Gold Demand Trends Q2 2017

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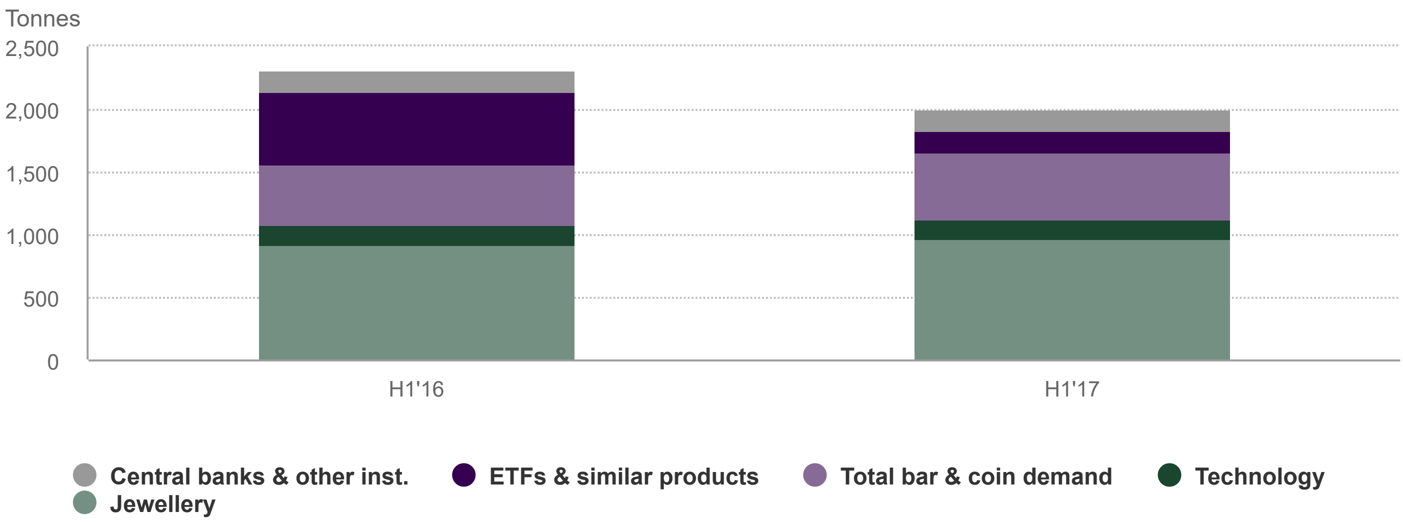
Q2 and H1 gold demand down on slower ETF inflows

Q2 gold demand of 953.4t was 10% lower than 2016, while H1 demand slowed 14% to 2,003.8t. Y-o-y comparisons are affected by record ETF inflows in 2016: demand from this sector slowed dramatically after last year's H1 surge. Central bank net purchases of 176.7t were also slightly lower in the first half (-3%). By contrast, bar and coin investment improved, as did jewellery demand, although the latter remains weak in a long-term context. Technology demand also made modest gains.

Slower ETF inflows drove H1 weakness



Source: Metals Focus; World Gold Council

Highlights

ETF inflows slowed dramatically from last year's record pace. But holdings continued to grow: after adding 56t in Q2, H1 inflows reached 167.9t. European ETFs saw the strongest H1 inflows: holdings in these funds reached a record 977.7t.

Bar and coin investment rebounded from very low levels. Q2 demand gained 13% from Q2 2016, while H1 demand rose 11%. A strong jump in Turkey was fuelled by economic recovery, double-digit inflation and relative currency stability.

Jewellery demand strengthened from a weak 2016, but fell short of the long-term average. India was the main contributor to the 8% gain in Q2, as it recovered from extremely low 2016 demand.

Central banks continued to buy, but at a more modest pace than in recent years. The most recent quarter saw Turkey's central bank add to its gold reserves – the first significant purchase since the 1980s.

Technology demand registered its third consecutive quarter of growth: up 2% to 81.3t. Growth in wireless charging and development of features that use LEDs boosted demand. New smartphone handsets supported chip production.

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