

Gold Demand Trends

Q2 2021

Highlights

Global gold ETFs saw inflows of 40.7 tonnes (t) (US\$2.5 billion (bn)) in Q2. Inflows were concentrated in Western markets, with US, Germany and France all seeing double-digit tonnage growth in holdings.

The US dollar gold price averaged US\$1,816.5/oz during Q2, 6% higher than in Q2 2020.¹ During the quarter the price increased by 4.3%, gaining support from ETF inflows and net long positioning.

Q2 bar and coin investment increased 56% y-o-y. Thailand was the largest contributor after switching from net negative investment in Q2 2020 to modest positive investment.

Jewellery demand extended its recovery but remains relatively soft. Demand continued to normalise from 2020's anomalous levels but has yet to return to longer-term average levels.

Global central bank net buying reached 200t in Q2. Large-scale purchases by Thailand, Hungary and Brazil drove the growth in global gold reserves.

Total Q2 gold supply was 13% higher y-o-y; H1 was 4% higher. The industry experienced far less COVID-related disruption than in Q2 2020 – the most interrupted quarter last year.

For more information please contact: research@gold.org

Q2 gold demand flat, H1 down 10%

Strong consumer demand recovery and gold ETF inflows in Q2 were insufficient to offset heavy Q1 outflows.

Gold demand (excluding OTC) for Q2 was virtually in line with Q2 2020 at 955.1t (-1%), taking H1 demand to 1,833.1t, down 10% y-o-y.

Q2 jewellery demand (390.7t) continued to rebound from 2020's COVID-hit weakness, although remained well below typical pre-pandemic levels, partly due to weaker growth in Indian demand. Demand for H1, at 873.7t, was 17% below the 2015-2019 average.

Bar and coin investment saw a fourth consecutive quarter of strong y-o-y gains: Q2 demand of 243.8t resulted in a H1 total of 594t, the strongest since 2013.

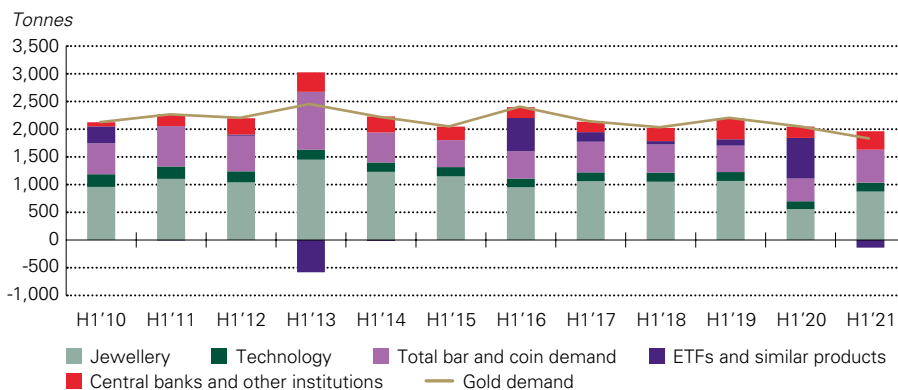
Modest Q2 inflows into gold-backed ETFs (40.7t) only partly offset the heavy outflows from Q1; consequently, ETFs saw H1 net outflows (of 129.3t) for the first time since 2014.

Central bank buying continued in Q2. Global gold reserves grew by 199.9t, which took H1 net buying to 333.2t – 39% higher than the five-year H1 average and 29% above the ten-year H1 average.

Gold used in technology continued to recover from the 2020 lows: Q2 demand was 18% higher y-o-y at 80t – in line with average Q2 demand from 2015-2019 of 81.8t. H1 demand (161t) was fractionally above that of H1 2019 (160.6t).

H1 gold ETF outflows exceeded consumer demand growth

H1 demand by sector, tonnes



*Data as at 30 June 2021.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

1 All price references based on the LBMA Gold Price PM USD as at the end of the corresponding period unless otherwise noted.

Q2 review and outlook

Investor sentiment turned more positive, helping to lift gold prices in Q2.

- The US dollar gold price gained 4% during Q2, generating an average price for the quarter of US\$1,816.5/oz, marginally higher than in Q1
- After two quarters of sizable outflows gold ETFs saw moderate inflows in Q2 and this, along with a modest improvement in net long positioning in the futures market, provided support to the price
- Looking ahead, our likely base case for 2021 is for growth in jewellery as well as bar and coin demand to offset lower levels of gold ETF inflows and OTC investment compared with 2020.

Q2 review

The gold price increased by 4% during Q2, following a 10% decline in Q1. Prices rebounded during April and May on continued fears of inflation, US dollar weakness and lower real rates, before dipping again in June following

a more hawkish than expected statement by the US Federal Reserve (Fed).

