WORLD GOLD COUNCIL

Press release

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Gold Demand Trends: Robust central bank buying bolsters first quarter demand

The World Gold Council's latest *Gold Demand Trends* report reveals that while gold demand (excluding OTC) was 13% lower year-on-year, a recovery in the OTC market propped up total gold demand to 1,174t, a slight 1% increase compared to Q1 2022.

With the price near record average highs for the quarter at $1,890/oz, a mixed picture for gold in Q1 exemplifies its diverse and global sources of demand.

Central banks helped boost demand adding 228t to global reserves, a Q1 record high in this data series. Sustained and significant purchases from the official sector underscore gold's role in international reserve portfolios during times of market volatility and heightened risk.

In comparison, jewellery was relatively flat in the first quarter at 478t. Chinese demand regained ground, reaching 198t in its first quarter of unfettered consumer activity since lockdown restrictions were lifted. This offset weakened demand in India, where consumption fell by 17% year-on-year to 78t in Q1 2023. The sharp increase in domestic gold prices was the primary factor impacting purchases.

Investment demand was a chequered landscape in the first quarter. Renewed gold-backed ETF inflows in March, driven primarily by systemic risk in the US economy, partially countered outflows in January and February and helped bring quarterly outflows down to a modest 29t.

On the other hand, bar and coin investment strengthened 5% year-on-year to 302t, although there were notable shifts in key markets. US bar and coin demand hit 32t in Q1, the highest quarterly level since 2010, and was driven primarily by recession fears and a flight-to-safety amid the banking turmoil. This increase helped offset weakness in Europe and particularly Germany where there was a 73% drop in demand. This notable decrease in German demand was primarily the result of real interest rates turning positive and the rise in the euro gold price which encouraged profit-taking.

On the supply side, there was a slight increase in Q1 total gold supply to 1,174t, with marginal 2% growth in mine production and a 5% uptick in recycling driven by the higher gold price.

Louise Street, Senior Markets Analyst at the World Gold Council, Commented:

"The mixed picture for Q1 highlights how gold's diverse sources of demand underpin its role and performance as a global asset. Growth in some regions offset weakness in others as different economic forces and demand drivers played out in the global gold market. One commonality was that different types of investors looked to gold as a store of value in uncertain times.

"Against the backdrop of turmoil in the banking sector, ongoing geopolitical tensions and a challenging economic environment, gold's role as a safe haven asset has come to the fore. In this landscape, it is likely that investment demand will grow this year, especially with waning headwinds from the strong US dollar and interest rate hikes. Positive demand for gold ETFs has continued in Q2 so far, and the looming threat of developed market recession may be the trigger for inflows to accelerate later in the year. Central bank buying is likely to remain strong and will be a cornerstone of demand throughout 2023 – even if at lower levels than the record highs seen last year.

"As some economies teeter on the brink of recession, gold's role as a long-term, strategic asset could take centre stage as it has a history of delivering positive returns in the last five out of seven recessions."

The **Gold Demand Trends Q1 2023** report, which includes comprehensive data provided by Metals Focus, can be viewed here

The World Gold Council is celebrating **30 years of *Gold Demand Trends*.** Learn more here

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Note to editors

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Leveraging our broad knowledge and experience, we work to improve understanding of the gold market and underscore gold's value to individuals, investors, and the world at large.

Collaboration is the cornerstone of our approach. We're an association whose members are the world's most forward-thinking gold mining companies. Combining the insights of our members and other industry partners, we seek to unlock gold's evolving role as a catalyst for advancements that meet societal needs.

We develop standards, expand access to gold, and tackle barriers to adoption to stimulate demand and support a vibrant and sustainable future for the gold market. From our offices in Beijing, London, Mumbai, New York, Shanghai, and Singapore, we deliver positive impact worldwide.

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