WORLD GOLD COUNCIL

GOLD DEMAND TRENDS

A Quarterly Publication

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1998 HIGHLIGHTS: Full Year & 4th Quarter

All-time record quarterly gold demand
Steady recovery continues

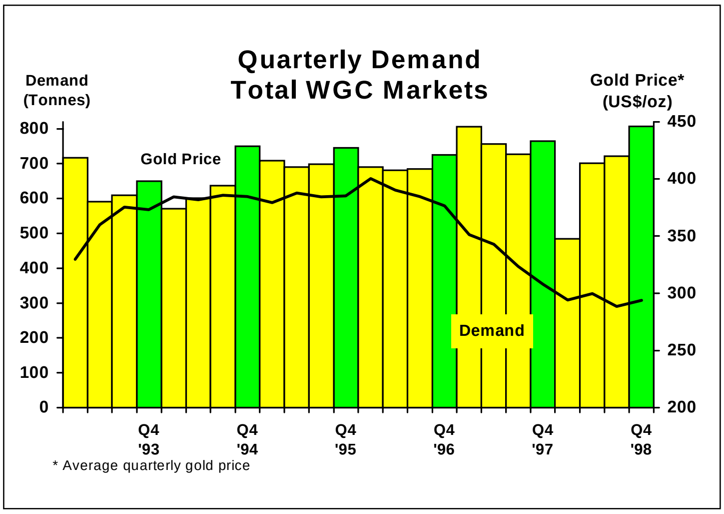
Gold demand in Q4'98 continued to recover from the poor start to the year, reaching the highest level ever recorded for any three-month period at 806.6 tonnes. Strong demand in the USA, Europe, Brazil and Mexico and a steady performance in the Middle East more than offset the continued impact of the economic and currency crisis in several Asian countries. In the wake of the massive dishoarding in Asia that marred the start of the year, full year 1998 demand was 11% below the annual record set in 1997.

Developing Markets

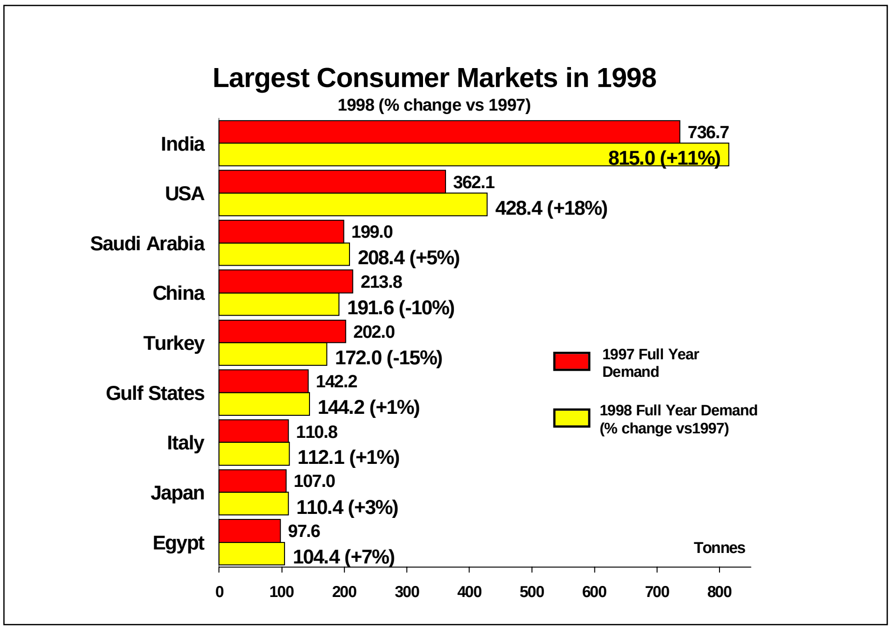
- ***Total***: *Full year 19% lower at 1,864.8 tonnes. Q4 slightly firmer at 522.0 tonnes.*
- ***Jewellery***: *Full year decline of 22% to 1,581.7 tonnes. Q4 up a little to 454.4 tonnes.*
- ***Investment***: *Full year gain of 5% to 283.1 tonnes. Q4 slightly higher at 67.7 tonnes.*

Developed Markets

- ***Total***: *Full year gain of 11% to 847.3 tonnes. Q4 rose 16% to 284.6 tonnes.*
- ***Jewellery***: *Full year 683.8 tonnes, up 5% to an all-time record. Q4 up 6% to 219.4 tonnes, also a record.*
- ***Investment***: *Full year increase of 46% to 163.5 tonnes. Q4 up 72% to 65.1 tonnes.*



DEMAND FOR GOLD IN THE KEY MARKETS



With the inclusion for the first time in this edition of *Gold Demand Trends* of statistics for Pakistan and Egypt, the World Gold Council is now monitoring demand in twenty-seven key markets[1]. Demand in these markets for the full-year 1998 totalled 2,712 tonnes, 11% below the all-time record set in 1997. That decline was a function of the substantial dishoarding during the first quarter prompted by the Asian economic and currency crisis, and especially by the "Save the Nation" gold collection campaign in South Korea. Since then, gold demand has steadily recovered around the world. Looking at the year quarter by quarter: after three months, gold consumption was running 40% behind the 1997 level; after six months the decline was 24%, and after nine months demand was still running 17% below that for the same period of 1997. The shortfall of just 11% for the full year represents a significant recovery after a poor start.

The recent performance of the nine largest consumer markets, each of which accounted for more than 100 tonnes of demand in 1998, is shown in the chart above. The most significant changes in 1998 were as follows:

- Demand in India set a new record for the fourth year in succession, 11% above 1997.
- In the USA, demand rose 18% to an all-time high, led by a surge in investment.
- In China, demand eased 10%, reflecting local problems and a growing unease about the crisis elsewhere in Asia.
- Demand in Saudi Arabia grew 5%, in spite of weakening oil prices.
- In Japan, demand began to recover after a prolonged period of weakness, with growth of 3%.

[1] *The statistics have been revised to include demand data for Pakistan and Egypt, and to incorporate more up to date information for the USA and Europe. Since the start of 1998 the Council has stopped monitoring dental demand in Europe, USA or Japan and these data are no longer included for previous years.*

DEVELOPING COUNTRY MARKETS

Covers India, Pakistan, China, Hong Kong, Taiwan, SE Asia & S Korea, Saudi Arabia, Egypt, The Gulf States (UAE, Kuwait, Bahrain, Oman & Qatar), Turkey, Brazil & Mexico

- Q4 demand in developing countries as a whole was 522.0 tonnes, slightly higher than a year earlier and continuing the recovery from the disastrous start caused by dishoarding at the beginning of the year. The dishoarding in Q1 caused annual demand in 1998 to fall to 1,864.8 tonnes, 19% lower than the record 2,291.6 tonnes achieved in 1997.

- Demand in South East Asia and South Korea, with the sole exception of Singapore, remained firmly on a recovery path, although still at lower levels than in the period before the onset of the Asian economic and currency crisis. Q4 demand was 68.7 tonnes, substantially higher than a year earlier but still 41% below the level of two years ago. The dishoarding during Q1 meant that in spite of the recovery in demand during the remaining three quarters, the region was a net supplier to the market for the year as a whole. The net outflow amounted to 111.0 tonnes. Jewellery demand remained relatively subdued, while investment demand recovered to pre-crisis levels in South Korea, Thailand and Malaysia, and surged to new levels in Indonesia.

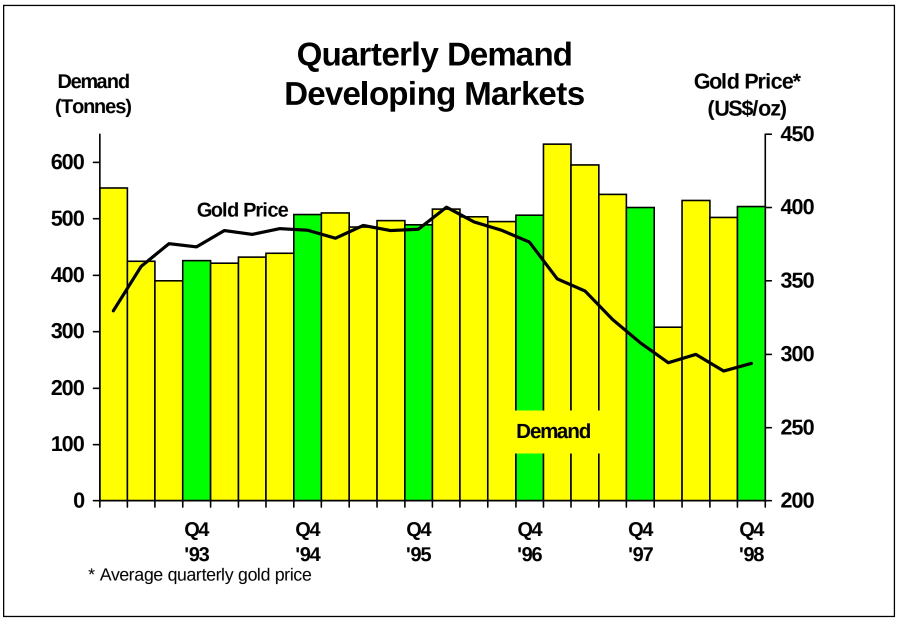
- In contrast, demand in North Asia continued to reflect the impact of the crisis in the rest of Asia. Q4 demand was 25% below Q4'97 tonnage and annual demand for 1998 23% lower than 1997.

- Indian demand for 1998 was a record 815 tonnes, 11% higher than in 1997. However the improvement was concentrated in the first half of the year with demand in the second half retreating slightly from the record levels of one year earlier.

- Demand in Brazil and Mexico remained robust supported by strong jewellery purchases.

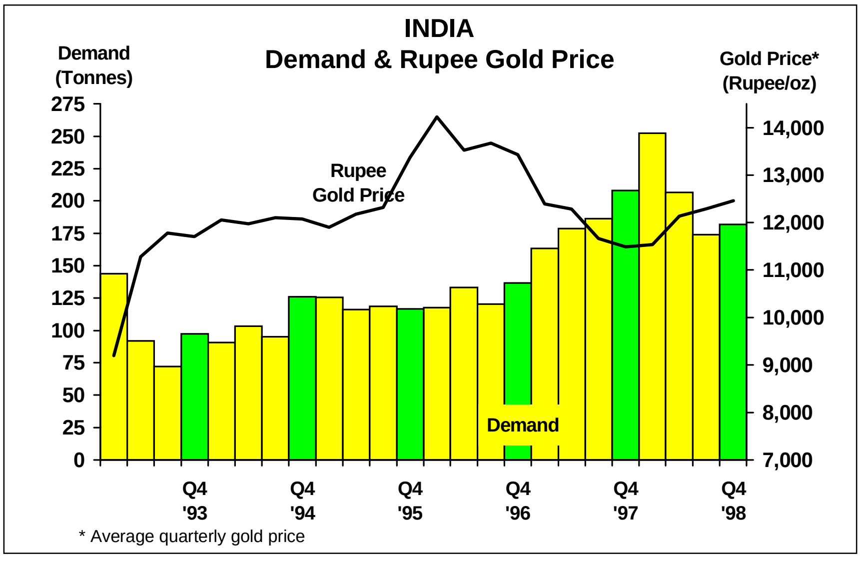
- In the Middle East, there were signs of a reduction in demand towards the end of the year, reflecting the impact on household incomes of lower oil prices.

- Data for Egypt and Pakistan are now included in WGC figures.



India and Pakistan

In 1998 demand in **India** set a new record for the fourth consecutive year. Boosted by the liberalisation of imports at the end of 1997, total consumption, at 815.0 tonnes, was 11% higher than in 1997, a year which itself showed a spectacular 45% increase over 1996.



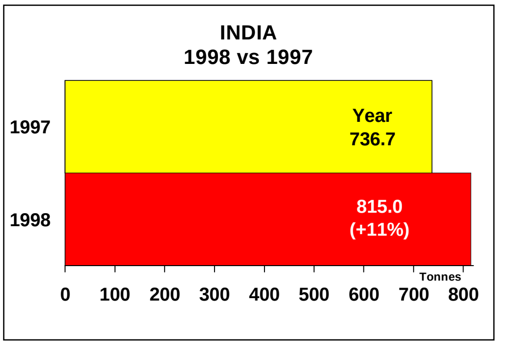
* Average quarterly gold price

However, the increase in demand was concentrated in the first half of 1998. Demand in the second half of the year was below that of one year earlier while remaining substantially greater than in 1996.