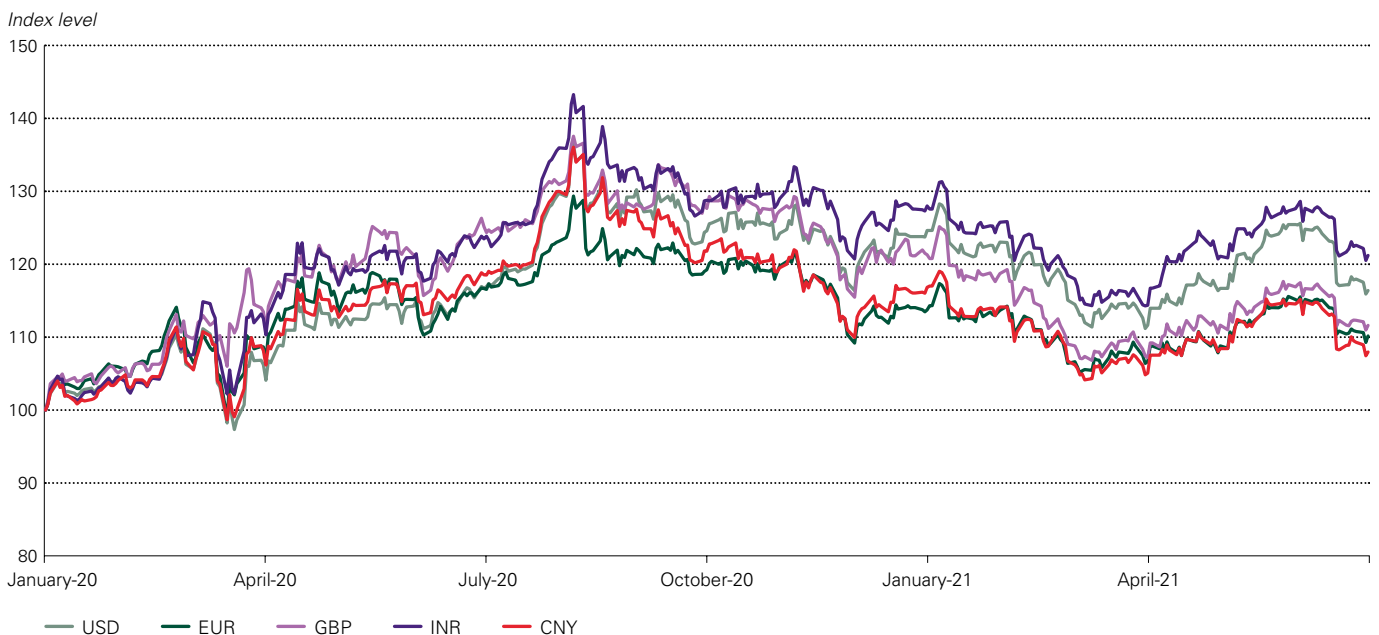
Our short-term price performance model suggests that much of the Q2 price recovery was due to a combination of:

- concerns over rising inflation expectations and inflation surprises
- a weaker dollar
- lower rates.

These factors helped improve investor sentiment towards gold. Outflows from global gold ETFs slowed sharply in April, before reversing in May, resulting in net inflows of 40.1t for Q2. This was reflected in net long positioning turning more bullish in April and May. Positioning in gold futures on COMEX – which we believe closely mirrors OTC investment² – rose to US\$43bn, equivalent to 731t – the highest level since February. While net positioning subsequently dipped in June in reaction to the Fed statement, it remained above the low from the end of March, and short positions remain relatively modest. In summary, improving sentiment in this area of gold investment would likely have provided support to the gold price during much of Q2, together with healthy levels of buying by central banks.

Gold prices recovered in Q2, aided by a return to ETF inflows

Gold price in various currencies, indexed to January 2020



*Data as of 30 June 2021.

Source: ICE Benchmark Administration, Refinitiv Datastream, World Gold Council

² OTC investment is not directly observed but can be inferred through the demand and supply imbalance and changes in reported investment positioning in the futures market.

Q2 review and outlook

Consumer demand continued to recover from 2020 levels, when jewellery demand in particular – and technology demand to a slightly lesser extent – were slashed by the pandemic. While Q2 jewellery rebounded strongly y-o-y, it slowed from Q1 onwards and remains relatively weak compared with longer-term averages, suggesting there is some way to go before a return to ‘normal’ pre-pandemic levels.

Overall, the average gold price in Q2 was up marginally compared to Q1 (+1%) but was 6% higher y-o-y. This mixed picture is consistent with the demand and supply dynamics seen over the period.

The stable q-o-q average price performance can be explained by two competing dynamics:

- a recovery in ETF investment and robust central bank buying
- a significant contraction in both jewellery and bar and coin demand combined with an increase in total gold supply

The stronger y-o-y average price performance, meanwhile, was supported by the significant recovery in jewellery demand (+60%) and materially higher central banks purchases (+294%), partly offset by softer investment demand (-33%) and higher mine production (+16%).

Outlook

Using *Qaurum*SM, our web-based valuation tool, we analysed the expected behaviour of various sectors of the gold market using the base case macroeconomic scenario provided by Oxford Economics³ – a scenario that we have dubbed ‘Recovery Accelerates’.⁴ Combining this analysis with the in-depth qualitative insights generated from our field research, allows us to better understand developing trends of demand and supply over the coming quarters.⁵

Jewellery demand could be in the range of 1,600-1,800t for the year, well above 2020 levels but below the five-year average. Continued global economic recovery should support consumer demand for global gold jewellery throughout 2021, although continued COVID disruption in some markets – most pertinently, India – will provide a headwind. While pent-up demand could serve as a boost, a strong price recovery in H2 could push jewellery demand towards the lower end of the range.

Another strong *variant-driven COVID-19 wave* would create additional challenges, but we believe a repeat of last year’s low jewellery demand levels to be highly unlikely.

Investment demand could hold up well in 2021, in the region of 1,250-1400t – softer than last year but in line with the ten-year average. Bar and coin demand is likely to gain on the back of rising inflation and gold’s strong returns momentum of the last couple of years, potentially reaching 1,100-1,250t. ETF investment, meanwhile, will almost certainly not maintain 2020’s record pace. Instead, we expect demand to return to a more sustainable level, with annual inflows at or below the 10-year average of 150t *on the back of higher yields* and more positive financial market sentiment when compared to 2020. In addition, the picture for OTC investment – which is not directly observed in our data – could be similar: it is likely to be positive, albeit substantially below 2020 levels as a combination of rising yields and a lack of positive price momentum restrain further gains.

Central banks are likely to continue buying gold on a net basis in 2021 at a similar or higher rate than in 2020, driven by a continued focus on diversification and risk management. *The results of our fourth annual central bank survey* support this view, with one-fifth of the participating central banks expecting to increase their reserves over the next 12 months.

The supply of gold in 2021 is expected to increase modestly, as mine production growth is partly offset by a lower level of recycling activity. Measured against the COVID-disrupted baseline of 2020, our expectations are that gold mine production will recover this year. Planned expansions and production ramp-ups in some regions, combined with the gold price having significantly outpaced *production costs* over the past few years, should provide further support. These factors suggest we could see mine production returning to levels more in line with recent years. In contrast, annual recycling could contract by between 100 – 200t from 2020 levels. Near-market supplies appear depleted following two years of relatively elevated activity, while strong economic growth may mitigate the need for distress selling and a more modest gold price appreciation makes recycling less attractive. However, should the pandemic worsen, we could risk seeing higher loan defaults in certain markets, most notably India.

