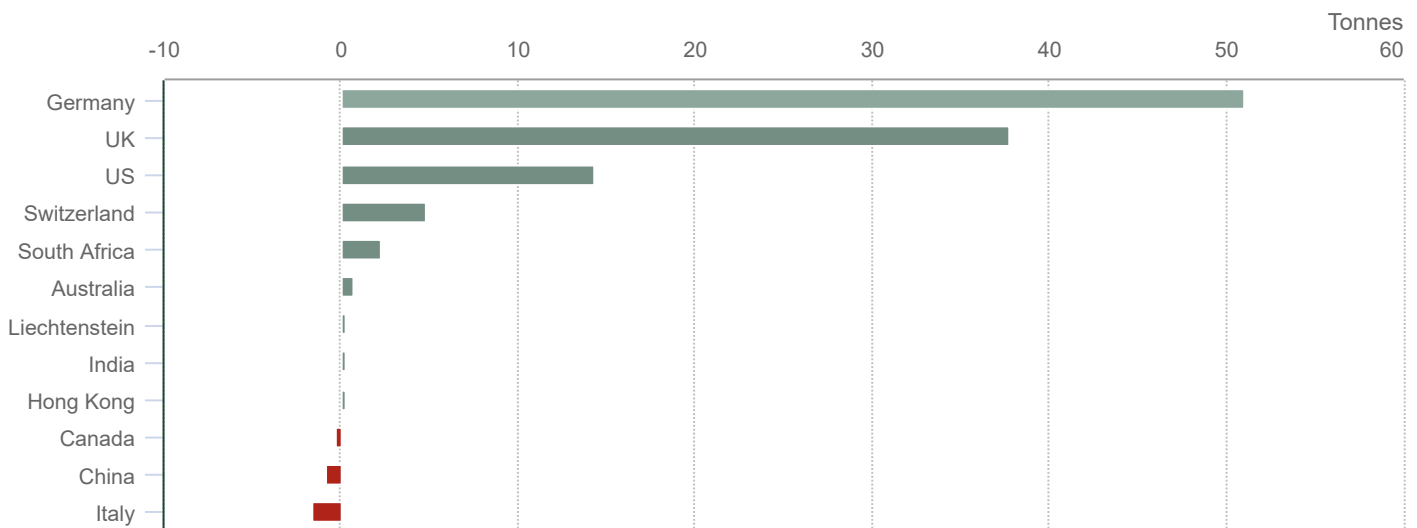


## Q1 gold demand: down 18% from last year's exceptional high

Global gold demand in Q1 2017 was 1,034.5t. The 18% year-on-year decline suffers from the comparison with Q1 2016, which was the strongest ever first quarter. Inflows into ETFs of 109.1t, although solid, were nonetheless a fraction of last year's near-record inflows. Slower central bank demand also contributed to the weakness. Bar and coin investment, however, was healthy at 289.8t (+9% y-o-y), while demand firmed slightly in both the jewellery and technology sectors.

### Germany and the UK led ETF inflows in Q1



Source: Respective ETF providers; Bloomberg; ICE Benchmark Administration; World Gold Council

### Highlights

**Inflows into gold-backed ETFs of 109.1t were concentrated in Europe.** Although inflows were just one-third of the extraordinary levels seen in Q1 2016, demand was firm. European-listed products were the most popular, due to continued political uncertainty in the region.

**Investment in gold bars and coins grew by 9% y-o-y.** Much of this growth came from China, where retail investment was up 30%, breaching 100t for only the fourth time on record.

**First quarter jewellery demand was steady at 480.9t, marginally up on Q1 2016.** Gains in India were the main reason for the slight y-o-y increase, but global jewellery demand remains relatively weak in a historical context.

**After a whirlwind end to 2016, Indian consumers enjoyed a period of relative stability in the domestic market, buoying demand.** Continued remonetisation by the RBI lifted consumer sentiment, which encouraged demand ahead of the auspicious wedding season, albeit from a very low base.

**Central bank demand for gold continued to slow: 76.3t were added to reserves.** Central banks showed a diminished appetite for gold purchases; China's purchasing programme was on pause during the quarter as its foreign exchange reserves remained under pressure. Sales, once again, were sparse.

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of 16.7t since 2011, vs the 344.8t average between 1995-1999. At the end of Q1, the global hedge book stood at 237 tonnes, an almost insignificant level when compared to the 3,000t plus hedge book of the late 1990s.