The depreciation of the rupee during the year, together with a general rise in import tariffs, brought a rise in the price of gold and sharply higher prices for basic foodstuffs and other commodities, limiting household income available for other purchases. This restrained gold demand during the second half, with Q4 demand at 182 tonnes, 13% below the comparable period of 1997.

A small increase in the import duty on gold imposed in the June budget had no discernible impact on demand. The duty was raised further on January 5, 1999, from 250 rupees per 10 grams to 400 rupees. This move is also unlikely to have a significant impact on demand, as India's programme of market liberalisation over the last few years has brought a dramatic decline in the local premium over the international market. The latest increase raised the premium from 6.5% to 9.5% overnight, and may cut legal imports, driving some supplies back underground.

Official imports totalled 614 tonnes in 1998, 17% up on 1997. However, as with overall demand, growth was concentrated in the first half year with imports in Q3 and Q4 respectively 6% and 11% below the levels of the corresponding quarters in 1997.



In **Pakistan** total gold offtake for 1998 totalled 98.2 tonnes, making it the tenth largest market in the world. Following a depressed Q3, affected in particular by a retailers' strike, demand rebounded in Q4 to 24.1 tonnes, spurred by the start of Ramadan in December and by the Karachi Shopping Festival in November.

Gold Imports Into India

	1996	1997					1998				
	Year	Q1	Q2	Q3	Q4	**Year**	Q1	Q2	Q3	Q4	**YTD**
Tonnes	**279.8**	123.9	122.3	132.6	147.6	**526.4**	200.8	156.8	124.2	131.9	**613.7**

The difference between official imports and overall demand is met by other imports and recycled scrap gold.

Demand in Pakistan 1998

	Q1	Q2	Q3	Q4	Total
1998	28.3	29.8	16.0	24.1	**98.2**

Window on Pakistan

The Council's quarterly monitoring of key gold consuming centres around the world has been extended to include the important market in Pakistan. The country's population of 140 million exhibits a remarkably strong affinity for gold, not unlike that of neighbouring India. Karachi, the southern commercial hub, accounts for about 60% of the gold business in Pakistan. The city has three jewellery markets, selling mostly items of traditional design. Around 49% of the rural population buy gold each year, a higher proportion than the urban population. Per capita demand for gold is also higher in rural Pakistan than in the cities.

In Pakistan, the Council obtains the figures for monthly official imports from the Statistical Bureau, and then estimates unofficial imports of both bullion and jewellery. These estimates are based on extensive knowledge of the market and on a study of consumption prepared by outside consultants. The figures are reconciled with Council sources in Dubai, which is the major redistribution centre for gold exports to Pakistan.

Of the typical annual consumption of 100 tonnes, roughly 10 tonnes (10%) is recycled gold. Dubai is the main exporter of bullion to Pakistan, with an additional amount of about 20 tonnes coming in directly from Switzerland. An estimated 30 tonnes of gold jewellery is imported, mainly from Dubai, all of which comes through the parallel imports route. Pakistan's official gold import figures show 35 tonnes of bullion imported into the country. It is estimated that another 25 tonnes of bullion is imported through unofficial channels.

There is a customs duty of $1 on every tola (11.66 gms) of bullion imported. Imports are permitted only against a licence (which can be obtained against a US$10,000 cash deposit with the Ministry of Commerce currently). At present there are only three official importers. All three are based overseas, in Dubai and Saudi Arabia. This implies that almost 55% of Pakistan's demand is being fed by unofficial channels, due to the high duty and tax rates amounting to 45% on jewellery (Pakistan levies 25% customs duty on jewellery, 15% sales tax and 5% income tax).

The dominant reason for gold purchase in Pakistan is marriage, and jewellery is accumulated for this purpose over several years. About 65% of the jewellery market is for plain gold jewellery, the remainder being studded with precious or semi-precious stones. With store-of-value being an important motivator, most Pakistanis prefer plain gold jewellery, as the cost of manufacture (which is deducted at resale) is about 30% higher for studded jewellery. Though gold jewellery is perceived as a form of savings, there is considerable reluctance to sell it, especially as it forms part of the dowry and resale may be considered a bad omen. Earrings and rings are the most common form of purchase. There is some purchase of gold for straightforward hoarding purposes, but jewellery constitutes 90% of gold demand.

While Karachi represents the heart of the gold market, Lahore is the second largest centre in terms of fabrication. Most manufacturing is concentrated in small family workshops employing between two and four people. Jewellery of 22 carat dominates, with a 95% share of the market. Of late, however, Dubai's influence is in evidence and the demand for bullion jewellery and 24 carat jewellery has begun to rise. A few local workshops are also manufacturing jewellery in 24 carat. Exports of jewellery are negligible, accounting for less than US$5 million annually.

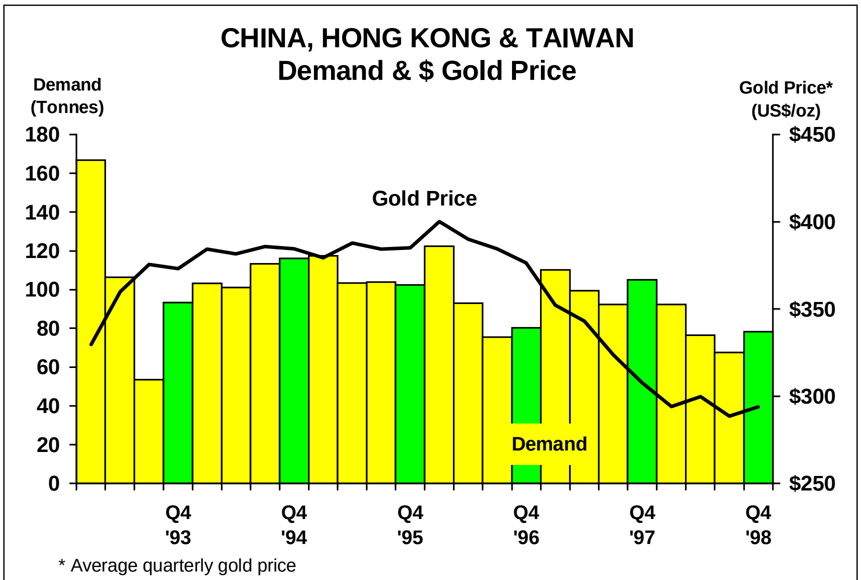
North Asia

Covers China, Hong Kong & Taiwan

Aggregate demand in **China, Hong Kong and Taiwan** fell by 23% in 1998 to 314.6 tonnes. The knock-on effect of the Asian crisis coupled with the adverse impact of the year of the Tiger, considered inauspicious for weddings and other occasions traditionally marked by gold gifts, were responsible for the decline. The situation showed no signs of improvement at the year-end with Q4 demand, at 78.3 tonnes, 25% lower than a year earlier, although the more auspicious Year of the Rabbit should help to boost sales in 1999.

Demand in **China** was less affected by the adverse factors than the other two countries in the region; for 1998 as a whole sales totalled 191.6 tonnes, 10% lower than in 1997. In Q4, demand was 47.0 tonnes, 15% lower than a year earlier. Growing unemployment, including mass layoffs, credit cutbacks, the phased withdrawal of heavily subsidised housing and slower economic growth all contributed to restricting sales.

In October, as part of its policy of bringing domestic prices into closer alignment with international markets, the People's Bank of China raised the internal allocation price for gold by 4.1% to help stem outflows of the metal.



* Average quarterly gold price

Gold Imports Into Hong Kong & Taiwan

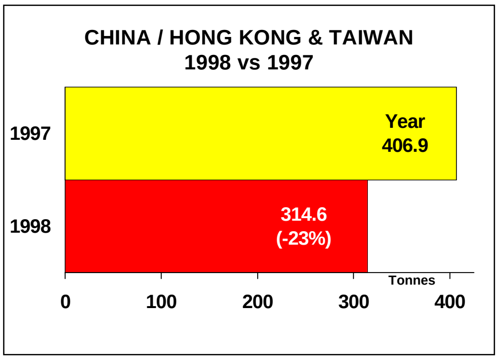
Tonnes	1996 Year	1997 Q1	Q2	Q3	Q4	Year	1998 Q1	Q2	Q3	Q4	Year
Hong Kong	**219.7**	119.9	83.7	101.6	129.6	**434.9**	151.6	38.3	24.1	10.4*	**224.4****
Taiwan	**96.2**	33.7	24.3	25.0	26.1	**109.1**	24.0	12.3	10.5	19.1	**65.9**

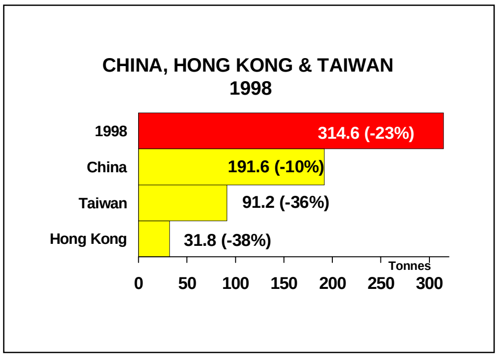
*Oct/Nov only ** 11 months to November

With the economy in clear recession (output is thought to have been 5% lower in 1998 than in 1997, private consumption down 6% and unemployment reached a record high), gold demand in **Hong Kong**, at 31.8 tonnes, was 38% lower than in 1997. Demand fell to just 6.1 tonnes in Q4, 63% lower than a year earlier.

Imports into Hong Kong for the first eleven months of 1998 were just over half those in 1997 while Taiwanese imports for the whole of 1998 were 40% below 1997 levels.

In **Taiwan** gold sales for 1998 totalled 91.2 tonnes, 36% lower than in 1997, with the Year of the Tiger producing 20,000 fewer weddings. The situation in Q4 was marginally better than the rest of the year with demand 42% higher than in Q3 and only 25% lower than in Q4'97.

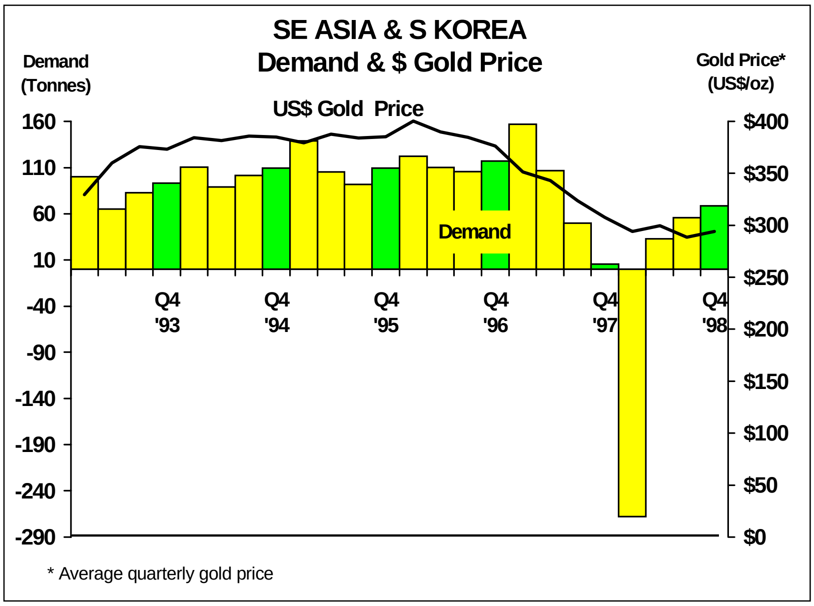




SE Asia & S Korea

Covers Thailand, Indonesia, Singapore, Malaysia, Vietnam & South Korea

As a result of substantial dishoarding in the first part of the year, and notably the effect of the "Save the Nation" gold collection campaign in South Korea, there was net dishoarding of 111.0 tonnes in the SE Asia and S Korea region for 1998 as a whole. However the dishoarding was concentrated at the beginning of the year and in the second half demand started to recover, albeit remaining well below normal levels. In Q4 demand recovered to 68.7 tonnes, nearly 13 times as great as demand in Q4'97, which was severely affected by the start of the Asian crisis, although still 41% below the level reached in Q4'96. Recovery was evident in all countries except Singapore, while demand in Vietnam was unaffected by the crisis.