3 *Oxford Economics* is a leader in global forecasting and quantitative analysis and a specialist in modelling. Their scenarios are based on their Global Economic Model updated as of 26 May 2021.

4 A detailed description of this and other scenarios as well as their implications can be found at [Goldhub.com](https://www.goldhub.com). *Qaurum*, is customisable and users can modify any of the variables included on the available hypothetical scenarios to best reflect their own view on the global economy.

5 Note that the resulting performance of various investment outcomes that can be generated through use of *Qaurum*, the Gold Valuation Framework and other information are hypothetical in nature, may not reflect actual investment results and are not guarantees of future results. Neither WGC nor Oxford Economics provide any warranty or guarantee regarding the functionality of the tool, including without limitation any projections, estimates or calculations. [See important information and disclosures.](#)

Jewellery

Q2 jewellery demand rebounded 60% y-o-y.

- Jewellery demand of 390.7t in Q2 was 60% higher y-o-y, having been slashed by the pandemic in Q2 2020
- But demand has some way to go before it returns to 'normal' pre-pandemic levels: H1 demand of 873.7t was 17% lower than its 2015-2019 H1 average
- Among the markets generating considerable growth were China and the US.

Tonnes	Q2'20	Q2'21	Y-o-y change	
World total	244.5	390.7	↑	60%
India	44.0	55.1	↑	25%
China, P.R.: Mainland	90.7	146.9	↑	62%

Source: Metals Focus, World Gold Council

Jewellery demand saw a second consecutive quarter of strong y-o-y growth, bolstered by global economic recovery and improving sentiment after the extreme difficulties of 2020. Despite this strong y-o-y growth,

demand remains some way below its longer-term averages. Comparisons with 2019 – which are arguably more meaningful given the anomaly of 2020 – show that demand remains significantly weaker: Q2 demand is 26% lower than Q2 2019, while H1 demand is down 18%.

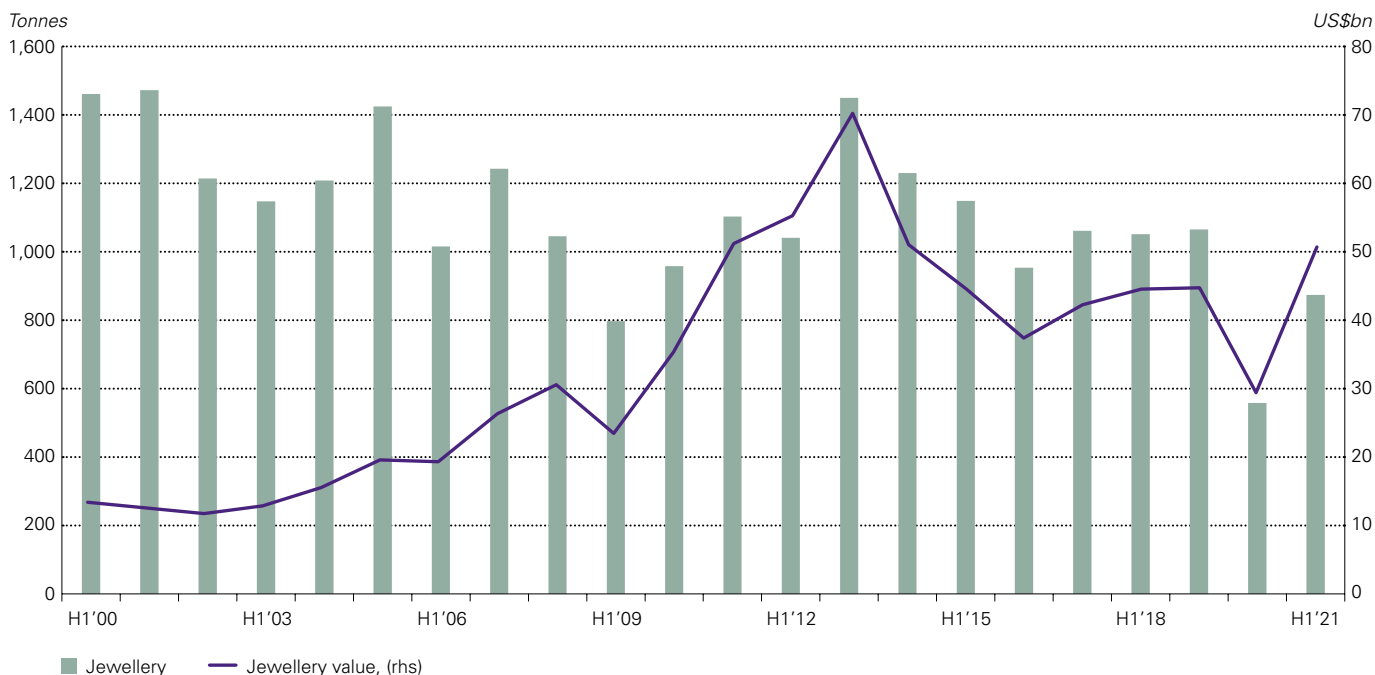
The impact of India on these numbers is significant: not only was it one of the hardest hit markets in 2020 but it was also severely affected by the second wave of COVID-19 in the second quarter of 2021, which prevented any material q-o-q recovery.

Jewellery demand in US dollar value terms was more resilient. In Q2 the value of jewellery demand reached US\$22.8bn, taking H1 total spending to US\$50.7bn, 18% higher than the H1 average from 2015-2019 and the highest H1 total since 2014.

It is worth noting that continued travel restrictions and varying degrees of market lockdown across the globe continue to disrupt data collection, meaning that data for some markets may be more susceptible than usual to future revisions once normal fieldwork can resume.

H1 global jewellery volume below pre-pandemic levels; value on par with 2014

H1 jewellery demand, tonnes and US\$bn



Note: Jewellery value is calculated by multiplying the tonnage figure and the quarterly average LBMA Gold Price PM in US dollars. For an explanation of jewellery demand, please see the [notes and definitions](#).

*Data as at 30 June 2021.

Source: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council

China

China's Q2 gold jewellery demand surged 62% y-o-y to 147t. Continued improvement in the domestic economy compared with 2020 fuelled the substantial y-o-y rise. Taking 2020 out of the equation, demand was 8% higher than Q2 2019 and 5% above the Q2 average for the period 2010 – 2019.