## Recycling

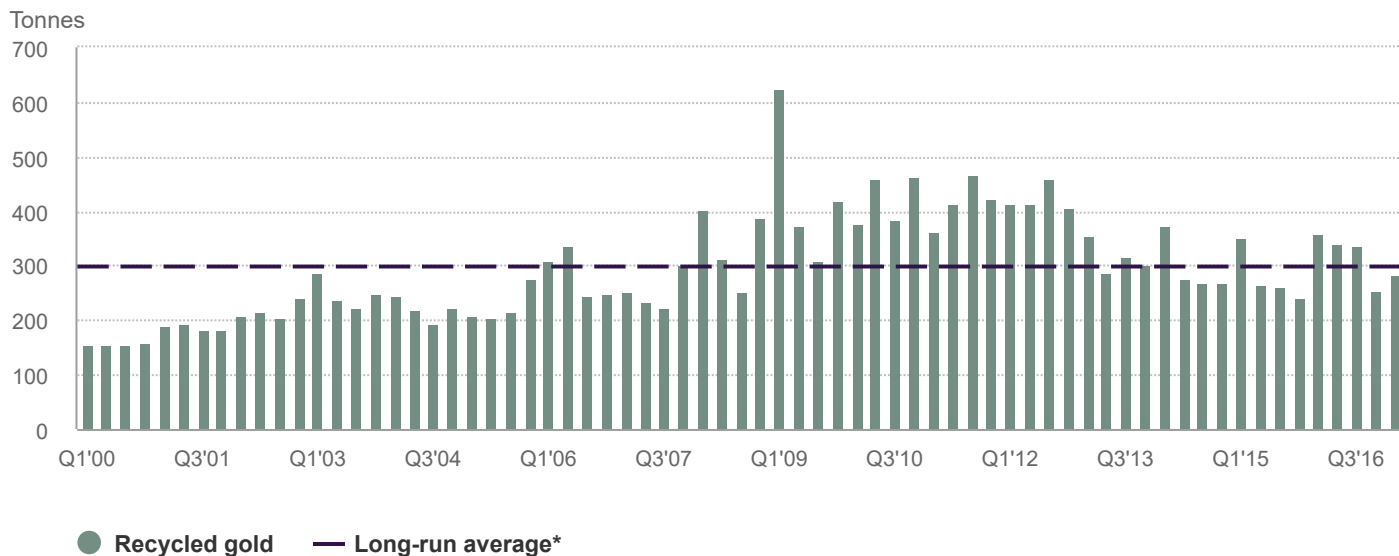
**Recycling contributed 283.0 tonnes to supply in the first quarter, a drop of 21% from Q1 2016.** The steep y-o-y decline is largely due to recycling having jumped in Q1 2016 in response to sharply rising gold prices at that time. At 283.0 tonnes, recycling is below its long-run average (since Q1 2000) of 296.2 tonnes.

Much of the decline in recycling activity came from Southeast Asian markets – Thailand and Indonesia in particular – where local currency weakness in Q1 2016 exaggerated the rise in the US\$ price. Turkey also witnessed far lower levels of recycling during the most recent quarter. Price and currency moves played their part here too, but the constitutional referendum was also a factor: the populace was reluctant to sell its gold holdings in the face of an uncertain political outcome.

Indian recycling has been remarkably subdued since November’s shock demonetisation. Retailers remained short of cash for some time, slashing their available funds to buy back holdings of old gold. The market remains in something of a holding pattern ahead of the government’s GST decision. Once that becomes evident we could see a resurgence in recycling.

Recycling levels during the first quarter can be seen as something of a ‘normalisation’ in the absence of sharp price moves. Given that recycling supplies were elevated throughout much of last year, negative comparisons are likely over the next two quarters at least.

### Q1 recycling was 21% down on last year's relatively high level



\*Long-run average covers Q1'00 to Q4'16.