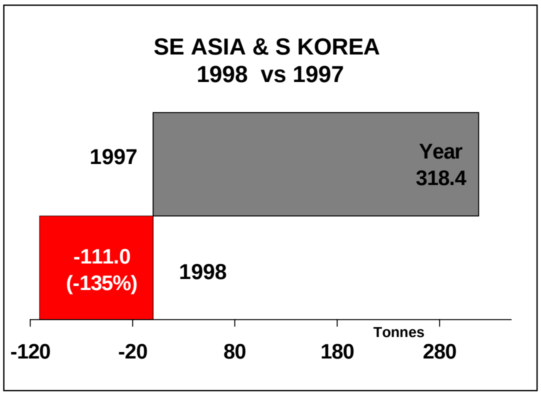


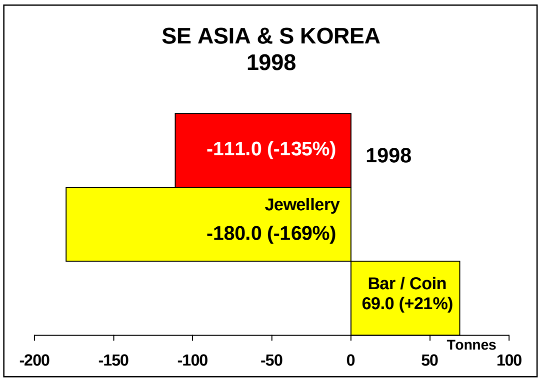
Gold demand in South Korea in 1998 was inevitably dominated by the effects of the national collection campaign which produced net dishoarding of 228.0 tonnes in Q1. Demand totalled 65.5 tonnes in the rest of the year reducing annual net dishoarding to 162.5 tonnes. However, with signs of improvement in the economic situation and a mild rally in the won reducing gold prices, demand rose to 28.5 tonnes in Q4, 43% higher than a year earlier and only 15% below Q4'96. Jewellery demand at 25 tonnes was only marginally below pre-crisis levels while jewellery exports in the ten months to October reached $200m, which was already five times the level of the whole of 1997. While 25% of manufacturers and wholesalers and 30% of retailers have gone out of business since the crisis began, those who are left have started to benefit from better times and the more innovative have seen sales rise above pre-crisis levels.

Consumption of investment products, boosted by gifts to retiring or redundant employees, totalled 3.5 tonnes, nearly double the levels of Q4'97 and comparable with pre-crisis levels.

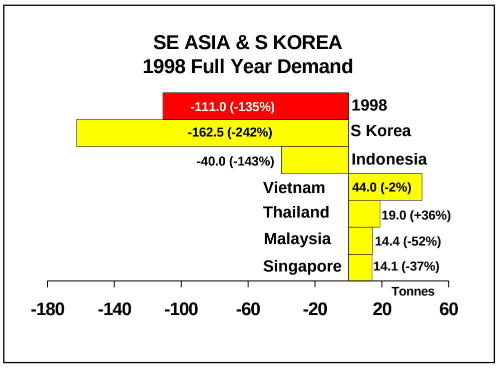
In Indonesia, the severe economic crisis also produced net gold dishoarding of 40.0 tonnes for 1998 as a whole compared with net purchases of 92.5 tonnes in 1997. Again, dishoarding was concentrated in the early part of the year and some recovery, spurred by a recent upswing in the rupiah and by improved agricultural incomes, was seen in gold demand in the second half of the year. Total demand in Q4 was 14.0 tonnes. This compares with net dishoarding of 2.0 tonnes a year earlier, but was a little below half of pre-crisis Q4 levels. Future recovery remains precarious due to the fragile economic and political situation.

Jewellery demand was 10.0 tonnes for Q4, reducing the net dishoarding for 1998 as a whole to 62.5 tonnes. Investment remained





the bright spot; Q4 demand was estimated at 4.0 tonnes bringing the year's total to 22.5 tonnes. This was almost double the 11.5 tonnes recorded for 1997 which was itself a record.



Gold demand continued to recover in **Thailand**, along with improved economic prospects, reaching 8.5 tonnes in Q4. While remaining below pre-crisis levels, this raised the annual total for 1998 to 19.0 tonnes, a 36% increase over the 14.0 tonnes recorded for 1997 which was itself heavily affected by the start of the crisis. Jewellery demand remained depressed. Q4 demand was 6.0 tonnes which was an improvement over sales made earlier in the year, although still well below pre-crisis levels. In contrast, investment demand now seems to have fully recovered. Q4 demand, at 2.5 tonnes, brought the annual total to 7.0 tonnes, in line with levels achieved in previous years.

Demand in **Vietnam** remained robust at 10.0 tonnes for the quarter, the same level as Q4'97. For 1998 as a whole demand was 44.0 tonnes, just 1.0 tonne, or 2%, below the level recorded for 1997. At 18.0 tonnes, jewellery consumption for the year was the highest ever recorded, although investment demand, at 26.0 tonnes, was 10% below 1997.

The ban on gold imports remained essentially in place, but with effect from December 8 the government permitted the non-commercial import of up to 3 kilograms of bars or granules, subject to import tax. Imports of less than 300 grams of either jewellery, bars or granules are exempt from import tax. From January 1, 1999, the 10% value added tax on jewellery, and the 20% VAT on trading, are applied only on the value-added portion.

Gold demand in **Malaysia** totalled 14.4 tonnes in 1998, around half pre-crisis levels and 52% lower than in 1997. Investment demand for 1998 as a whole was 2.6 tonnes, in line with pre-crisis levels, but jewellery sales were less than half of sales in 1995 and 1996. Q4 total demand was 5.1 tonnes, 11% higher than in Q4'97 boosted by the easing of credit restrictions and a recovery in the stock market.

In contrast to the other markets in the region there was no sign of any significant recovery in **Singapore** although the fall in sales in the early part of the year had been less dramatic than in neighbouring countries. Demand for the year as a whole was 14.1 tonnes, 37% below 1997. In Q4, demand was 2.6 tonnes, higher than in Q3 but 32% below Q4'97. Sales were brisk just before Christmas but this was not enough to lift demand for the quarter as a whole back to previous years' levels. Purchases were concentrated in cheaper items but there was a trend towards white metal, in particular 18 carat white gold.

Gold Imports Into Singapore

	1996	1997					1998				
	Year	Q1	Q2	Q3	Q4	**Year**	Q1	Q2	Q3	Q4	**Year**
Tonnes	**357.8**	136.9	107.1	101.1	58.8	**403.9**	58.1	36.2	29.8	42.8	166.9

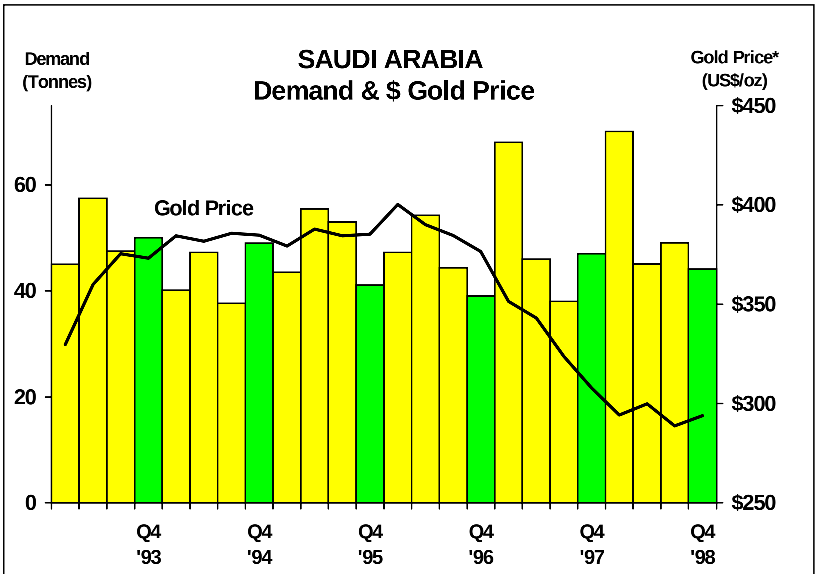
Imports for 1998 as a whole amounted to just 166.9 tonnes, 59% below 1997 imports.

Middle East

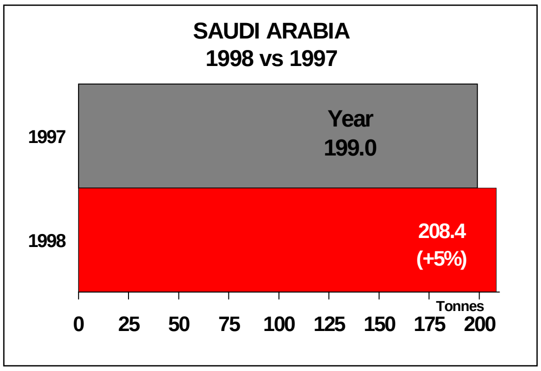
Covers jewellery demand in Saudi Arabia, UAE, Bahrain, Kuwait, Oman, Qatar and Egypt

Full year gold demand in Saudi Arabia totalled 208.4 tonnes, 5% up on 1997 and approaching the record 225 tonnes achieved in 1992. However, all the gains came in the early part of the year, with Q4 demand at 44.1 tonnes 6% below that for the same period of 1997. The decrease in the latest period reflected the lower oil price, together with a fall in investment demand following the rapid build-up in investment holdings during Q3.

Local production remained stable at just over 2 tonnes a quarter. Official imports and scrap recovery were both rather higher in 1998 than in 1997 but estimated unrecorded jewellery imports were lower, particularly in the second half.

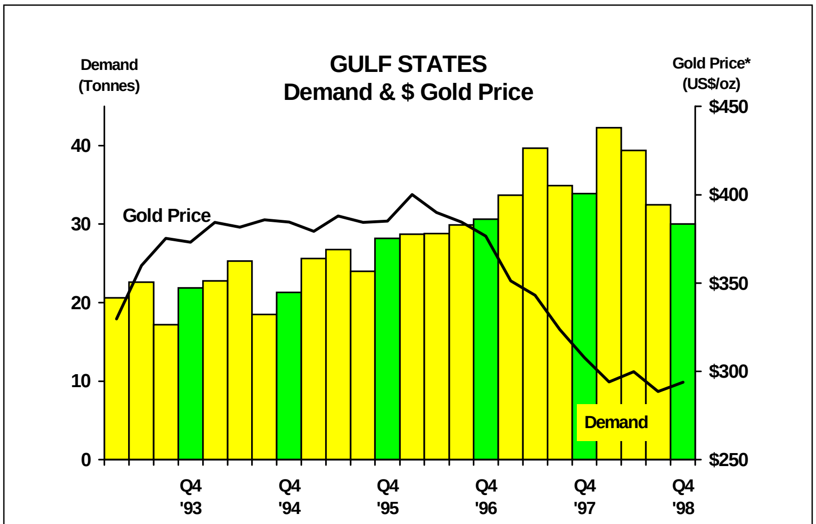


* Average quarterly gold price



After three years of strong growth, demand in the five Gulf States taken together rose by just 1% in 1998 to reach 144.2 tonnes.

The small rise was entirely due to an 11% increase in UAE where demand in 1998 totalled 79.4 tonnes spurred by a very strong Q1. In the other states, sales in 1998 were below the 1997 level, largely due to weakening demand in the second half of the year. Falling incomes resulting from low oil prices depressed purchases.



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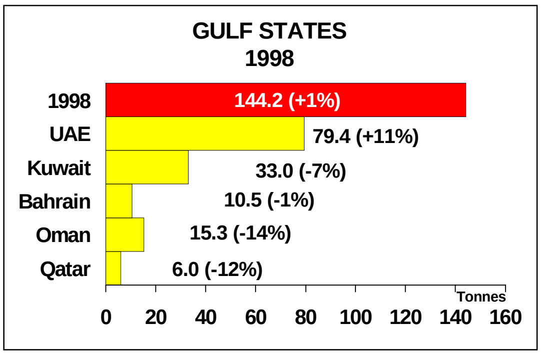


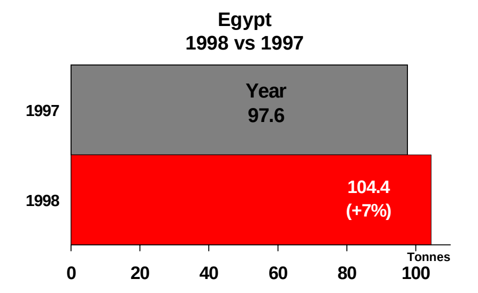
Q4 demand in the five states was 30.0 tonnes, 11% lower than in Q4'97. Demand in UAE was 14.7 tonnes, 3% lower than one year earlier, while demand in the other four totalled 15.3 tonnes, 19% below year-ago levels.

