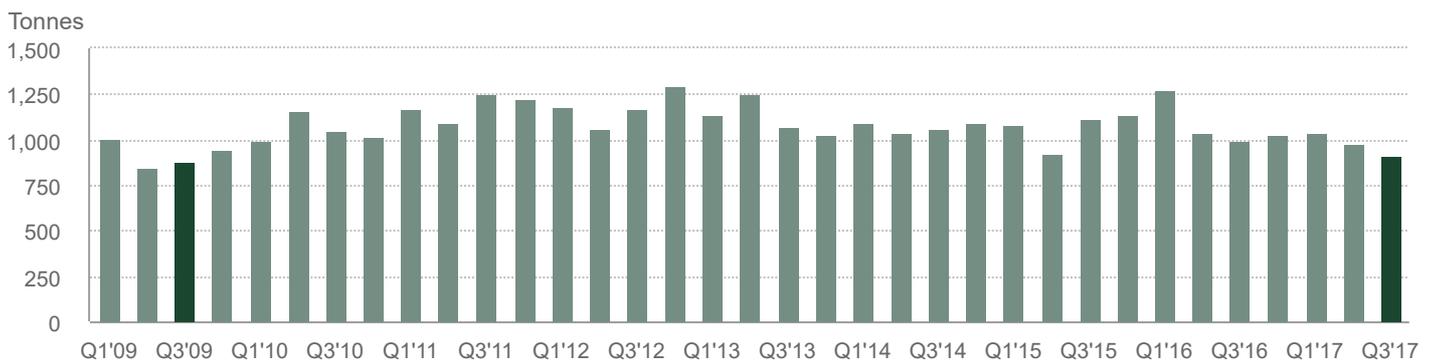


Gold demand in Q3 at eight-year low as ETF inflows slowed sharply

The third quarter saw a 9% year-on-year (y-o-y) drop in gold demand to 915 tonnes (t). Year-to-date (y-t-d) demand was down by 12%.¹ ETFs had another quarter of positive inflows, but at 18.9t, they fell far short of the 144.3t influx in Q3 2016. A softer quarter in the jewellery sector (-3%) accounted for 17t of the y-o-y decline. Demand from other sectors firmed: central banks bought a healthy 111t of gold (+25% y-o-y) while bar and coin investment strengthened by 17% (to 222.3t), albeit from a low base.

Global gold demand lowest since Q3 2009



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

Highlights

Gold jewellery demand fell in Q3. Jewellery volumes continue to languish below longer-term average levels. Indian weakness was the main reason for the y-o-y decline.

Tax and regulatory changes in India weighed on domestic gold demand. The new tax regime deterred consumers, as did anti-money laundering measures governing jewellery retail transactions.

Inflows into gold-backed ETFs stalled: holdings grew by just 18.9t. Investors continued to favour gold's risk-hedging properties, but the greater focus was on rampaging stock markets.

Gold bar and coin demand growth was driven by China. Global investment in bars and coins rose 17% from relatively weak year-earlier levels. Chinese investors bought on price dips, to notch up a fourth consecutive quarter of growth.

Volumes of gold used in technology increased for the fourth consecutive quarter. Demand for memory chips continued to soar thanks to the persistent popularity of high-end smartphones.

Total supply fell 2% in Q3. Mine production fell 1% y-o-y in Q3, which was also the fifth consecutive quarter of net de-hedging. Recycling activity (-6%) continued to normalise after jumping in 2016.

Footnotes

1. 'Year-to-date' refers to the period to the end of September 2017, unless otherwise specified.

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