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GOLD DEMAND REMAINS ROBUST AS ECONOMIC CONDITIONS IMPROVE

Total identifiable gold demand for the third quarter 2009 reached 800.3 tonnes, or US\$24.7 billion in dollar terms, up 15% from the second quarter, as gold's long-term store of value and wealth preservation qualities continued to attract investors and consumers. Jewellery and investment demand in non-western markets rebound from the very low levels seen in the first quarter, while industrial demand started to recover in response to an improvement in economic conditions.

However, the *Q3'09 Gold Demand Trends Report*, released today by the World Gold Council (WGC), shows a 34% drop on year earlier levels due to an exceptionally strong Q3'08, which saw soaring demand in response to the deepening global financial crisis and as many non-western markets responded to a dip in the gold price in that quarter. To address this, WGC compared Q3'09 against the five year Q3 demand average to 2007, which showed tonnage down just 4% on this basis.

While Q3'09 exchange traded funds (ETF) and inferred investment fell slightly quarter on quarter, jewellery, industrial and retail investment demand recorded improvements, demonstrating the unique diversity of demand drivers that support the gold price.

Aram Shishmanian, CEO of World Gold Council, commented:

"This quarter's demand trends demonstrate the diverse and robust nature of the gold market which underpins the gold price. Early signs of economic recovery and improving consumer confidence have seen jewellery and industrial demand rise relative to last quarter, and the profit taking witnessed earlier in the year has markedly decreased.

"The outlook for investment is positive overall with absolute levels of demand likely to remain well supported by continued economic and currency uncertainty, inflation concerns and the search for diversification. In the official sector, we expect to see a continuing trend of central banks diversifying their dollar exposure in favour of the proven store of value represented by gold."

The figures, compiled independently for WGC by GFMS Limited, show that average gold prices for the quarter were 10% higher than in Q3'08 at US\$960/oz. This rise was even stronger in a number of local currencies. Jewellery demand was up 17% quarter on quarter, due in part to seasonal factors. However, the high local pricing environment resulted in a 30% drop in jewellery demand relative to year earlier levels.

Identifiable investment demand overall, which includes gold exchange traded funds and bars and coins, was 227.2 tonnes, a slight increase on Q2 levels, but down 46% from the extreme highs of Q3'08.

The retail investment category, which includes demand in the form of bars and coins, again grew on a sequential basis, up 11%, although it was 31% lower than the third quarter of 2008. Flows into gold ETFs remained strong in absolute terms at 41.4 tonnes, although were again significantly lower than the relatively high figures recorded in Q3'08.

Inferred investment, which covers the less visible part of gold demand, experienced another quarter of net inflows. This inflow, of 30.7 tonnes was, however, significantly lower than in the previous two quarters.

Industrial demand recorded its second consecutive quarter of improvement, with quarter on quarter demand up 6%. Despite significantly lower tonnage demand compared to year earlier levels, there were some positive signs of an up-tick in end use demand, particularly within the electronics sector, which accounts for around 70% of industrial off-take.

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Demand in most regions was lower year-on-year, the exception once again being Greater China, which recorded positive growth of 10% in tonnage over Q3'08, itself a very strong quarter. Mainland China, supported by 8.9% year on year GDP growth, saw a 12% increase in consumer demand for gold compared to year earlier levels, reaching a record high of 120.2 tonnes. Jewellery demand rose 8% to 93.5 tonnes with strong growth in the 24 carat market as consumers sought out gold's wealth preservation characteristics. Q3 retail investment demand in mainland China reached a record level of 26.8 tonnes. This represented a rise of 30% above Q3 08 levels.

In India, third quarter demand continued to improve from the exceptional lows witnessed earlier in the year, with jewellery demand up 27% quarter on quarter, although this partly reflected a seasonal improvement. Jewellery demand, of 111.6 tonnes, was down 42% on year earlier levels, while net retail investment demand of 26.0 tonnes was 67% lower. Absolute levels of demand remained relatively weak on a historical basis.

Total demand for gold in the Middle East region was significantly lower during the quarter when compared to year earlier levels - this is, again, distorted by the exceptionally strong quarter recorded in Q3'08. Jewellery demand, of 69.0 tonnes, was down 34% on year earlier levels, while net retail investment demand of 6.4 tonnes was 11% lower. However, retail investment and jewellery demand were both above the levels seen in the second quarter of this year.

In the US, total gold off-take in the third quarter was 17% below the levels of Q3'08, equivalent to a fall of 9% in \$US value terms. Jewellery demand weakness continued to prevail and while the US economy has shown tentative signs of a recovery, a high degree of uncertainty remains and is muting any improvement in discretionary spending. Investment flows remained extremely buoyant by historical standards during the quarter at 17.8 tonnes.

Total supply of gold contracted slightly in the third quarter at 833.0 tonnes, 8% lower than the second quarter and 5% below year earlier levels. Mine production showed a firm improvement during the quarter, reaching 670.0 tonnes. The key factors weighing on supply were an increase in producer de-hedging and a negative contribution from the official sector, in addition to lower levels of scrap than previous quarters.

The full Third Quarter 2009 Gold Demand Trends report can be viewed at:
http://www.research.gold.org/supply_demand/

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For further information and to receive country reports or the full Gold Demand Trends:

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Notes to Editors:

World Gold Council

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