The decline in imports into Dubai that began in Q2 continued during Q4, with the total of 57 tonnes less than one third of the level of a year ago. The liberalisation of the Indian market has diverted supplies away from the traditional distribution centre of Dubai, and gold is increasingly being imported direct into consignment stocks in India from refineries in Europe and elsewhere.

Gold Imports Into Dubai

	1996	1997					1998				
Tonnes	**Year**	Q1	Q2	Q3	Q4	**Year**	Q1	Q2	Q3	Q4	**Year**
Dubai	**350.5**	154.9	152.9	165.8	186.7	**660.3**	153.0	90.9	73.3	60.2	**377.4**

Gold demand in **Egypt** rose to 104.4 tonnes in 1998, 7% up on 1997. Sales were supported by strong economic growth - fuelled by an increase in the numbers of tourists, a successful privatisation programme and an encouraging inflow of foreign investment - and by promotional activities and new products. However sales growth weakened in the second half, even though Egypt is less exposed to the oil market than many other Middle East states. Q4 demand was 20.1 tonnes, 11% down on Q4'97.



Window on Egypt

As in Pakistan, Council activities in Egypt have also reached the stage where we are in a position to incorporate this country into our regular quarterly monitoring of key gold consuming centres. Egypt's population of 60 million displays many similar characteristics to that of Pakistan, especially with respect to the strong cultural affinity for gold, although there is one small but significant difference; the stronger European influence in Egypt has generated a split in caratage preference between 18 carat and the more traditional 21 carat. In addition, Egypt's per capita GDP is much higher than that of Pakistan at an annual US$976 versus Pakistan's US$406. Almost 2 million Egyptians live abroad, and they remit foreign exchange to the tune of US$2.6 billion every year.

In Egypt, the following methodology was used to arrive at the offtake figures. The Hallmarking Authority supplies the monthly statistics showing jewellery hallmarked in different caratages. These figures are translated into fine gold and reported under "locally manufactured officially hallmarked jewellery". In order to derive the total consumption, two estimates are made - first, the locally manufactured gold jewellery with parallel hallmarking by the manufacturers, and second, the unrecorded imported jewellery. Council estimates of sales volumes are derived from extensive study of the market, together with reports from local operators. These estimates are then checked against information from external suppliers.

Import tariff on bullion:
- Divided into 1% customs, ½% service charge, and 1% advance payment on trade profits (to be deducted from year end taxes).
- The hallmarking authority charges Egyptian pounds 30 on each kilo.

Import tariff on jewellery:
- Tariffs were reduced in September 1997. They are now divided into 10% customs, 10% sales tax, 3% service charge, and 1% advance payment on trade profits (to be deducted from year end taxes).
- The hallmarking authority charges 60 piastres on each gram of imported products and 20 piastres on each gram of local products. Sales tax is fixed at Egyptian pounds 1.39 per gram on items in 18 carat gold and below, and Egyptian pounds 1.25 per gram for items of 21 carat and above.

- The customs authority is controlled by the Ministry of Finance. Hallmarking has been in force for 150 years.

There are some signs of interest in jewellery items studded with precious or semi-precious stones, although this is limited to urban areas such as Cairo and Alexandria, where Italian-style jewellery has gained popularity. However, new retail chains selling 24 carat jewellery have recently been set up in these two cities.

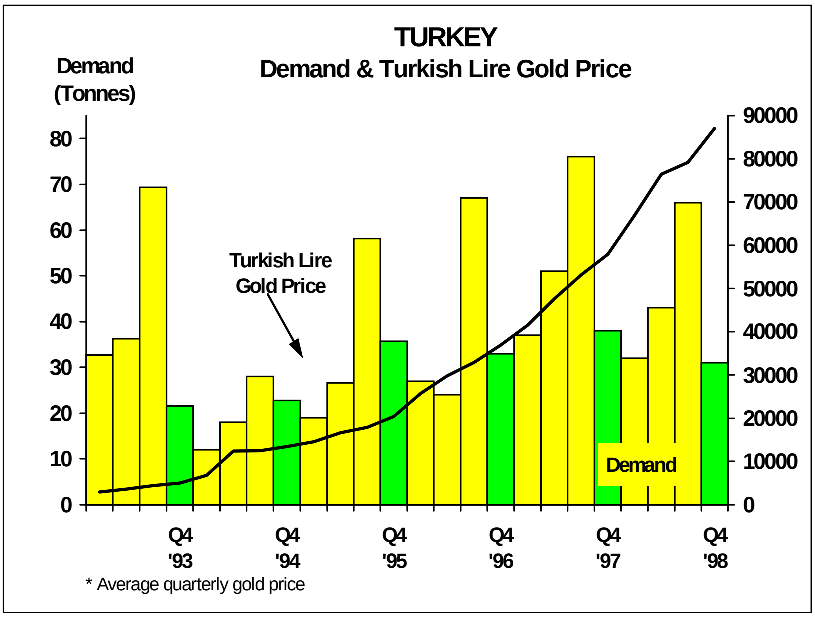
Nationwide, the split between 21 carat and 18 carat jewellery is about 70:30, with the higher caratage items mainly bought by people living in the suburbs and in the north of the country. The driving force behind the vast majority of jewellery purchases is store-of-value and wedding related, although jewellery is also purchased as gifts for other occasions in the metropolitan areas.

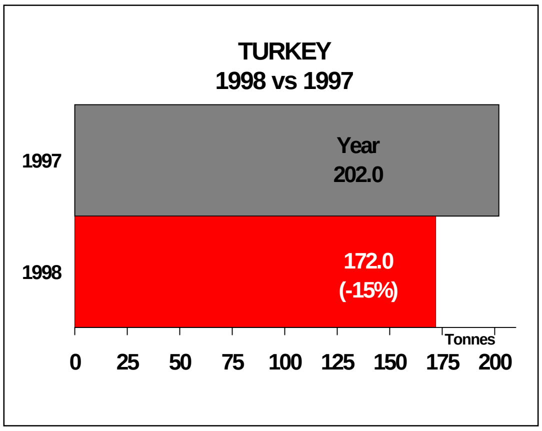
Rings and earrings are the most common purchases, accounting for 32% and 18% respectively of the total. Bracelets and bangles are also popular items, with both male and female purchasers.

Although Egypt has a substantial tourist industry, the jewellery trade has not so far been able to make inroads into this sector. The government of Egypt has, however, demonstrated its support for the industry by giving concessions on the import of machinery to enable the trade to upgrade and target the tourists who come mainly from Europe and elsewhere in the Middle East.

Turkey

Gold demand in Turkey was 172 tonnes in 1998, 15% below demand in 1997 but well above 1996 levels. A fall in the number of tourists, and reduced domestic demand as a result of economic uncertainty, contributed to the fall as did reaction to some earlier overstocking by retailers. Q4 demand was 31.0 tonnes, a fall of 18% from Q4'97, in line with trends in the rest of the year.



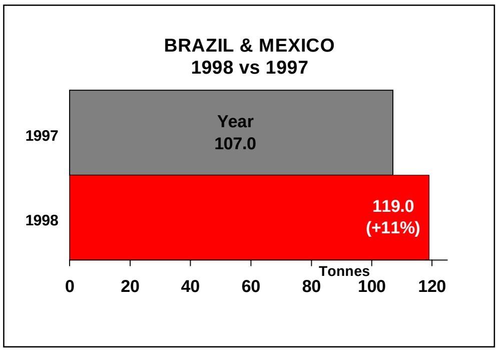


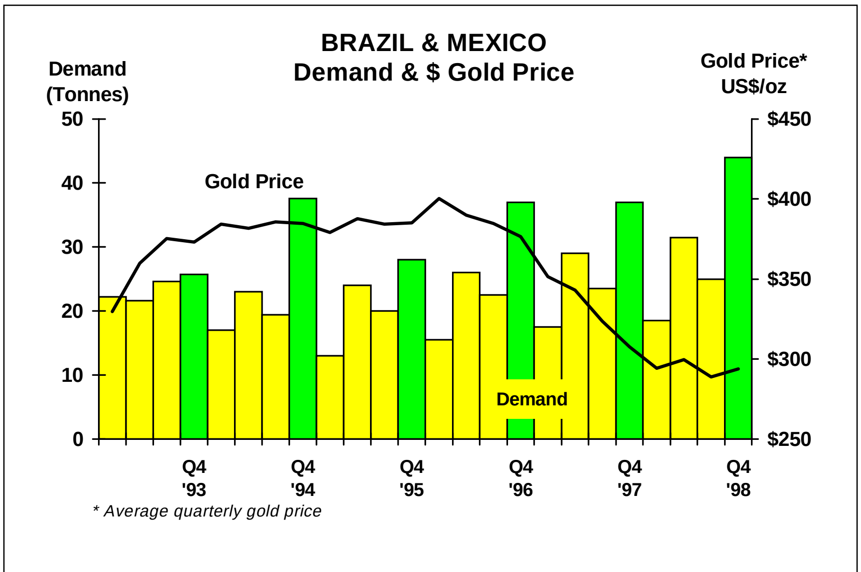
Brazil & Mexico

Covers Brazil & Mexico only. Products are jewellery, small bars/bullion coins.

Demand in Brazil and Mexico was strong throughout 1998, totalling 119.0 tonnes, a figure only exceeded once before - in 1989. Demand was 11% higher than in 1997. Q4 demand, at 44.0 tonnes, and 19% higher than Q4'97, was the highest quarterly figure recorded since quarterly records were started in 1990.

Jewellery demand registered a strong performance, with full-year demand totalling 106 tonnes, 12% above the level of 1997. Q4 jewellery demand was 39 tonnes, up 18% on the comparable period of the year before. Investment demand at 13 tonnes was 8% above the 1997 level.



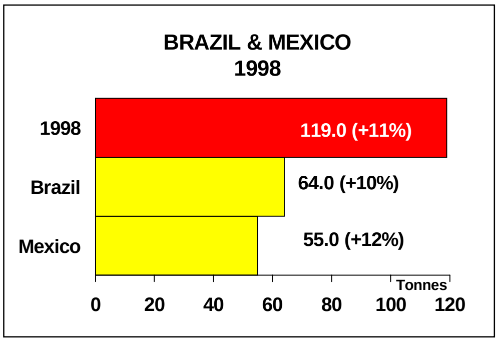


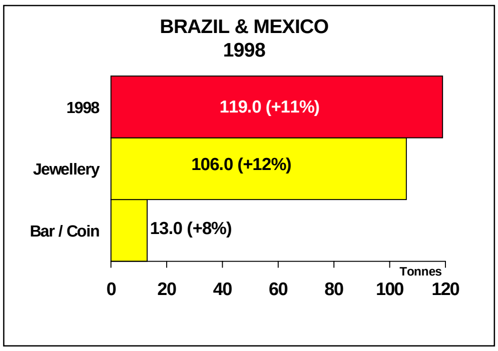
In Brazil gold demand for 1998 totalled 64 tonnes, 10% higher than in 1997. Q4 demand was 22 tonnes, 16% higher than a year earlier. In spite of concerns over the economy, consumer spending during the Christmas period was very strong and purchases of gold jewellery correspondingly high. Q4 jewellery demand was 20.0 tonnes pushing the annual figure to a record level of 58.0 tonnes, 7% higher than 1997. Investment demand was 2 tonnes in Q4 and 6 tonnes for the year.

In Mexico gold demand totalled a record 55 tonnes, 12% higher than in 1997. Q4 demand was 22.0 tonnes, 22% higher than a year earlier and also the highest quarter ever recorded.

Jewellery demand was buoyant throughout the year, with the exception of Q3 when demand was overshadowed by the international financial crisis. However, falling unemployment and rising real wages boosted consumer demand and hence jewellery sales during the final quarter of the year. Jewellery purchases in Q4 amounted to 19 tonnes, 27% higher than Q4'97, bringing the annual total to 48 tonnes, 17% higher than 1997.

Investment demand remained subdued. Q4 purchases were 3 tonnes, the same as a year earlier, and annual demand was 7 tonnes, 12% lower than in 1997.

