

**PRESS RELEASE****RESEARCH SHOWS GOLD BENEFITS US WEALTH HOLDERS****Gold effectively hedges US dollar depreciation and inflation**

**5<sup>th</sup> July 2006 – New York:** The World Gold Council today unveiled research that advises US wealth holders that exposure to gold acts as an effective hedge against future possible dollar depreciation and rising inflation. The research, conducted by Eric J. Levin of the University of Glasgow and Robert E. Wright of the University of Strathclyde, confirms the long-term measurable relationship between the price of gold and the US consumer price index, which substantiates gold's importance as a long-term hedge against inflation.

The primary conclusions of the research, "*Short-run and Long-run Determinants of the Price of Gold*", include:

- There is a long-term relationship between the price of gold and the US price level
- The US price level and the price of gold move together in a statistically significant long-run relationship, supporting the view that a 1% increase in the general US price level leads to a 1% increase in the price of gold
- Following deviations from this long-run relationship in response to short-run factors, the gold price has reverted to its long-run inflation-hedge value with remarkable consistency, although this reversion to mean typically takes around five years

The study concludes:

"If gold is a long-run hedge against inflation, and if it is true that real dollar depreciation against other currencies is inevitable, US wealth holders should profit from holding gold during this period."

The research suggests that dollar depreciation will lower the price of gold to investors outside of the USA, which will in turn increase demand for gold and raise the US dollar price of gold. Combined with gold's proven role as an inflation hedge, this means that US wealth holders will benefit from gold exposure during a period of sustained dollar depreciation.

Eric J. Levin & Robert E. Wright said today:

"There does appear to be a consensus that US dollar depreciation and the likely rise in inflation rates are inevitable – the only issue being when it will occur and whether the adjustment path will be smooth or disorderly. If US wealth holders also support this consensus, then our research suggests that it is time they were looking to gain an exposure to gold if they haven't done so already."

The research also addresses the inflation hedging properties of gold in the currencies of the major gold-consuming countries outside the US, taking into account the domestic exchange rate relative to the dollar and domestic consumer price index movements. This part of the research was conducted at a less formal level, but it also suggests that real gold prices, denominated in the home currency, deviate in the short-term from home country inflation hedge price with a long-run tendency for gold prices to revert to the long-run hedge price.

The authors continued:

“The major gold consuming countries outside of the US - India, China, Turkey, Saudi Arabia and Indonesia – have been rational to purchase gold as it has proved more than adequate as an inflation hedge. If we take exchange rates between the US dollar and the home currency and the home country consumer price index movements into account, for these countries, the actual dollar gold price over the last 30 years has far exceeded the dollar gold price required to provide an inflation hedge.”

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The full research paper may be downloaded from [www.gold.org/value](http://www.gold.org/value)

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**Notes to Editors:**

**About the authors**

Eric Levin, PhD, was appointed as an Urban Studies Research Fellow in the Department of Urban Studies at the University of Glasgow in October 2005. Prior to that date he was a Reader in the Department of Economics at the University of Stirling. Born in Scotland in 1944, he studied and worked at the University of Glasgow following a business career. His research interests are financial economics, housing economics and labour economics.

Robert E. Wright, PhD, joined the University of Strathclyde in September 2005 as Professor of Economics in the Strathclyde Business School. From 1995 to 2005, he was Professor and University Chair in Economics in the Department of Economics at the University Stirling and Vice-Dean (Research) of the Faculty of Management. From 1991 to 1994, he was Lecturer, then Senior Lecturer, in the Department of Political Economy at the University of Glasgow. A Canadian (born 1958), he studied at the University of Western Ontario, the University of Michigan, the University of Stockholm and at the National Institute of Demographic Research in Paris. His research interests are in the areas of population economics, labour economics, inequality and poverty, financial economics, environmental economics and applied econometrics and statistics. His publications include over 80 articles in refereed journals, 4 books and 18 book chapters. He has been a Visiting Professor at DELTA in Paris and at the Universities of Amsterdam and Stockholm. He is President-elect of the Scottish Economics Society.

**World Gold Council**

The World Gold Council (WGC), a commercially-driven marketing organisation, is funded by the world's leading gold mining companies. A global advocate for gold, the WGC aims to promote the demand for gold in all its forms through marketing activities in major international markets. For further information visit [www.gold.org](http://www.gold.org).