But a higher local gold price than the first quarter, lower sales due to seasonality patterns, and local consumers' premature purchases earlier this year – which pushed Q1 gold jewellery consumption to the highest since 2015 – contributed to a 23% q-o-q decrease in Q2 gold jewellery demand.

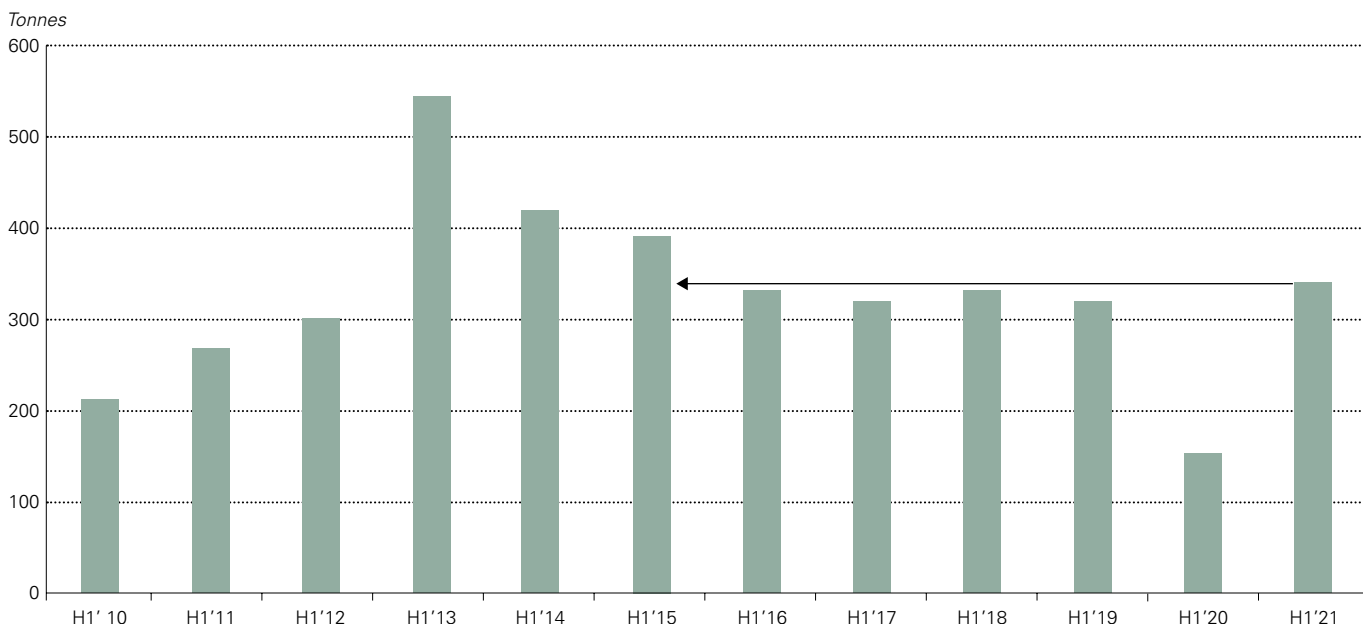
This brings H1 Chinese gold jewellery demand to 338t, 122% higher y-o-y and 6% higher than H1 2019. While the pandemic-fuelled low base of H1 2020 was the main contributor to the sharp y-o-y rise, the strengthening Chinese economy and various *consumption stimuli* lifted

local gold jewellery consumption to the highest H1 since 2015. According to the *National Bureau of Statistics*, Chinese consumers' nominal disposable income increased 12.6% y-o-y and 15.4% compared with H1 2019, leading to strong retail sales during the period.

Heritage gold jewellery products continued to gain in popularity.⁶ While traditional Chinese cultural designs and heavyweight pieces have gained high-end consumer interest, *as discussed in our Q1 Gold Demand Trends*, the *Guochao* – which refers to the fashion trend embedding Chinese culture – element of these products has also caught the eye of younger generations. Since its emergence as a concept in 2018, searches for Guochao on Baidu – the largest search engine in China – have soared. According to a joint report released by Baidu and the Research Institute of People.cn in May, the post-1990 generation has been the driving force behind Guochao's phenomenal popularity in recent years.⁷ This coincides with our observation of a steadily rising interest in heritage gold among young consumers over recent quarters.

China's H1 gold jewellery demand was the highest since 2015

Chinese H1 jewellery demand, tonnes



*Data as at 30 June 2021.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

6 Also known as 'antique crafted gold', these are chunky 24K gold products that evoke the style and craftsmanship of ancient China with matte finishing and traditional cultural designs.

7 *Baidu: 2021 Guochao Pride big data report* in Chinese language; *China sees rise of domestic brands, products: report – People's Daily Online* in English language

Meanwhile, Chinese consumers are demanding greater transparency in gold jewellery pricing.

This was particularly evident in hard-24K gold jewellery products which primarily adopt a ‘per-piece’ pricing method, providing consumers with little or no visibility to the fine gold weight of a piece, or the labour charges associated with its manufacture. Our conversations with industry participants indicate that today, the heavier the product, the more difficult it is to sell on a ‘per-piece’ pricing basis. As discussed in *our previous Gold Demand Trends report*, some Chinese jewellery retailers have already started to change their pricing models to give consumers with greater transparency. This initiative, albeit in its infancy, is likely to develop as clarity and transparency in pricing are fundamental to gaining consumer trust.

Looking ahead to the rest of the year, we are optimistic about the prospects for Chinese gold jewellery demand. Not only is Q2 a seasonally low quarter for gold jewellery demand but policy makers continue to focus on stimulating domestic consumption with initiatives such as shopping festivals, which are *likely to be supportive of local gold consumption*. Furthermore, economic growth should also remain supportive; the People’s Bank of China (PBoC) announced in early July a *required reserve ratio cut* for all deposit-taking financial institutions in order to lower the cost of borrowing and further accommodate growth.