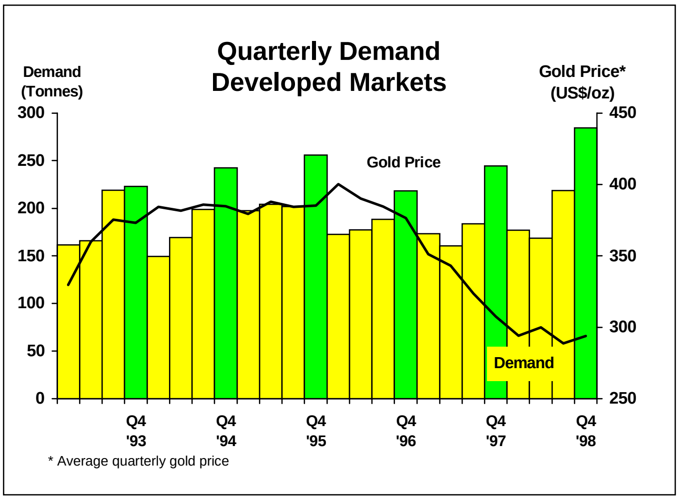


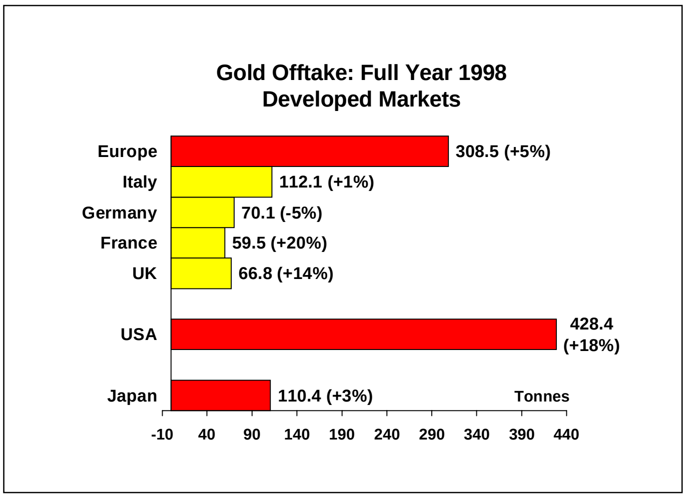


DEVELOPED COUNTRY MARKETS

Covers Europe, USA & Japan. Products reported on are jewellery, gold bullion coins and bars (Japan).

- Full-year demand rose to 847.3 tonnes, 11% higher than 1997.
- Demand for 1998 as a whole was at record levels in the USA, France and the UK.
- Q4 demand was 284.6 tonnes, 16% higher than Q4'97 and the highest quarterly demand ever recorded.
- Jewellery demand, supported by good economic growth in the USA and Europe, was 683.8 tonnes, an all-time record. Q4 jewellery demand was 219.4 tonnes, also an all-time record.
- Investment demand was 163.5 tonnes for the whole of 1998, 46% above the 1997 level. Investment demand in North America at 75.4 tonnes, as measured by bullion coin sales, surpassed previous records. Q4 investment demand for all developed countries was 65.1 tonnes, 72% higher than Q4'97.

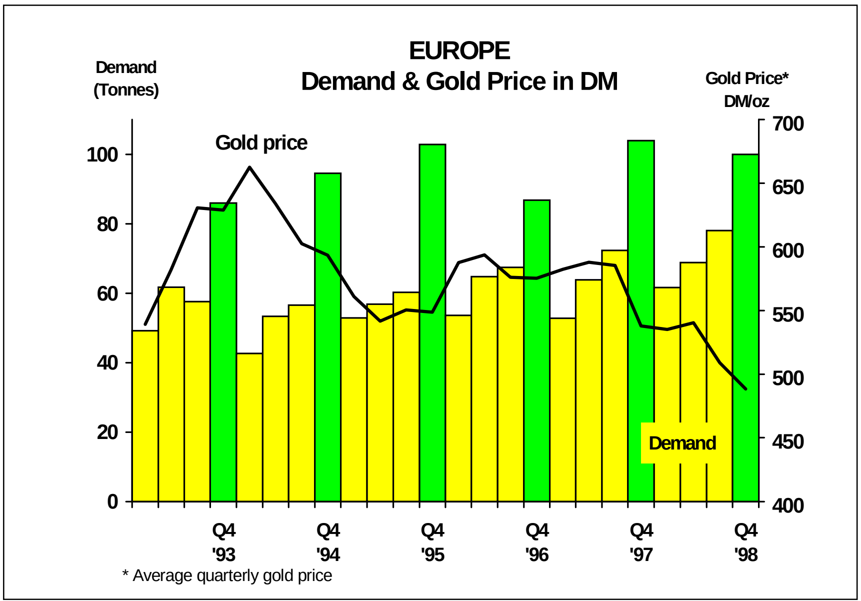




Europe

Covers jewellery demand in Italy, France, Germany & UK, bullion coin demand in Europe. European jewellery data have been revised to take account of extended coverage and improved information.

Gold demand in Europe was 308.5 tonnes in 1998, an all-time record and 5% up on 1997. Good economic growth in all four countries examined pushed jewellery sales to an all-time high of 290.8 tonnes, 7% higher than 1997. Investment demand was more subdued with demand totalling 17.7 tonnes, 18% below 1997.

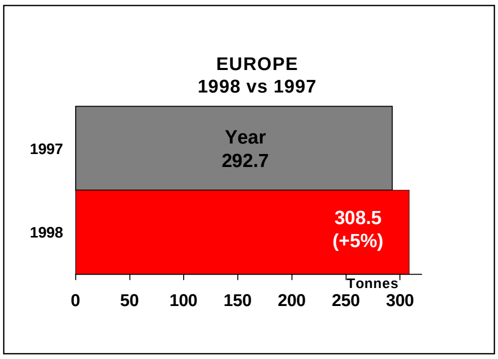


Q4 jewellery sales were 94.4 tonnes, just 1% higher than Q4'97. This modest growth partly reflected the fact that demand was exceptionally strong in the comparable period of 1997 but was also the result of some decline in consumer confidence resulting from the global economic problems. Q4 investment demand was 5.6 tonnes, less than half year-earlier levels. Total Q4 gold demand in Europe was 100.0 tonnes, 4% down on a year earlier.

Fabrication in Europe rose 8% in 1998 to 654.6 tonnes with all countries registering increases. There were good export performances by the dominant Italian manufacturers and also, on a smaller scale, by their French and German counterparts.

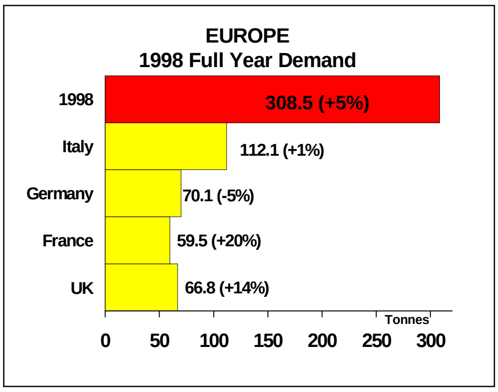
In Italy, full year demand for 1998 was 112.1 tonnes, 1% higher than in 1997. Q4 demand was 39.4 tonnes, also close to year-ago levels. All this reflects the weaker economic growth in the country, and consumer spending restrained by stubbornly high unemployment. It is now clear that this market has settled at a new level after the retreat from the 1992 peak; inventories are lower, and there has been a trend towards lighter items.

Italian fabrication rose to a record 540 tonnes spearheaded by strong exports. Jewellery exports were around 10% up on 1997 reaching a new record of over 420 tonnes although year-on-year growth weakened to



around 4% in the second half year. Exports to EU countries, except Germany, and to the USA were robust but sales to Asia and Latin America were weaker.

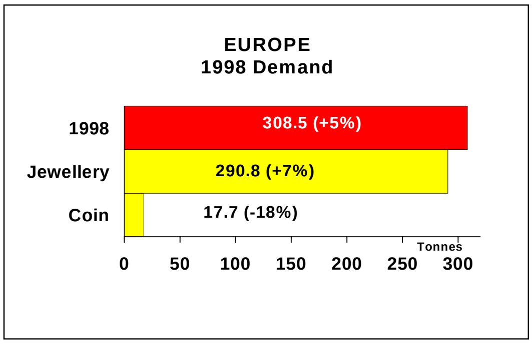
Overall demand in Germany totalled 70.1 tonnes in 1998, 5% below 1997. The fall was attributable to reduced investment demand which fluctuated over the year as a whole; Q4 demand was 5.6 tonnes. With a moderate upturn in consumer spending and overall retail sales, gold jewellery demand, at 52.4 tonnes, was just a touch higher than in 1997. Q4 demand, at 17.1 tonnes, was just below that of a year earlier, although rising consumer confidence augurs for better sales in the future. The trend is to sell more units but with less gold per unit; however the market is increasingly polarised between low-priced 8 carat items and high-value, gem set pieces. Fabrication rose 3% in 1998 as a whole with exports up 10%.



In France both annual demand for 1998, at 59.5 tonnes, and Q4 demand at 17.3 tonnes, were the highest ever recorded. Sales in 1998 were 21% higher than in 1997 reflecting both high consumer confidence (including the euphoria over the World Cup win in July) and a dynamic and innovative approach from large segments of the trade. Around 30% of all sales are now made through supermarkets and many retailers are stocking new types of goods. Q4 demand at 17.3 tonnes, was nearly 10% higher than a strong Q4'97. Fabrication also reached a record 41 tonnes in 1998, 16% higher than in 1997.

In the UK demand for 1998 as a whole also attained record levels at 66.8 tonnes. Strong economic growth in the first half of the year, coupled with a low gold price and a strong pound encouraging a 20% rise in imported jewellery, boosted sales. However the economy, and in particular consumer spending, started to slow in the second half year and Q4 demand, at 20.6 tonnes, was 2% lower than Q4'97.

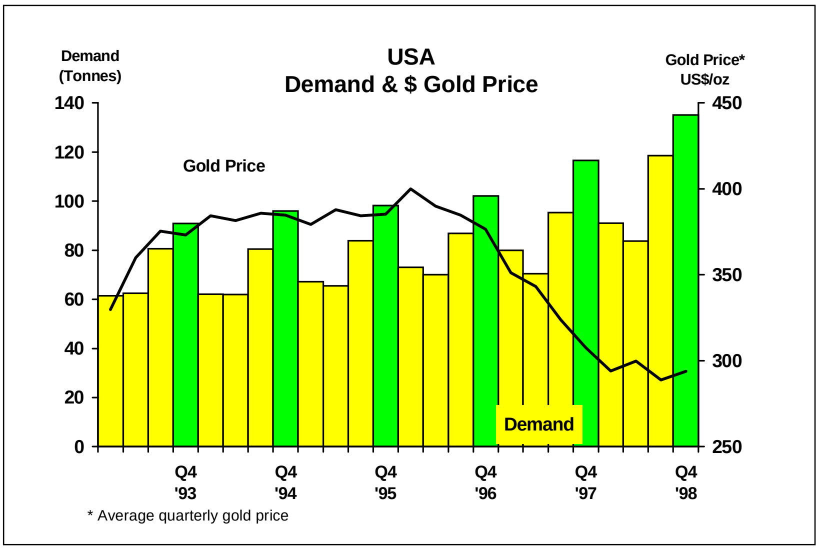
1998 saw a continuation of the trend in rising weights, notably a 2% average unit weight increase in the mainstream 9 carat sector which accounts for 87% of all articles sold on the UK market, in spite of recent growth in higher caratages.



USA

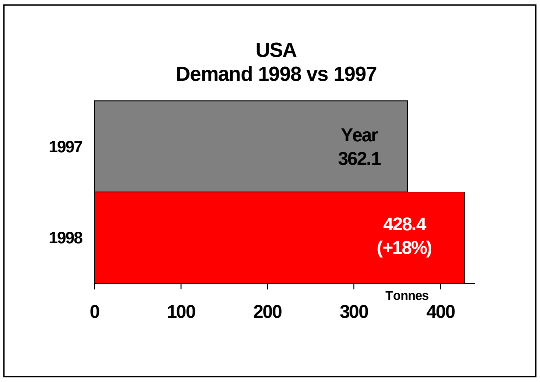
Covers jewellery and coin demand in the USA

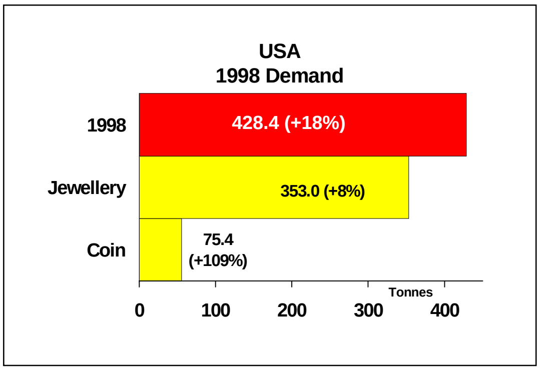
Demand in the USA rose to 428.4 tonnes in 1998, an all-time record and 18% higher than in 1997. Q4 demand, at 135.4 tonnes, was also the highest quarter on record, and 16% higher than in Q4'97.



