

WORLD GOLD COUNCIL

Headquarters
45 Pall Mall
London SW1Y 5JG, UK

PRESS RELEASE

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Gold demand responds to a changed world

Gold demand for jewellery and personal investment responded to global events in Q3, both before and after September 11. The slowdown in global economic activity during the period and the volatile gold price after September 11 caused jewellery demand to fall 10% from year-earlier levels to 649 tonnes. Meanwhile the increased global uncertainty following the terrorist attacks caused a rise in safe-haven buying of investment gold in a number of countries. This was particularly noticeable in countries such as Japan, Korea, Vietnam, Thailand and USA with lesser effects in a number of other countries. Together with the issue of the Deutsche Mark commemorative coin, this pushed investment demand to 106 tonnes, 17% higher than in Q3'00.

Overall demand for Q3 was 755 tonnes, 7% below year-earlier levels bringing demand for the year to date to 2,356 tonnes, 2% below that for the first three quarters of 2000.

Both the global slowdown and the aftermath of September 11 affected demand in most countries but the manner and extent of the effects varied widely. Additional factors also played a role in some cases. Some of the more noticeable trends were as follows:

- In India a six-week inauspicious period for gold purchases in the Hindu calendar started at the end of August. Together with the volatile price after September 11, this deterred purchases so that gold demand fell 17% from year-earlier levels. However this only offset partly the buoyant demand in the first half of the year; year-to-date demand is 6% higher than in 2000.
- The removal of state control over retail jewellery prices helped gold demand in China to rise 9% from year-earlier levels.
- Demand surged in Japan rising 37% on the back of a 91% increase in investment purchases. This trend to higher investment was already evident before September 11 but was reinforced by the global crisis. The weak economy resulted in a 7% fall in jewellery demand but this was tempered by a continuing shift towards yellow gold jewellery away from platinum.
- Despite the effect of the global slowdown on many economies in East Asia, demand for gold rose strongly, for a combination of reasons, in Vietnam, Indonesia, Malaysia and South Korea. However demand fell in Thailand and Taiwan.
- A reduction in tourist and pilgrim purchases dampened demand in much of the Middle East, where demand was 7% lower than a year earlier; this did not entirely offset the positive results for the first half-year.
- The economic slowdown and the sharp reduction in consumer spending after the terrorist attacks resulted in a 2% fall in jewellery demand in the USA. The reduction was more than offset by a surge in purchases of gold coin after September 11. Coin sales in the quarter were five times the level attained in Q3'00.
- Jewellery demand in Eurozone countries remained stable although demand in the UK was 7% higher than a year earlier. In Germany there was strong demand for the Deutsche Mark Commemorative coin issued in July.

For further information please contact:

Jill Leyland
WGC London
Tel: + 44 (0)20 7766-2709
Fax: + 44 (0)20 7839-6561
Jill.leyland@wgclon.gold.org

Gold Demand Trends No. 37 is available from the day of publication on the Council's website (www.gold.org).
Hard copies of the GDT document can be obtained from the World Gold Council, 45 Pall Mall, London SW1Y 5JG
(Tel: +44 (0)20 7930 5171 Fax: +44 (0)20 7839 6561) or a PDF file can be downloaded from the website or obtained by e-mail from liz.melville@wgclon.gold.org