India

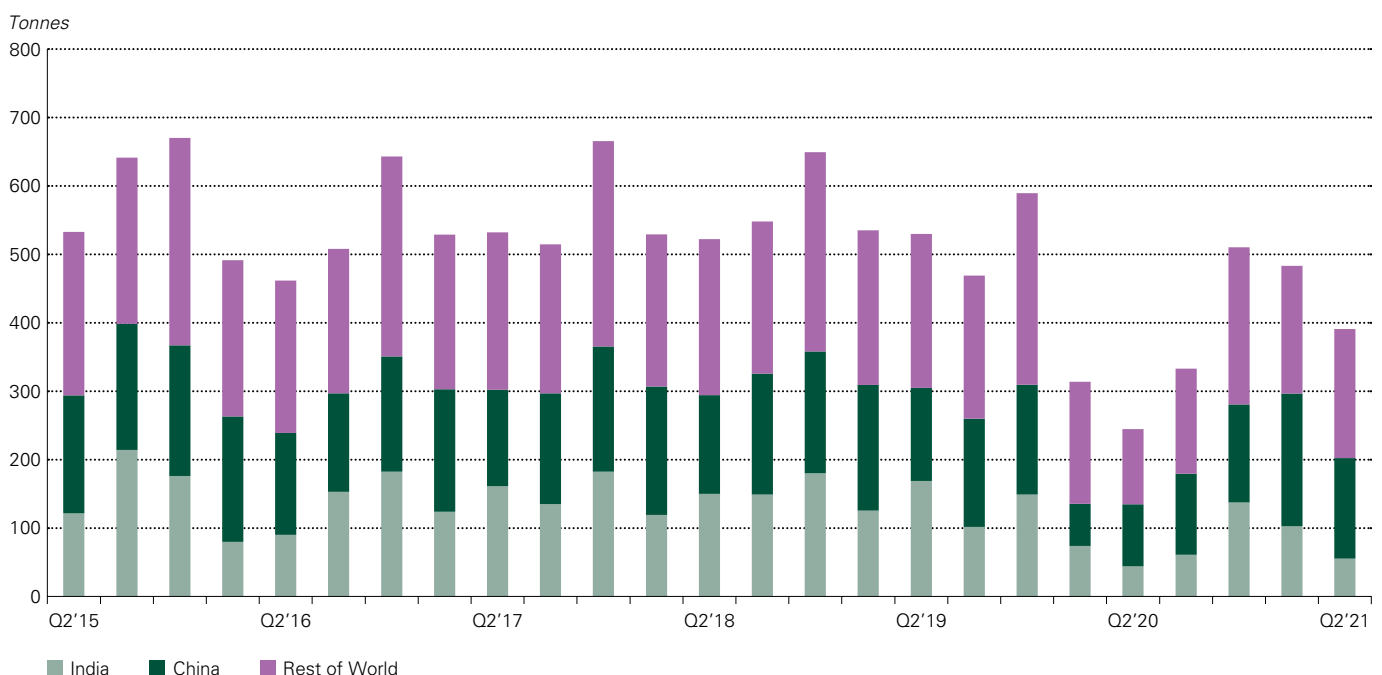
The 25% y-o-y increase in India’s Q2 jewellery demand was largely due to the very low base of Q2 2020; demand plunged 46% q-o-q as the second wave of COVID-19 hit the nation. Demand in H1 totalled 157.6t, 46% below H1 2019 and 39% lower than the H1 average from 2015-2019.

Having started the quarter on a buoyant note, demand weakened towards the end of April before coming to a virtual standstill in May as the ferocity of the second wave across both urban and rural India resulted in regional lockdowns and sparked fears of economic slowdown. The RBI Consumer Confidence Index fell to *an all-time low of 48.5 in May from 53.1 in March*, while the one-year-ahead confidence index also recorded a sharp decline.

The lockdown and store closures impacted wedding demand and – for a second consecutive year – Akshaya Tritiya festival demand. This demand slump pushed the local gold price to a discount, which widened to US\$9-10/oz by early June before narrowing to around US\$5-6/oz, although it remained in place despite a recovery in demand towards the end of the quarter. Indicative of the extent of the lockdown, Titan reported that for April, May and June total store operational days were at *73%, 10% and 58% respectively*.

Indian Q2 jewellery demand impacted by second wave of COVID-19

Quarterly jewellery demand, tonnes



Source: Metals Focus, World Gold Council

Rural consumers were less resilient to the lockdown than in 2020. Incomes were hit as rural consumers ploughed their savings into the medical expenditure and exercised caution in their discretionary purchases.

In an important step for the development of India's gold industry, mandatory hallmarking was introduced from 16 June. A [press release from the Ministry of Consumer Affairs](#) announced the introduction of mandatory hallmarking across 256 districts of India for 14K, 18K and 22k gold jewellery.

The outlook for the remainder of 2021 remains mixed. There is still a *threat of a third wave of COVID-19* and consequent further lockdowns. The lasting effects of the second wave on incomes and sentiment may diminish pent up demand, and the progress of the monsoon gives reason for caution: having made slow up to mid-July, subsequent vigorous rainfall may impact crop sowing and rural incomes. There are, however, a greater number of *auspicious wedding days in Q4 2021 compared with Q4 2020* (13 vs 7).

Middle East and Turkey

Q2 jewellery demand in Turkey more than doubled y-o-y to 8.1t, but remained soft in comparison with pre-pandemic levels. A depreciating lira meant that local gold prices rose sharply through the quarter, and demand was curtailed by a full lockdown for the first half of May. The lifting of restrictions in June, together with the arrival of expats, breathed some life back into the market, but demand was 12% lower q-o-q.

Strong y-o-y growth across almost all the Middle East was largely a result of the low base from Q2 2020; demand was lower q-o-q in all markets except Iran.

Iranian Q2 jewellery demand increased more than three-fold y-o-y as the rial stabilised and sentiment was buoyed by a reduction in COVID cases. Demand improved q-o-q as local gold prices edged lower. Demand in the UAE increased 471% y-o-y but was 21% below 2019 due to high gold prices and expat sentiment having been soured by India's second wave difficulties. Tourist purchases were also impacted, as flights from Saudi Arabia were cancelled.