A continually expanding economy and rising consumer spending underpinned spending on gold jewellery. Demand was also boosted by the growth in non-traditional distribution channels including TV sales, electronic retailing and discount chains; these are making gold jewellery increasingly accessible and affordable to consumers. 1998 jewellery demand as a whole was 353 tonnes, an all-time record and 8% higher than an already strong Q4'97.

The growth in investment demand has been even more spectacular. For 1998 as a whole personal investment, measured by coin sales from the issuing mints, has exceeded the all time-record years of the late 1970s, when gold investment was at its height. Total demand for 1998 was 75.4 tonnes, 109% up on 1997, with Q4 demand, at 25.1 tonnes, 73% higher than Q4'97.

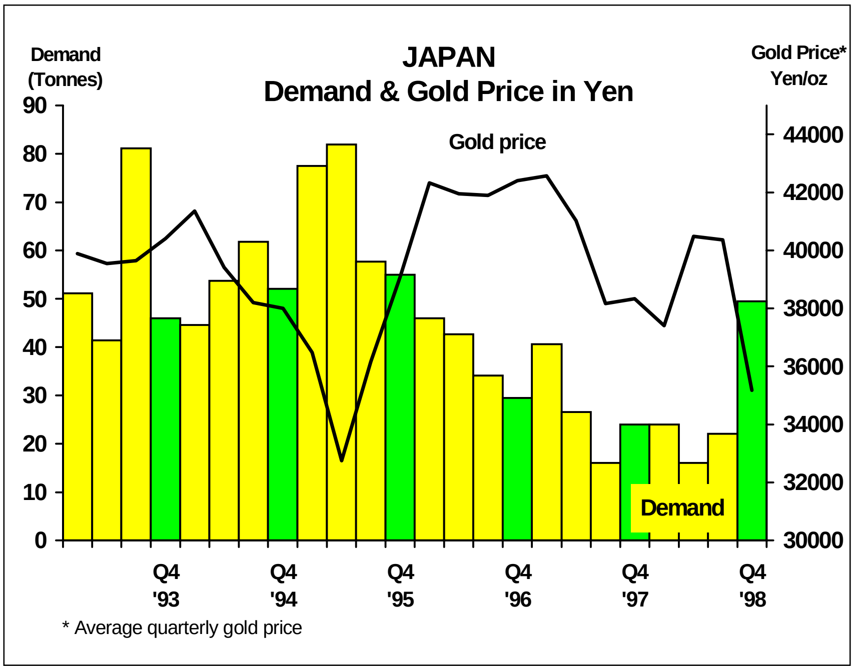


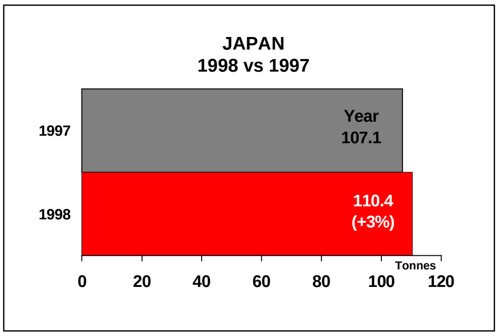


Japan

Covers jewellery and coin demand in Japan

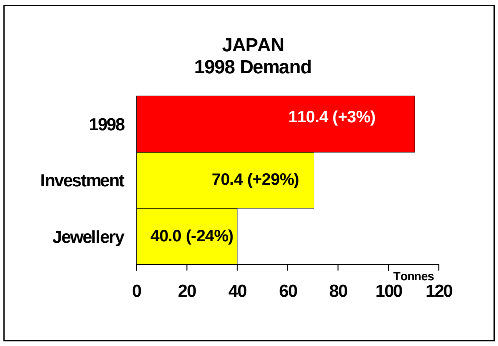
Demand for 1998 in Japan was 110.4 tonnes, 3% higher than in 1997. Q4 demand reached 49.5 tonnes, more than double the level in Q4'97 and approaching once again levels reached before the prolonged economic crisis. While jewellery demand remained very low, investment demand started to pick up in the second half year. Portfolio diversification, prompted by the "Big Bang" financial reforms, was one element behind this with reports of many buyers being new to the gold markets. By Q4, investment demand had risen to 34.5 tonnes, 165% higher than a year earlier and pushing the annual investment total to 70.4 tonnes, 29% more than in 1997. Jewellery demand for 1998 as a whole was 40.0 tonnes, 24% below 1997; Q4 demand, at 15.0 tonnes, however, was 36% above Q4'97 creating hopes of a more durable upturn. The fashion for white jewellery, and especially white gold, continued with yellow gold being barely visible in the stores. 18 carat white gold was reported as accounting for 60% by value of all white metal jewellery sales.





Investment Demand in Japan

	1996	1997					1998				
Tonnes	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Bar	52.0	24.0	11.0	4.0	12.0	51.0	15.0	6.0	12.0	33.0	66.0
Coin	5.2	0.6	1.0	1.0	1.0	3.6	0.9	1.0	1.0	1.5	4.4
Total	57.2	24.6	12.0	5.0	13.0	54.6	15.9	7.0	13.0	34.5	70.4



MARKET FACTORS

The Gold Price and Interest Rates

Although the market remained under pressure during 1998, with the price falling to a 19-year low, there were nevertheless indications of a greater degree of stability in price movements. The market's preoccupation with the threat of central bank sales showed signs of gradually abating as the perceived "window of opportunity" ahead of EMU narrowed, while the turmoil in the world's financial markets saw gold benefit from investor buying as an alternative to the more volatile stocks, bonds and currencies.

The range in prices narrowed considerably from that of the previous year to $41.20; the highest fixing of the year, at $314.60, occurred during the second half of April and the lowest, at $273.40, at the end of August. The annual average gold price, based on the second London fix, was $294.09, $37.20 below the average price achieved in 1997.

The year opened with the gold market under continued pressure from a combination of factors; the strong US dollar, the economic crisis in Asia and the uncertainty surrounding the role of gold during and after the introduction of European Economic and Monetary Union were forming a negative background, while heavy speculative short-selling and active producer hedging were having a more immediate impact on prices. The market broke lower from the outset, falling below the $290 level and continuing to weaken despite signs of good physical demand. News reports that both South Korea and Thailand were appealing to private citizens to donate gold in order to raise foreign exchange to help combat the economic and currency crises in their countries served to further undermine sentiment, and by January 12 quotations had plunged to an 18 1/2 year low of $278.50.

Early signs of some recovery in several Asian economies at this point eased immediate fears for the region and a short-covering rally helped gold regain the $290 level by January 16. The market then stabilised and prices held steady until the end of the month, when the scandal involving President Clinton broke and undermined confidence in the dollar. Fund buying of gold was promptly triggered and quotations rallied sharply up $304.85 at the end of January.

During most of February the market consolidated close to the $300 level, supported by rumours of producer buy-backs of hedging positions as well as the confrontation between the US and Iraq over arms inspections. Reports of a huge response to South Korea's appeal for gold caused prices to dip to $295 at the beginning of the month, but with silver soaring on news of Warren Buffet's 129.7 million ounce long position, gold soon attracted sympathetic buying and firmed towards $300 again. Toward the end of February, tensions in the Gulf eased and the dollar began to recover, causing gold to drop back to $291 as short-selling emerged. On February 26, however, a substantial lender of gold to the market unexpectedly declined to roll over a large lease position and as dealers scrambled for liquidity the one-month lease rate spiked, reaching 3.23% on the next day.

This development sharply increased the cost of holding short positions, and the resulting short covering carried prices back up to $300 by March 2; with trade light in spite of the high prevailing lease rates, the strength of the dollar, together with producer selling soon started gold moving lower once more. On March 18 the Belgian central bank confirmed that it had sold 299 tonnes of gold (see next section) and triggered heavy short selling on the Comex in New York, where the net short position of the large speculators rose to 51,298 contracts (equivalent to 159.6 tonnes) and drove gold down to $287. In the event reports that the Belgian gold had been bought by other central banks checked the decline.

Market sentiment then began to improve, largely due to the gradual acceptance of a more optimistic view of gold's role after the introduction of EMU; speculators who had sold short on the news of the Belgian sale moved to cover their positions and prices started to firm. Lease rates, which had remained high throughout this period, began to decline as the pressure on liquidity eased and gold, after rallying up to $300 on March 24, continued up to $304 on March 27 after the over-the-counter options expiry. Further strength was provided by an upturn in oil prices and mounting concern over the Japanese economy after a negative report from Moody's credit rating agency, and with both fund and Asian buying in evidence the price surged to $314 on April 6.

The speed of this rally led to technical selling and prices settled within a $305-310 trading range. The release of Commodity Futures Trading Commission (CFTC) figures at this time showed the net position of the large speculators on Comex had switched dramatically from a short of 42,151 contracts (131.1 tonnes) to a long of 5,247 contracts (16.3 tonnes). Prices held steady over the Easter period as the precious metals sector focused on palladium, which was soaring to 18-year highs on supply problems in Russia. On April 21 fund buying in gold re-emerged, however, and carried the market up to $314.60 on April 23, the highest fix of the year.

Profit-taking then caused gold to retreat, with a renewed bout of yen weakness adding to the downward pressure. The funds remained buyers until April 28, by which time the net long position of the large speculators on Comex had risen to 17, 885 contracts (55.6 tonnes), while the one-month gold lease rate fell back to 0.77%, reflecting the decline in demand for short-term liquidity. In spite of this, gold failed to regain its recent highs and selling from disappointed bulls gradually gained the ascendancy so that by May 6 gold was testing support at the $300 level.

An indication of the amount of stale bull liquidation that had occurred in early May became apparent on May 18 when CFTC figures showed the large speculators had switched to a net short 18,715 contracts (58.2 tonnes) on Comex. On May 25 options-related selling ahead of the OTC options expiry caused gold to slip below $300; the subsequent news that the Swiss government had approved draft legislation to sever the official link between the Swiss franc and gold caused the market to fall to $290 on May 27, where quotations stabilised.

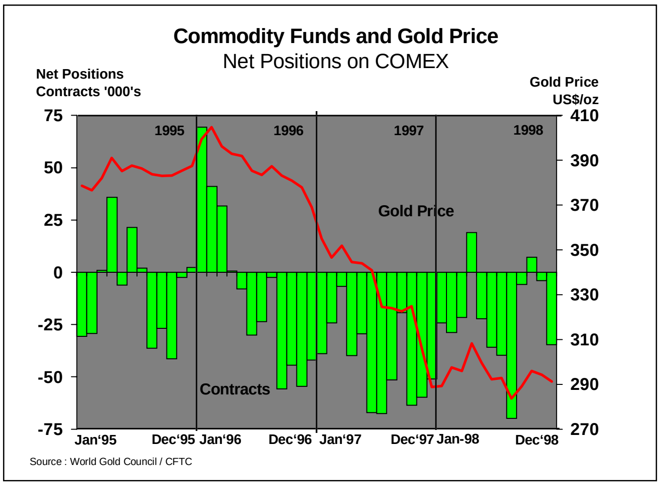
The continued strength of the US dollar and increased producer selling out of Australia, where the sharp fall in the Australian dollar had pushed domestic prices up to A$500, kept the market under pressure, but on June 8 prices began to firm as steady buying from a major Swiss bank absorbed all the gold on offer. Gold ran up to a fixing of $297.60 on the next day only to falter following ECB president Wim Duisenberg's announcement of a consensus within the ECB that the bank should hold between 10% and 15% of its reserves in gold. Recent market speculation had put the percentage of gold at up to 30% with the result that this announcement was seen as disappointing.

Gold dropped below $290 on speculative short selling, but as soon as it became evident that the Swiss buying was still in place, prices bounced up to $295 on June 10. By this stage the buying involved more than one major Swiss bank and appeared to be co-ordinated programme with total purchases estimated at between 80 and 100 tonnes. Rumours as to the identity of the ultimate buyers pointed to either an official institution or a large investor or consortium of investors seeking to diversify assets at a time of economic uncertainty. In any event, the buying had run its course by June 11 and with the dollar breaking above yen 143 gold slipped back to $285 by June 15.

