trends in electronics manufacturing provide further signs of slowdown. The major Original Equipment Manufacturers (OEMs) in North America and Europe showed strong off-take growth in the quarter. In contrast, off-take from East Asian based companies, to whom the OEMs outsource production, fell marginally. These East Asian companies are usually the first to feel any slowing in the market.

Institutional Investment Demand

Net institutional investment is thought to have been broadly neutral in Q3 2004, following the shake-out of shorter-term speculative holders in Q2 2004. This appears to have ended early in the quarter with renewed interest toward the end of the quarter on the back of the rising price. Institutional investment demand is thought to have fallen in the first half of the year as some short-term holders, who had bought gold in earlier months when the price was rising, sold in the absence of any further price gain. However the selling back was noticeably less than the purchasing experienced in 2003 and evidence suggests that many buyers have held onto their investment.

Supply

The overall supply of gold to the market in Q3 2004 was sharply reduced from one year earlier at 828 tonnes, 22% below the level of supply in Q3 2003.

All four elements of supply were lower than a year earlier:

- Mine production was 3% lower due to temporary factors including the ongoing effects of last year's landslides at the Grasberg mine in Indonesia.
- De-hedging was substantial in the quarter reaching an estimated 144 tonnes compared to an exceptionally small (for recent years) 4 tonnes one year earlier.
- Scrap, too, was lower than in 2003 when the rising price provoked more selling back of jewellery, bars and coins.
- Identified net central bank selling, at 87 tonnes, remained substantially less than 2003 levels. Among the signatories of the Central Bank Gold Agreement there was continued, steady selling by Switzerland and also a small sale by Germany for coin minting. Argentina, which had purchased 42 tonnes in the first half year, bought a further 12 tonnes, making 55 tonnes in total for the year.

4Q 2004 Outlook

Although consumers are becoming accustomed to higher jewellery prices, the surge in November when prices rose sharply over a two week period is likely to dampen demand in countries where buyers are sensitive to price volatility. In contrast the rise in the price is likely to have given investment demand a boost.

Net central bank selling is likely to rise in Q4 2004. The start of the second Central Bank Gold Agreement has seen new selling from Eurosystem central banks and the World Gold Council expects that the first year of the renewed agreement will see selling up to the maximum 500 tonnes from signatory countries. High current prices may also result in a certain amount of additional selling from non-Central Bank Gold Agreement countries.

Gold demand[1]

	2002	2003	% change 2003 vs 2002	Q3'03	Q4'03	Q1'04	Q2'04	Q3'04[2]	% change Q3'04 vs Q3'03	% change ytd '04 vs ytd '03
Tonnes										
Jewellery	2,680	2,524	-5.8	617	741	593	677	651	5.6	7.7
Net retail investment[3]	282	273	-2.9	60	84	77	76	66	9.8	15.6
Total consumer	2,962	2,797	-5.6	676	826	670	753	716	5.9	8.5
Industrial	291	318	9.3	79	82	78	87	83	4.9	4.7
Dental	69	67	-2.3	16	17	17	17	17	3.3	1.3
Value $bn										
Jewellery	26.69	29.48	10.5	7.20	9.32	7.78	8.56	8.40	16.7	21.9
Net retail investment[3]	2.80	3.19	13.9	0.70	1.06	1.01	0.96	0.85	21.3	31.0
Total consumer	29.49	32.67	10.8	7.90	10.38	8.79	9.52	9.24	17.1	22.8
Industrial	2.90	3.72	28.2	0.92	1.03	1.03	1.10	1.07	15.9	18.6
Dental	0.68	0.78	14.6	0.19	0.21	0.22	0.22	0.22	14.2	14.8
Price S/oz	309.68	363.32	17.3	363.16	391.06	408.44	393.27	401.30	10.5	13.3

1. Excluding institutional investment. Data for jewellery and net retail investment are on a consumption basis. 2. Provisional. 3. Major countries only.
Source: Tonnage data are from GFMS Ltd. Value data are WGC calculations based on GFMS figures.

Gold supply

	2002	2003	% change 2003 vs 2002	Q3'03	Q4'03	Q1'04	Q2'04	Q3'04[1]	% change Q3'04 vs Q3'03	% change ytd '04 vs ytd '03
Tonnes										
Mine production	2,590	2,600	0.4	708	642	569	602	687	-3.0	-5.1
Net producer hedging	-423	-279	…	-4	-27	-76	-124	-144	…	…
Total Mine supply	2,167	2,320	7.1	705	614	493	478	543	-22.9	-11.2
Official sector sales[2]	545	617	13.2	152	172	119	85	87	-42.7	-34.6
Old gold scrap	836	944	12.9	209	240	225	198	197	-5.8	-11.9
Total Supply	3,549	3,882	9.4	1,066	1,026	838	762	828	-22.4	-15.0

1. Provisional. 2. Excluding any delta hedging of central bank options.
Source GFMS Ltd.

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