The West

The US was one of the strongest performing jewellery markets in Q2. Demand of 37.7t was the strongest for any Q2 since 2007. The value of quarterly demand – at US\$2.2bn – is a Q2 record.

While the low base from 2020 helps explain the 103% y-o-y increase, Q2 demand was also 31% higher than Q2 2019. Q2 demand was supported by broadly the same factors as in Q1: sentiment was lifted by the vaccination programme, Federal income support measures and improved economic growth. With the US consumers still limited in their ability to travel, disposable incomes were again diverted elsewhere and gold jewellery was a beneficiary of this shift.

Easing of lockdowns and improving sentiment across Europe boosted gold jewellery demand: it rebounded 76% y-o-y to 13.4t. Demand across the region also saw a considerable 35% q-o-q increase, far exceeding the 13% average seasonal lift from 2015-2019. However, H1 demand of 23.2t remains below the longer-term average of around 27t due to the weak Q1 figure. Y-o-y growth was seen across all markets, led by Germany (+115%), Italy (+99%) and France (+86%).

ASEAN region

Q2 demand increased y-o-y in all major South East Asian gold markets, with the largest growth seen in Thailand (159%), Vietnam (120%) and Singapore (118%). Healthy y-o-y growth was fuelled by the economic recovery seen in most markets, as well as being a function of Q2 2020 weakness. Jewellery consumption in Vietnam more than doubled y-o-y to 3.5t in Q2, aided by Mother's Day celebrations. Indonesia was a laggard in Q2 – demand grew by just 4% y-o-y as the second wave of COVID-19 took its toll. Although y-o-y demand grew in most markets across the region, recent surges in infections across South East Asia have led to widespread quarter-on-quarter declines.

Other Asia

In Japan, Q2 jewellery demand was up 40% y-o-y, but remained below pre-pandemic levels. Bucking the trend seen in much of Asia, Japan witness q-o-q growth. Partly a reflection of the relatively weak Q1 in that market, this is likely also due to a combination of economic recovery and the acceleration of vaccinations seen during Q2.

In South Korea jewellery consumption grew by 20% y-o-y to 4.4t. A combination of economic recovery and improved consumer confidence supported jewellery demand.

Investment

ETFs saw modest inflows in Q2, while bar and coin investment saw sizable y-o-y growth.

- Q2 investment of 283.9t was 52% lower than Q2 2020 due to a sizable y-o-y decline in ETF inflows
- Demand for bars and coins in Q2 was 243.t, 56% higher y-o-y but 30% lower than the strong first quarter
- H1 investment totalled 455.9t – 60% lower than H1 2020, a period that saw record ETF inflows.

Tonnes	Q2'20	Q2'21	Y-o-y change
Investment	584.2	284.5	↓ -51%
Bar and Coin	156.7	243.8	↑ 56%
India	19.8	21.0	↑ 7%
China, P.R.: Mainland	40.7	57.4	↑ 41%
Gold-backed ETFs	427.5	40.7	↓ -90%

Source: Metals Focus, World Gold Council

Investor sentiment was positive in Q2, with a return of ETF inflows and a rise in COMEX net longs from the March lows. This provided support to the gold price, which increased by 4% during the quarter.

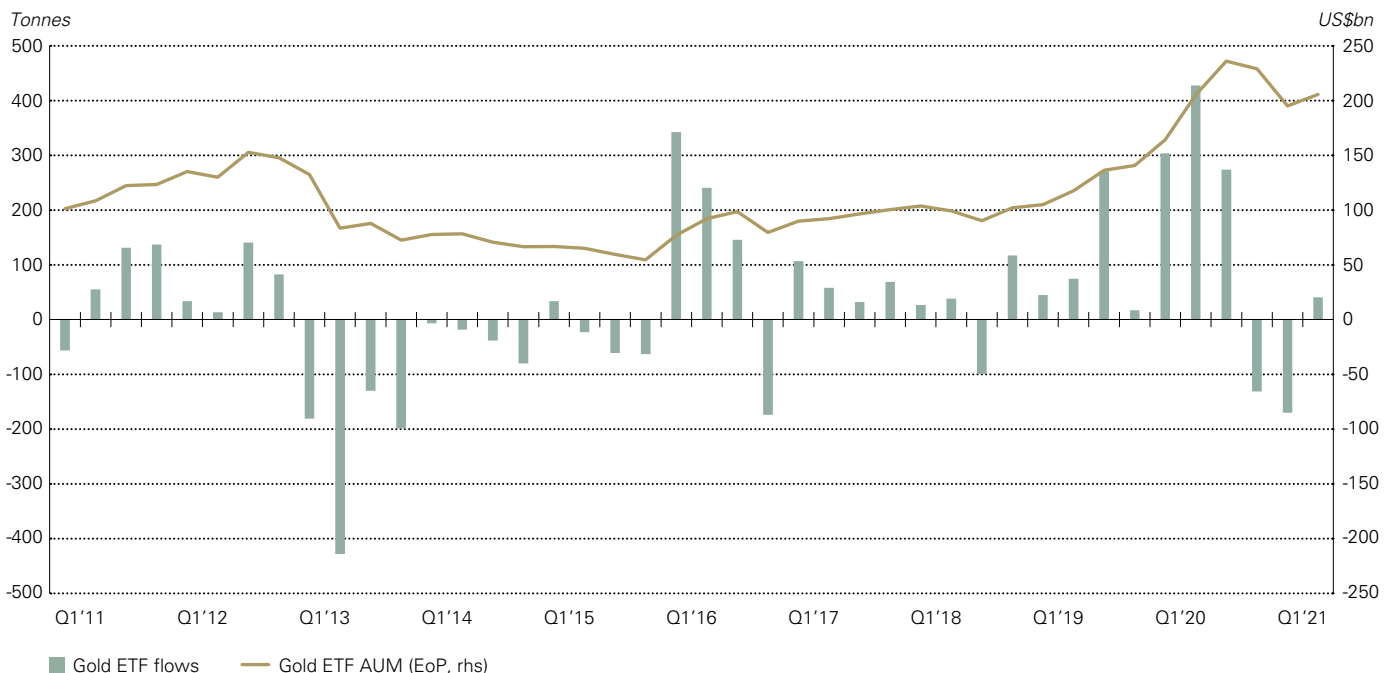
Bar and coin investment, although lower than in Q1, remained healthy and in line with longer-term average levels. The 56% y-o-y increase in this segment of investment contributed to the positive y-o-y growth in average US dollar gold prices.

