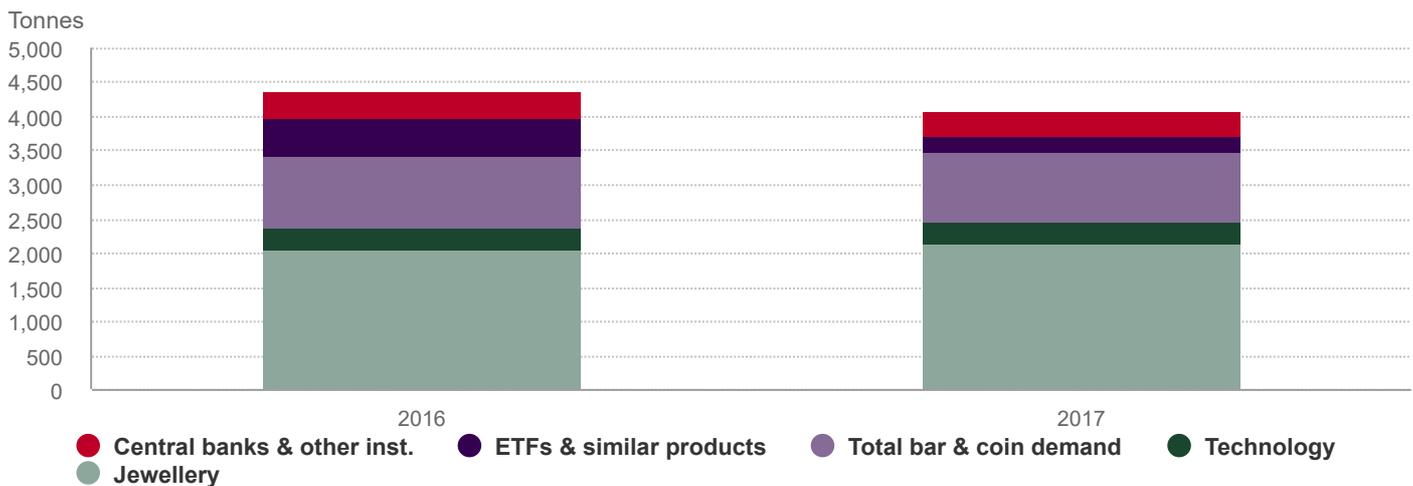


2017: Q4 recovery fails to mitigate full-year decline

Gold demand rallied in the closing months of 2017, gaining 6% year-on-year (y-o-y) to 1,095.8 tonnes (t) in Q4. But it was too little, too late: full year demand fell by 7% to 4,071.7t. ETF inflows, although positive, lagged behind 2016's stellar growth. Central banks added 371.4t to global official gold reserves, 5% down on 2016's net purchases. Bar and coin demand fell 2% on a sharp drop in US retail investment. India and China led a 4% recovery in jewellery, although demand remains below historical averages. Increased use of gold in smartphones and vehicles sparked the first year of growth in technology demand since 2010.

7% decline in annual gold demand was largely investment-related



Source: Metals Focus; World Gold Council

Highlights

Annual ETF inflows added 202.8t to demand, around one-third of 2016's inflows. European-listed ETFs accounted for 73% of net inflows, with investors keenly attuned to geopolitics and negative interest rates.

Bar investment was broadly stable, while coin investment slid 10%. Weakness in the sector was largely explained by a sharp drop in US demand to a 10-year low of 39.4t, which exceeded strong gains in both China and Turkey.

First annual increase in jewellery demand since 2013 (+4%), but the sector remains weak in a historical context. Relatively stable prices and improving economic conditions paved the way for growth in 2017.

Official gold reserves swelled by 371.4t, 5% down on 2016. Turkey and Russia were the most prominent of the central bank buyers.

Technology sector recovered, ending 6-year downtrend. Gold used in electronics and industrial applications grew steadily, thanks to the increasing prevalence of new-generation features in smartphones and vehicles.

Mine production inched to a record high of 3,268.7t, while recycling fell 10%: total supply dipped 4% to 4,398.4t. The introduction of stringent environmental controls in China led to a 9% fall in national mine production.

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