Currency market intervention then helped the yen to recover and gold rallied in response; the dollar/yen rate had become an important focus of attention for the market with the relative strength of the yen, the key currency for the Asian region, being viewed as a proxy for likely East Asian demand for gold. The release of the Bank of France's annual report, which contained supportive remarks for gold encouraged further buying and gold moved up to $298 on June 19.

In early July producer selling out of South Africa following the plunge of the rand to a new low of 6.75 against the dollar, the long-awaited news that gold would comprise 15% of the ECB's reserves (see next section) - initially interpreted as disappointing - and another downturn in the yen on the resignation of Japan's prime minister Hashimoto combined to push gold down to $288 by mid-month. News that the IMF had approved extra credits for Russia together with rallies in the rand and Australian dollar then prompted a recovery to $295, and the market was held between $290 and $295 by options-related activity until the end of the month when, freed of the restraints of options positions after the OTC expiry, prices weakened as the yen came under renewed pressure.

By August 3 gold had retreated to $282, but a 300-point drop in the Dow triggered fresh buying interest and lifted quotations towards $290 on August 6. A steadier tone in stock markets then checked the recovery, however, and the slide in the yen to a new low beneath 145 to the dollar together with fears of a Chinese devaluation pressured prices down to $284 by August 14. Russia's economic problems then came to the fore with the effective devaluation of the rouble, and the dollar's consequent strength weighed on gold, which nevertheless managed to hold between $280 and $285 until August 27, when Russia's sudden financial meltdown raised



fresh concern over the outlook for the global economy.

Speculation that Russia could be forced to sell gold - there had already been rumours of swaps involving up to 200 tonnes, reinforced by the fall in one-month gold lease rates to just

0.29% - sparked heavy short selling: gold tumbled to a fixing of $273.40 - a 19-year low - and touched an intraday low of $270.75 as the net short position of the large speculators on Comex surged to 69,789 contracts (217 tonnes), the largest speculative short position seen on Comex since a brief period in mid-1997 when it reached about 250 tonnes. At the same time the renewed weakness in the Australian dollar had pushed local prices above A$500 once again, triggering producer sales.

With the world's financial markets in turmoil sentiment for gold suddenly changed, however. On August 31 the Dow suffered its second worse points fall ever, plunging by more than 510 points at the same time as the previously robust US dollar turned sharply weaker. This development was seen as reducing the risk of producer hedging from South Africa and Australia and led to heavy short-covering in gold. On September 2 the market broke above $280, and against the background of continuing dollar weakness and release of the independent counsel's report on the Clinton scandal, which appeared to point to the President's possible impeachment, moved strongly to $294 on September 11.

Prices then settled around $290 as attention was concentrated on the volatile US stock market and the dollar. On September 23 news of the near collapse of Long Term Capital Management (LTCM), a major US hedge fund, started gold on an upward course once more. The implications of huge losses for LTCM's investors, the damage to investor confidence and rumours that LTCM might have to cover a short position of up to 400 tonnes sparked heavy short-covering in gold, which surged to $298.10 on September 25 as the net short position of the large speculators on Comex fell to 5,911 contracts (18 tonnes). At the same time one-month lease rates spiked up to 1.65% as central banks, nervous at the losses reportedly made by investment banks on both emerging markets and the LTCM collapse, recalled gold that had been on deposit with the market.

A 0.25% cut in the federal funds rate and further stock market volatility proved positive for gold over the next few days, with prices moving up to a fix of $301.40 on October 2. Fund short-covering remained a feature of the gold market over the next few days, but gyrations in stock and currency markets discouraged any further move upwards until October 7 when a precipitous fall in the US dollar, to 15 month lows against the yen and 20 month lows against the DM, sparked heavy trading in gold. On the following day gold surged to $305 in intra-day trading only to fall back as the dollar staged a sudden strong recovery from its lows. CFTC figures showed that the large speculators had moved from a net short position of 19,013 contracts (59.1 tonnes) to a net long position of 23,669 contracts (73.6 tonnes).

A more stable dollar and firmer stock markets then saw gold slip below $300 and consolidate between $295 and $297 until October 15, when producer buy-backs and renewed dollar weakness led to a firmer tone in prices. The surprise move to cut US interest rates by a further 0.25% between Federal Open Market Committee meetings was seen as a sign of America's concern over the global financial crisis and also proved supportive for gold, which strengthened to $300.45 on the next day. A strong recovery in the US stock market then emerged, however, and in more subdued trading conditions gold started a decline which lasted the rest of the month.

Renewed fund selling arose at the start of November pushing gold down to $288.60 on November 2. Good physical demand together with currency-related producer buy-backs lent support at the lower levels and gold quickly regained the $290 level on the next day, consolidating until November 12 when the renewed confrontation between the US and Iraq over arms inspection sparked short-covering and lifted quotations to $297.20 on November 13. The weakness of the yen following the downgrading of Japan's credit ratings checked the upturn in prices at this point, and the apparent defusing of the Iraqi crisis caused gold to ease to $293.80 on November 17, where support was provided by a further cut in key US interest rates. Another attempt to break above $297 failed, however, and in much quieter market conditions gold held mostly between $295 and $297 until November 30 when some light fund selling was enough to push the market back to $292.

Support emerged once again, but the approach of the year-end meant that many traders were reluctant to assume fresh exposure, being content to protect their P&L from any unexpected developments. As a result the market tended to drift with relatively small trades having an exaggerated impact on prices. Light short-covering pushed prices up to $297 once again on December 7, but once completed quotations started to weaken, the downward move accelerating on December 11 as the weak global outlook for commodities in general caused a general sell-off in precious metals in New York. Gold dropped to $290 but then staged a gradual recovery to $294 by December 16. The news that US and UK forces had launched air and missile strikes against Iraq brought the market briefly to life, lifting prices to $296, but gold quickly relinquished the gains when other markets failed to respond. Reports that Switzerland had passed legislation severing the link between the Swiss franc and gold applied further downward pressure (see next section) and despite the resumption of moves to impeach president Clinton and continued bombing in Iraq prices fell below $290 on December 21. Quotations then consolidated in illiquid holiday season conditions between $287 and $289, closing the year at $287.45.

Official Sector Activity

The official sector remained a key influence on sentiment in the gold market during 1998. A few sales were announced, but the market's attitude toward the perceived threat of additional central bank disposals was much calmer for most of the year as it became increasingly accepted that any "window of opportunity" for gold sales ahead of the introduction of European Economic and Monetary Union was closing rapidly. Those sales that were announced during the first half of the year had taken place during 1997; their disclosure had been generally anticipated, and was largely welcomed as a move toward greater transparency. During the second half of the year, very little information regarding central bank transactions was released, and the largest deal confirmed was in fact a purchase.

Toward the end of the year, and increasingly during the opening weeks of 1999, market attention has once again begun to focus on the official sector. Several published preliminary estimates of statistics for 1998 have suggested a relatively high level of net selling from the official sector, although very few sellers have been identified and any such sales have yet to be confirmed.

The first announcement of 1998 came from the Czech National Bank, which disclosed on February 25 that it had sold 25 tonnes of gold during 1997, leaving 45 tonnes in reserves; at the same time it was revealed that a further 31 tonnes had been hedged against a possible fall in world gold prices. Belgium announced on March 18 the disposal of 299 tonnes of gold from reserves, most of which had been sold on a forward basis during 1997. This marked Belgium's fifth sale since 1989 and thus came as no surprise to the market; Mr Alfons Verplaetse, governor of the central bank, said that the sale had been made to five other central banks in order to minimise any impact on the gold market, and that this disposal completed Belgium's programme of sales.

Hard on the heels of this news, the Belgian government announced on March 27 that it was scrapping plans for the production and sale of commemorative gold coins made from official reserves. These plans, originally disclosed in June 1997, would have provided for an additional 106 tonnes of sales, and their abandonment lent credence to the Belgian statement that no further sales were planned.

On July 7 the European Central Bank announced that it would hold 15% of its initial foreign reserves in the form of gold. The ECB chose to limit its initial call on foreign exchange assets to euro 39 billion to leave room for the four members of the European Union who opted to remain outside EMU at this stage to join at a later date; The figure of 15% of euro 39 billion is equivalent to about $6.5 billion or approximately 747 tonnes of gold.

Following the release of IMF statistics showing a jump of 74.5 tonnes in its gold reserves, the National Bank of Poland confirmed on August 13 that it had bought "large amounts" of gold earlier in the year. In a brief statement the Bank said that the gold had been bought for economic and strategic political reasons and as a reserve diversifier, and that the deal had been struck outside the commercial banking system, implying that the purchase was made from another central bank.

The Canadian government, in a move possibly linked to the weakness of the Canadian dollar, resumed the sale of gold from its reserves after a 21-month hiatus, selling 5 tonnes in July, 4 tonnes in August, 7 tonnes in September, 2.1 tonnes in October and a nominal 0.3 tonnes in November. Canadian gold holdings now stand at 79.5 tonnes.

On September 4 Luxembourg's new central bank confirmed news reports that it had sold a proportion of its gold reserves during July for a book "profit" of 1.5 billion Luxembourg francs. No details of the volume involved have been made available, but market estimates suggest that perhaps between 10 and 11 tonnes were sold from Luxembourg's holding of 12 tonnes.

The Czech National Bank appeared in the news again on September 11, announcing that "during the previous week" it had sold the 31 tonnes of gold that it had previously hedged against a fall in prices. This sale reduced the Czech Republic's holdings of gold to 14 tonnes, 5 tonnes of which is subject to dispute with its former federal partner Slovakia.

In November, as an amendment to a legislative package defining the specifications for euro coins, the Economic and Monetary Affairs Committee of the European Parliament revived a proposal that a euro 100 gold coin should be introduced. The proposal specified that the cost of raw materials and production should be less than the face value of the coin. This implies that it would not be a bullion coin with its value fluctuating in line with the gold price, but a real coin that could be used in everyday transactions. Yves-Thibault de Silguy, European monetary affairs commissioner, voiced objections to the proposal, but the European Parliament nevertheless passed the first reading of the resolution as a whole on November 18, the vote being 463 for and 23 against. The second reading is provisionally scheduled for February 9 and will be voted on without debate. The resolution is not binding upon either the European Commission or the Council of Ministers, however, who will ultimately make all the decisions in respect of coins and notes denominated in euros.

Two separate constitutional articles that no longer include a link between the Swiss franc and gold were approved by the lower house of the Swiss parliament during 1998. On December 17, the parliament passed a new constitutional article stipulating that Swiss monetary policy must serve the primary goal of maintaining price stability. This article must be put to the upper house and, if passed, will need to be approved by popular referendum, possibly as early as March 2000. On December 18, the lower house gave final approval to an updated formulation of the Swiss constitution containing a provision that a portion of the country's reserves must continue to be held in gold. This will be voted on by the Swiss people in a referendum on April 18, 1999. Both these constitutional changes allow the Swiss National Bank greater policy flexibility with regard to the country's gold reserves. To date, there are no proposals for legislation enabling the Swiss National Bank to sell gold. Some leading politicians have proposed using part of Switzerland's gold reserves to finance a Solidarity Fund or the National Social Security fund. This would require further separate legislation at a later date and will also be subject to a referendum or a popular initiative.

On the regulatory front, European finance ministers decided on July 6 to abolish value-added tax (VAT) on transactions in investment gold. This legislation, which will take effect on January 1, 2000, will exempt from VAT within the 15 member states of the EU gold bars weighing more than one gram and with a fineness of at least 995, non-numismatic coins of a purity greater than 900, and gold-related securities, together with forward and futures transactions.

Gold holdings of "All Countries" as published by the IMF showed a net decline of 9.6 million ounces (298.2 tonnes) during the first 11 months of 1998, at least one-third of which can be attributed to swap activity. Venezuela has confirmed publicly that a programme of swaps was responsible for the decline in its reported reserves (1.7 million ounces), while the fall in Russia's published reserves (2.35 million ounces) is also understood to be swap-related.

For the most recent three-month period, a net fall of 0.4 million ounces (14.0 tonnes) is reported between August and November. The main reductions were a 0.99 million ounce (30.8 tonnes) fall in the Czech Republic's reserves as delivery was made against its hedge sale, a 0.23 million ounce (7.1 tonnes) fall in Canada's reserves and a 0.23 million ounce decline in reported Austrian holdings related to swap activity and coin manufacture. These transactions were partially offset by a 0.76 million ounce (23.6 tonnes) rise in Brazil's holdings, believed to be a result of the unwinding of swaps, and increases in South Africa (0.16 million ounces) and Russia (0.14 million ounces), both probably also swap-related, together with some modest additions to reserves by other producing countries.

