

PRESS RELEASE

WGC Reports Gold Consumer Demand Up Q1 2004

London, 2 June 2004: Figures published today by the World Gold Council reveal that consumer demand for gold has improved over the last year. Consumer demand for gold (jewellery and net retail investment) was up by 12% in tonnage terms, and by 30% in dollar terms, in the first quarter of 2004, compared to the somewhat depressed levels of a year earlier.

The World Gold Council reports that although complicated by the sharp upward movement in the gold price, consumer demand for gold actually increased in monetary terms during the period since 2001.

Commenting on the supply/demand dynamics for the first quarter 2004, James Burton, Chief Executive of the World Gold Council (WGC), said: "In the face of a 55% rise in the dollar gold price, historically we would have expected consumer demand to recede due to the sensitivity of Asian and Middle Eastern markets to price volatility. Actually this quarter, the money flowing into gold from consumers was 37% up on Q1 2002 in dollar terms, and 25% higher than in Q1 2001, demonstrating a positive underlying trend."

He warns, however, that the global economic and political uncertainty of Q1 2003 depressed the figures of the same period a year ago. "It is fair to say that confidence is returning to gold, yet gold continues to face competitive pressures for share of wallet in all of its key markets," he said.

Jewellery Demand

Among the markets participating in the recovery in jewellery demand for gold, strong year-on-year rises were recorded in India (21%), Vietnam (36%) and Turkey (38%) in tonnage terms. Highlights for the largest international markets are:

- **India and East Asia**
 - Jewellery demand was up in **India** by 21% in tonnage terms and 33% in local rupee terms on Q1 2003. This is due to favourable (rupee) price trends, a strong economy, and rural consumers (who account for over 60% of demand) benefiting from the after effects of 2003's generally good monsoon.
 - In **China** demand rose by 6% in tonnage terms and 23% in price (renminbi) terms. Despite the booming economy, demand for gold jewellery is still somewhat dampened by the overhang from the earlier restrictions and state controls. The strongest demand in the quarter was for 18 carat gold. This follows the WGC-backed 'K gold' initiative that promotes 18 carat gold, both yellow and white, in Italian-inspired design. This has been selling well with 60-70% of demand in white gold, demand for which has also been stimulated by the high price of platinum.
- **Middle East and Turkey**
 - The strong oil price provided a background of consumer optimism in **Saudi Arabia** and **UAE**, where both countries reported strong year-on-year rises in tonnage terms, with an increase of 11% and 22% respectively.
 - Jewellery demand showed a 14% recovery in **Egypt** helped by price trends and by the reduced black market rate for the US dollar. Jewellery imports resumed following the disappearance of the local price discount to international prices and scrap outflows lessened.

- Sustained high economic growth coupled with strong promotional spending and heavy media coverage resulted in jewellery demand in **Turkey** leaping by over a third in tonnage terms from what was already a strong Q1 in 2003.
 - **USA**
- Jewellery demand in Q1 in tonnage terms in the **USA** was 6% higher than a year earlier (23% in dollar terms). The year started well, albeit from a depressed Q1 2003, with a strong Valentine's Day and this positive trend has continued into Q2.

Industrial Demand

The first quarter of this year saw a steady rise (8% in tonnage terms and 26% in dollar terms) in industrial demand for gold. The improvement began in mid-2002 as the beneficial technical properties of gold were increasingly employed within new electronic products, and the electronics industry recovered.

Investment Demand

Net retail investment is up 14% year on year in tonnage terms. Demand in Japan was particularly strong (up 48%) on the back of continued concern over the economy. In Vietnam, demand more than doubled.

After the heady rise seen in 2003, net institutional investment demand paused for breath in the first quarter. Demand was brisk in January fuelled by the market's expectation of further price rises as well as growing interest in commodities and in alternative investments generally. However, the fall-back in the gold price caused a natural shift in many investors' attitudes; as existing profits were taken, new investment dried up.

Supply

Overall supply of gold was 7% lower in tonnage terms than one year earlier.