Gold ETFs

ETF outflows slowed sharply in April before reversing in May and resulting in net inflows of 40.7t for the second quarter. These inflows were less than 10% of the huge 427.5t inflows we saw in Q2 2020 — which were fuelled by rate cuts, growing safe-haven demand and rising gold prices — and help to explain the sharp y-o-y drop in overall investment. The net result for H1 was an outflow of 129.3t, compared to record H1 2020 inflows of 731.2t.

Modest Q2 ETF inflows only partly offset significant Q1 outflows

Quarterly ETF flows, tonnes, and AUM, US\$bn



*Data as of 30 June 2021. Gold ETFs AUM value is calculated by multiplying the end of period (EoP) gold holdings in tonnes by the end of period LBMA Gold Price PM in US dollars. For a listing of the Exchange Traded Funds and similar products, please see the [notes and definitions](#).

Source: Bloomberg, Company Filings, ICE Benchmark Administration, World Gold Council

Inflows to North American and European funds drove much of the Q2 recovery as gold prices climbed during April and May.

Funds in these regions added a combined 43.8t (US\$2.7bn) over the period. Persistent fears over inflation were a likely driving force behind these inflows, enhanced by the continued low-rate environment and the gold price dip during June. German funds represented nearly half of all European inflows (27.2t, US\$1.6bn) during the quarter and most notably led regional inflows in June; conversations with contacts in the region emphasised the role of the June price dip in boosting these flows, as it was viewed as a buying opportunity.

Funds in Asia had small outflows of 1.6t (US\$92mn) in the quarter as June's inflows were not enough to offset May's heavy losses.

Rising risk appetite and profit-taking amid higher gold prices earlier in the quarter led to some weakness in Asia – notably in China, where the local currency strengthened against the USD and the CSI300 stock index saw monthly gains, drawing attention away from gold ETFs. This trend reversed towards the end of June as investors likely responded to the gold price drop and potentially built strategic long exposure to gold.

Heightened stock market volatility and safe-haven demand amid the pandemic continued to drive inflows into Indian

gold ETFs in Q2. Net inflows of 2.4t into Indian-listed funds pushed total holdings to 34.2t by the end of the quarter, with AUM touching US\$2.1bn – the highest since March 2013.

Flows in 'Other' regions saw outflows of 1.5t (US\$89mn) during the second quarter, dominated by the 1invest Gold ETF in South Africa, which lost more than 75% of its value in Q2 (-2.3t, -US\$136mn) likely driven by profit-taking following hawkish comments from the recent FOMC meeting, according to anecdotal evidence from our contacts in the region.

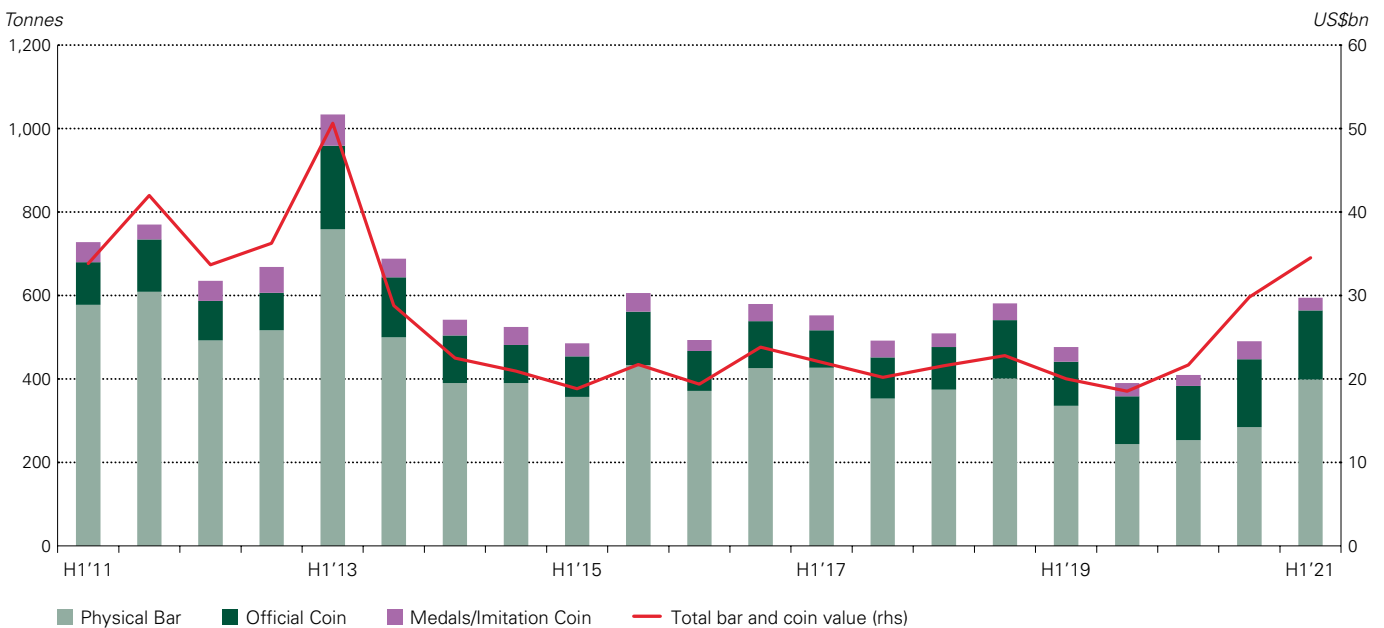
The 129.3t of outflows in H1 were heavily concentrated in North American funds, representing the scale of losses in Q1, but also indicative of the size and liquidity of this market. Asia was the only region to post inflows in the quarter, with China and India generating the bulk of these flows.

Bar and coin

Bar and coin investment generated strong y-o-y growth in Q2, rising by 56% to 243.8t. This was lower than the strong Q1 result but comparable with the five-year average of 252.8t. The total for H1 reached 594.5t, 45% higher than 2020 and the highest since 2013. In US\$ value terms, H1 investment gained 60% to reach an eight-year high of US\$34bn.