Official Holdings of Gold - IMF Statistics

Fine Gold, oz million end of period	1995 Year	1996 Year	1997 Year	1998 September	1998 October	1998 November
All Countries	909.8	907.6	890.6	879.3	879.4	881.0*e*
of which						
Industrialised Countries	*755.0*	*748.2*	*732.5*	*724.0*	*724.0*	*724.0e*
International Financial Institutions	204.4	202.0	199.1	197.1	197.1	197.1*e*
Total	**1114.2**	**1109.6**	**1089.7**	**1076.4**	**1076.5**	**1078.1*e***

e = World Gold Council estimate

Note: The table covers all countries reported on in "International Financial Statistics" (IFS), published by the IMF. The item "International Financial Institutions" includes the IMF, the European Monetary Institute and the Bank for International Settlements. The statistics exclude: (1) a few member countries, (2) non-members of the IMF and (3) investment and monetary agencies of various national governments.

Sources and Reliability of Data

Category / Country		Source	Reliability
Developing Country Markets			
- India China, Taiwan, Hong Kong S.E. Asia / S. Korea, Saudi Arabia Gulf States, Turkey		Import statistics / trade sample	Measured / Indicated
- Brazil, Mexico, Vietnam		Trade sample	Inferred
Developed Country Markets			
Europe			
- Jewellery	UK & France	Hallmarking	Measured
	Germany	Trade Panel	Inferred
	Italy	Trade sample	Indicated
- Bullion Coins		Issuing Mints' sales data	Measured
USA			
- Jewellery		Trade Panel (Representative)	Indicated
- Bullion Coins		Issuing Mints' sales data	Measured
Japan			
- Jewellery		Import statistics/trade sample	Measured/Indicated
- Bars & Coins		Import statistics/trade sample	Measured/Indicated
		Gold Accumulation Plan sales	Measured

* Measured : Data fully based on statistics believed to be reliable, such as Government import and hall-marking statistics
* Indicated : Information projected from a representative sample of data
* Inferred : Information derived from a small sample of data and/or informed contacts in the local market-place.

Definitions

Tonnes (mt): Metric ton = 1,000 kg or 32,151 ounces of fine gold.
Import Data: Volume of gold imported into key bullion trading centres which serve as an important supply source for gold in the region.

Fabrication: Total volume of gold, either newly-mined or scrap, converted into the end-use products being reported on.
Trade Purchases: Total volume of gold contained in products purchased by the trade, either retail or wholesale, for ultimate sale to consumers.

Consumer Purchases: Volume or value of gold purchased by consumers in a given market. Usually measured by WGC's representative panel of retail shops or by WGC surveys of consumer buying behaviour.

The aim of Gold Demand Trends is to review the latest state of demand for gold in the leading gold-consuming countries of the world. The areas covered are those where the World Gold Council is currently best positioned to provide a perspective on demand trends through a field staff located in the key demand centres and in contact with the major entities in the gold business.

The primary focus of the data is on the state of retail purchases of gold for the onward sale to the consumer, this being the common measurement parameter of demand in all World Gold Council markets and a proxy for consumer demand. At a subsidiary level, other data are provided, as available, which can help shed light on market trends e.g. gold imports, jewellery fabrication, consumer purchases.

No attempt is made to arrive at a global demand figure. This is because the Council cannot track between 15% and 20% of global demand where it is not represented (Africa, parts of Latin America, the former Communist bloc and parts of the Middle East) or where demand is difficult to measure (investment demand in Western markets).

Gold Demand in Key Markets Worldwide (tonnes) 1993 - 1998

	1993	1994	1995	1996	1997	1998	96-1	96-2	96-3	96-4	97-1	97-2	97-3	97-4	98-1	98-2	98-3	98-4
Gold Price ($)	*359.18*	*384.14*	*384.08*	*387.87*	*331.26*	*294.09*	*400.13*	*390.05*	*384.62*	*376.47*	*351.28*	*343.07*	*323.66*	*307.72*	*294.18*	*299.78*	*288.64*	*293.82*
India	**405.4**	**415**	**477.2**	**507.8**	**736.7**	**815.0**	**117.5**	**133.3**	**120.4**	**136.6**	**163.6**	**178.8**	**186.2**	**208.1**	**252.4**	**206.8**	**174.1**	**181.7**
Pakistan	**37.2**	**37.2**	**43.2**	**53.7**	**81.8**	**98.2**	**14.0**	**15.0**	**10.7**	**14.0**	**18.8**	**21.7**	**18.0**	**23.3**	**28.3**	**29.8**	**16.0**	**24.1**
China, Taiwan, HK	**420.0**	**433.8**	**427.3**	**374.4**	**406.9**	**314.6**	**122.5**	**93.1**	**75.6**	**83.2**	**110.1**	**99.5**	**92.3**	**105.0**	**92.3**	**76.5**	**67.5**	**78.3**
- China	223.0	224.3	223.9	**210.7**	213.8	191.6	59.3	58.1	48.9	44.4	55.3	54.3	49.0	55.2	52.3	49.2	43.1	47.0
- Taiwan	160.6	162.0	160.2	**123.3**	142.1	91.2	52.0	26.4	17.5	27.4	41.3	33.6	33.7	33.5	28.0	20.2	17.8	25.2
- Hong Kong	36.4	47.5	43.2	**40.4**	51.0	31.8	11.2	8.6	9.2	11.4	13.5	11.6	9.6	16.3	12.0	7.1	6.6	6.1
SE Asia & S.Korea	**340.8**	**410.7**	**445.7**	**455.1**	**318.4**	**-111.0**	**122.1**	**110.2**	**105.7**	**117.1**	**156.8**	**106.4**	**49.9**	**5.3**	**-268.1**	**32.8**	**55.6**	**68.7**
- Thailand	96.0	124.0	116.0	106.0	14.0	19.0	34.5	24.5	22.5	24.5	41.5	18.5	-15.0	-31.0	1.5	3.0	6.0	8.5
- Singapore	21.4	23.9	24.1	20.0	22.4	14.1	7.1	4.3	3.8	4.8	8.9	4.5	5.2	3.8	6.4	2.5	2.6	2.6
- S Korea	90.0	106.0	121.0	125.5	114.4	-162.5	30.0	31.5	30.5	33.5	31.5	30.5	32.5	19.9	-228.0	14.5	22.5	28.5
- Malaysia	22.4	24.8	29.6	33.6	30.1	14.4	11.5	5.9	6.9	9.3	14.9	5.9	4.7	4.6	3.0	2.8	3.5	5.1
- Indonesia	80.0	97.0	119.0	129.0	92.5	-40.0	29.0	35.0	32.0	33.0	42.0	37.0	15.5	-2.0	-64.0	-1.0	11.0	14.0
- Vietnam	31.0	35.0	36.0	41.0	45.0	44.0	10.0	9.0	10.0	12.0	18.0	10.0	7.0	10.0	13.0	11.0	10.0	10.0
Saudi Arabia	**200.0**	**174.0**	**193.1**	**184.9**	**199.0**	**208.4**	**47.3**	**54.3**	**44.3**	**39.0**	**68.0**	**46.0**	**38.0**	**47.0**	**70.1**	**45.1**	**49.1**	**44.1**
Egypt	**56.2**	**63.2**	**67.0**	**75.7**	**97.6**	**104.4**	**23.5**	**18.9**	**17.4**	**15.9**	**26.9**	**23.4**	**24.8**	**22.5**	**39.7**	**27.7**	**16.9**	**20.1**
Gulf States	**82.4**	**88.1**	**104.7**	**118.0**	**142.2**	**144.2**	**28.7**	**28.8**	**29.9**	**30.6**	**33.7**	**39.7**	**34.9**	**33.9**	**42.3**	**39.4**	**32.5**	**30.0**
- UAE	32.7	33.2	39.2	52.6	71.6	79.4	13.3	12.0	13.9	13.4	16.9	22.3	17.3	15.1	25.3	22.0	17.4	14.7
- Kuwait	20.0	25.0	35.1	34.7	35.4	33.0	8.1	9.4	8.4	8.8	7.2	9.2	9.0	10.0	7.6	10.2	7.5	7.7
- Bahrain	7.2	7.4	7.8	8.0	10.6	10.5	1.8	1.8	2.1	2.3	2.6	2.2	2.9	2.9	2.8	2.5	2.7	2.5
- Oman	16.5	16.5	16.5	16.5	17.8	15.3	4.1	4.1	4.0	4.3	4.8	4.4	4.4	4.2	4.5	3.5	3.6	3.7
- Qatar	6.0	6.0	6.1	6.2	6.8	6.0	1.4	1.5	1.5	1.8	2.2	1.6	1.3	1.7	2.1	1.2	1.3	1.4
Turkey	**159.9**	**80.8**	**139.4**	**153.0**	**202.0**	**172.0**	**27.0**	**24.0**	**69.0**	**33.0**	**37.0**	**51.0**	**76.0**	**38.0**	**32.0**	**43.0**	**66.0**	**31.0**
Latin America	**94.0**	**97.0**	**85.0**	**100.0**	**107.0**	**119.0**	**14.5**	**26.0**	**22.5**	**37.0**	**17.5**	**29.0**	**23.5**	**37.0**	**18.5**	**31.5**	**25.0**	**44.0**
Brazil	52.0	50.0	54.0	59.0	58.0	64.0	8.5	15.0	14.5	21.0	9.5	15.0	14.5	19.0	8.5	16.5	17.0	22.0
Mexico	42.0	47.0	31.0	41.0	49.0	55.0	6.0	11.0	8.0	16.0	8.0	14.0	9.0	18.0	10.0	15.0	8.0	22.0
Developing Mkts	**1795.9**	**1799.8**	**1982.6**	**2022.6**	**2291.6**	**1864.8**	**517.1**	**503.6**	**495.5**	**506.4**	**632.4**	**595.5**	**543.6**	**520.1**	**307.5**	**532.6**	**502.7**	**522.0**
Europe	**282.1**	**279.8**	**296.6**	**272.7**	**292.7**	**308.5**	**53.6**	**64.8**	**67.5**	**86.8**	**52.7**	**63.8**	**72.3**	**103.9**	**61.6**	**68.8**	**78.1**	**100.0**
- Italy	112.8	116.1	110.0	105.3	110.8	112.1	17.5	25.0	27.4	35.4	17.9	23.4	30.2	39.3	19.2	23.4	30.1	39.4
- France	45.2	45.2	52.0	47.5	49.4	59.5	11.6	12.9	10.0	13.0	10.9	12.8	9.9	15.8	13.7	15.4	13.1	17.3
- Germany	85.5	77.4	88.4	72.8	73.7	70.1	16.4	16.4	17.4	22.6	14.3	15.5	16.2	27.7	15.1	15.0	17.3	22.7
- UK	38.6	41.1	46.2	47.1	58.8	66.8	8.1	10.5	12.7	15.8	9.6	12.1	16.0	21.1	13.6	15.0	17.6	20.6
USA	**295.5**	**300.6**	**314.7**	**331.9**	**362.1**	**428.4**	**73.0**	**70.0**	**86.8**	**102.1**	**79.9**	**70.4**	**95.3**	**116.5**	**91.1**	**83.7**	**118.5**	**135.1**
Japan	**219.6**	**212.1**	**272.1**	**152.2**	**107.1**	**111.6**	**46.0**	**42.6**	**34.1**	**29.5**	**40.6**	**26.5**	**16.0**	**24.0**	**24.0**	**16.0**	**22.1**	**49.5**
Developed Mkts	**797.2**	**792.5**	**883.4**	**756.8**	**761.9**	**848.5**	**172.6**	**177.4**	**188.4**	**218.4**	**173.2**	**160.7**	**183.6**	**244.4**	**176.7**	**168.5**	**218.7**	**284.6**
WGC Mkt Total	**2593.1**	**2592.3**	**2866.0**	**2779.4**	**3054**	**2713.3**	**689.7**	**681.0**	**683.9**	**724.8**	**805.6**	**756.2**	**727.2**	**764.5**	**484.2**	**701.1**	**721.4**	**806.6**

Some data may have been revised since the last issue of Gold Demand Trends

N.B. Figures may not add due to rounding

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