The first quarter of 2004 saw the announcement of the renewal of the Central Bank Gold Agreement (CBGA 2) in March, confirming the importance of gold as a central bank reserve asset. Net central bank selling of 96 tonnes was lower than a year earlier with sales by Switzerland, Norway and routine sales by the Philippines, partly offset by an acquisition of 28 tonnes by Argentina.

Early indications for Q2 2004

Jewellery

Initial indications are that demand for jewellery continues to remain robust in key markets and comparisons with Q2 2003 will be favoured by the effect of SARS a year ago. Provided there is no sudden price increase, consumer demand should be generally higher in tonnage terms than a year earlier. This is not expected to be the case in India, despite a good May wedding season, because of the exceptional levels of Q2 2003.

Initial import numbers for the US suggest that there has been some recovery in demand, whilst the immediate outlook for all the Middle East regions, including Turkey, is for continued good growth off the back of soaring oil prices and strong economies.

James Burton added: "While early indications are positive, it is the World Gold Council's function to play a key role in maintaining momentum, and ensuring that gold jewellery is a desirable and relevant product for women in our key markets. Overall, we anticipate that the results of initiatives with leading retail partners will start to have a positive impact on figures going forward. In addition, our promotional activities in China, which saw the introduction of K-gold in Beijing in the beginning of Q2, and our Italian-designed Gold Expressions range, which has been promoted throughout all of our major markets, will help to build on the early positive results of Q1."

Investment

The speculative sell off of gold investment appears generally to have continued, and may have intensified. However, volumes may be positively affected by the increase of tonnes in trust in the WGC-backed Gold Bullion Securities (GBS). When re-launched in the beginning of Q2 in response to market feedback, GBS saw a doubling of net assets under trust to US\$660m**.

Central Banks

In Q2, we will continue to see controlled sales of gold by some central banks within the confines of the Central Bank Gold Agreement.

James Burton commented: "Now that the central banks have concluded the second CBGA in a timely fashion, the market is likely to take any further central bank activity in its stride. The renewed agreement has set an official framework and will prove to be a significant anchor for the gold market in the future."

Gold demand¹ (consumption basis)

	2002	2003	% change 2003 vs 2002	Q1'03	Q2'03	Q3'03	Q4'03	Q1'04 ²	% change Q1'04 vs Q1'03
Tonnes									
Jewellery	2,680	2,532	-5.6	539	628	617	747	604	12.0
Net retail investment ³	281	273	-2.7	68	61	61	84	77	13.7
Total consumer	2,961	2,805	-5.3	607	688	678	832	681	12.2
Industrial	291	318	9.4	76	82	79	82	83	8.4
Dental	69	67	-2.8	17	17	16	17	17	-0.6
Total	3,321	3,190	-3.9	700	787	773	930	780	11.4
Value, \$bn									
Jewellery	26.69	29.57	10.8	6.10	7.00	7.21	9.40	7.93	29.9
Net retail investment ³	2.80	3.19	14.2	0.77	0.68	0.71	1.06	1.01	31.8
Total consumer	29.48	32.77	11.1	6.87	7.68	7.92	10.46	8.94	30.1
Industrial	2.90	3.72	28.3	0.86	0.91	0.92	1.03	1.08	25.7
Dental	0.69	0.78	14.1	0.19	0.19	0.19	0.21	0.22	15.3
Total	33.07	37.26	12.7	7.93	8.77	9.03	11.69	10.25	29.3
Price \$/oz	309.68	363.32	17.3	352.09	346.90	363.16	391.06	408.44	16.0

1. Excluding institutional investment. 2. Provisional. 3. Major countries only.

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Footnotes:

* Like its predecessor, Central Bank Gold Agreement (CBGA 2) will run for five years, from September 2004 to September 2009. The maximum amount of gold that can be sold is higher than CBGA 1 at 2,500 tonnes (compared with 2,000 tonnes) over five years. Interestingly, while the first agreement specified that sales each year would be "around" 400 tonnes, under CBGA 2 sales each year will be a maximum of 500 tonnes.

** Correct as of 26 May 2004.

Notes to Editors:

The demand statistics in this note are compiled by GFMS Ltd for the World Gold Council (WGC). The commentary is supplied by the WGC.

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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.