Source: Metals Focus; GFMS, Thomson Reuters; World Gold Council

## Footnotes

1. In November 2016, the Indian government implemented a surprise demonetisation that removed Rs15.44trillion (or 86% of the currency in circulation) from India's economy. For a review of India's recent policy initiatives and the likely implications for gold demand, see our [Market Update: Indian demand will recover from 2016's lows](http://www.gold.org/research/indian-demand-will-recover-from-2016-lows) [www.gold.org/research/indian-demand-will-recover-from-2016-lows](http://www.gold.org/research/indian-demand-will-recover-from-2016-lows)
2. Read more: [corporates.bseindia.com/xml-data/corpfiling/AttachHis/4822c9d4-9583-4ce1-be76-a5c1a8a8499a.pdf](http://corporates.bseindia.com/xml-data/corpfiling/AttachHis/4822c9d4-9583-4ce1-be76-a5c1a8a8499a.pdf)
3. The new lunar 'year of the rooster' contains a leap month in order to bring it into line with the solar calendar. This means that it encompasses the 'Start of Spring' day in both February 2017 and February 2018.
4. World Gold Council, 2016: [China's gold market: new perspectives on consumer behaviour](http://www.gold.org/research/china-jewellery-market-new-perspectives) [www.gold.org/research/china-jewellery-market-new-perspectives](http://www.gold.org/research/china-jewellery-market-new-perspectives)
5. Agility Research & Strategy; [Affluent Insights Luxury Study 2017](http://www.luxurysociety.com/en/articles/2017/04/top-3-priorities-affluent-asian-millennials/) [www.luxurysociety.com/en/articles/2017/04/top-3-priorities-affluent-asian-millennials/](http://www.luxurysociety.com/en/articles/2017/04/top-3-priorities-affluent-asian-millennials/)
6. Read more: [www.decent9999.com](http://www.decent9999.com)
7. Read more: [www.pressreader.com/thailand/bangkok-post/20170209/281973197396310](http://www.pressreader.com/thailand/bangkok-post/20170209/281973197396310)
8. World Gold Council, November 2016; [Gold Demand Trends Q3 2016](http://www.gold.org/supply-and-demand/gold-demand-trends/back-issues/gold-demand-trends-q3-2016/focus-us-jewellery) [www.gold.org/supply-and-demand/gold-demand-trends/back-issues/gold-demand-trends-q3-2016/focus-us-jewellery](http://www.gold.org/supply-and-demand/gold-demand-trends/back-issues/gold-demand-trends-q3-2016/focus-us-jewellery)
9. Read more: [www.gold.org/supply-and-demand/gold-demand-trends/back-issues/gold-demand-trends-q1-2017/jewellery](http://www.gold.org/supply-and-demand/gold-demand-trends/back-issues/gold-demand-trends-q1-2017/jewellery)
10. Read more: [news.xinhuanet.com/english/2017-02/08/c\\_136041055.htm](http://news.xinhuanet.com/english/2017-02/08/c_136041055.htm)
11. Read more: [www.gold.org/statistics#reserves-statistics](http://www.gold.org/statistics#reserves-statistics)
12. Read more: [www.reuters.com/article/turkey-cenbank-gold-idUSL5N1H53VN](http://www.reuters.com/article/turkey-cenbank-gold-idUSL5N1H53VN)
13. 3D packaging increases the memory capacity of a flash chip in a smaller space, offering lower cost per gigabyte and greater durability.
14. A vertical-cavity surface-emitting laser (VCSEL) is a type of semiconductor-based laser diode that emits a highly efficient optical beam vertically from its top surface.
15. Chip Scale Packaging (CSP) is suitable for use in automobile lighting as it can more easily withstand a vibrating environment. It also has the advantages of reduced size and, as it does not use gold, costs less.
16. Malta et al., Science 31 Mar 2017: Vol. 355, Issue 6332, pp. 1399-1403. DOI: 10.1126/science.aal3439
17. Read more: [gadgetsandwearables.com/2017/03/20/gold-wearable-technology/](http://gadgetsandwearables.com/2017/03/20/gold-wearable-technology/)
18. The restrictions applied to exports of copper concentrate and anode slimes, among other things. As Grasberg is primarily a copper mine, with gold produced as by-product, production of gold was affected.
19. HUI Index is an equally-weighted index of some of the world's largest gold mining companies. Its full title is the NYSE Arca Gold BUGS Index.
20. Bloomberg

21. Please see [Full Year/Q4 2016 Gold Demand Trends www.gold.org/supply-and-demand/gold-demand-trends/back-issues/gold-demand-trends-full-year-2016](http://www.gold.org/supply-and-demand/gold-demand-trends/back-issues/gold-demand-trends-full-year-2016) for more detail.

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