Value of bar and coin demand in H1 highest since 2013

H1 bar and coin demand, tonnes and US\$bn



Note: Total bar and coin value is calculated by multiplying the tonnage figure and the quarterly average LBMA Gold Price PM in US dollars. For an explanation of jewellery demand, please see the [notes and definitions](#).

*Data as of 30 June 2021.

Source: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council

Investment

Y-o-y growth was driven by continued recovery from the COVID-related disruption of 2020, but the q-o-q drop reflected increased price volatility.

Global bar demand saw the strongest y-o-y growth (+18%), while official coin demand recorded a more modest increase (+7%).⁸ Demand for medals/imitation coins, a segment of demand dominated by India, was relatively muted in line with demand in that market.

China's bar and coin demand totalled 57.3t in Q2, rising 41% y-o-y and 16% higher than Q2 2019. This resulted in a total of 143.3t for H1, significantly higher than the 77.7t seen in H1 2020 and 19% above H1 2019. The y-o-y surge can be largely attributed to the low base impact, vastly improved economic conditions and the greatly reduced impact of the COVID-19 pandemic.

Analysis shows that bar and coin investment in China is chiefly determined by wealth expansion and changes in the local gold price. Having risen since the second half of 2018, the average local gold price in H1 2021 was 7% lower than

the average in H2 2020, encouraging some investors to buy into the price dip in anticipation of long-term gains.

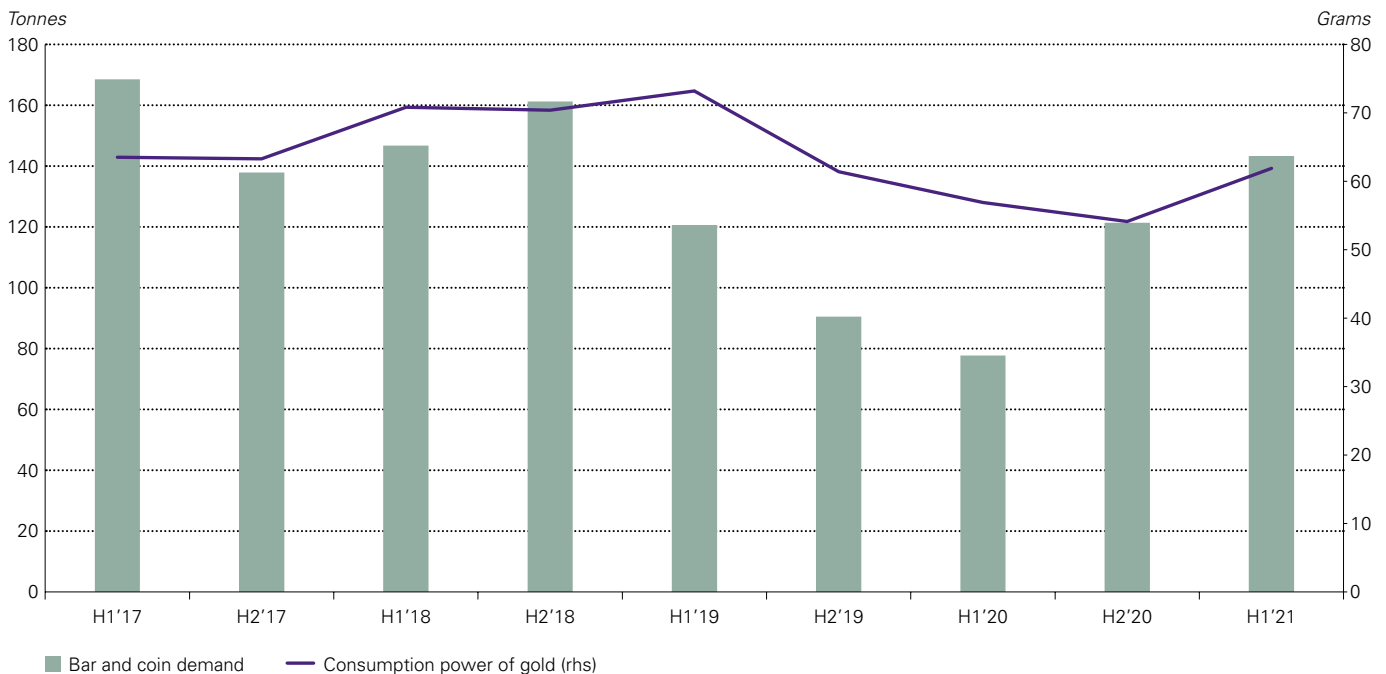
In the meantime, growth in disposable incomes during the first half of 2021 compared to 2020 and 2019 may also have prompted local investors to buy gold as a store of value, contributing to the strength of China's bar and coin sales.⁹

We expect bar and coin investment in China to remain supported by the healthy economy – which should continue to support income levels – and potentially by gradually building inflationary pressure, with the producer price index hovering around multi-year highs.

Indian bar and coin investment in Q2 increased 7% y-o-y largely due to the low Q2 2020 base. But after surging in Q1, demand saw a q-o-q decline of 44% to 21t, taking the H1 total to 58.6t. Although 23% higher than H1 2020, this is low in historical terms – 25% below H1 2019 and 20% below the H1 average from 2015-2019.

China's bar and coin demand rose amid a lower gold price and stronger economy*

H1 Chinese bar and coin demand, tonnes, and quarterly disposable income divided by average quarterly gold price in Yuan per gram



*Data as of 30 June 2021. Consumption power of gold is the inflation-adjusted quarterly household disposable income divided by the quarterly average gold price. Source: National Bureau of Statistics, Shanghai Gold Exchange, World Gold Council

⁸ The three sub-categories of bar and coin demand are: Physical bar demand, official coin demand and medals/imitation coin. For definitions of these three categories, see: [Notes and definitions | World Gold Council](#)

⁹ For more information please visit: [Households' Income and Consumption Expenditure in the First Half Year of 2021 \(stats.gov.cn\)](#)

Investment

Similar to the *jewellery market*, bar and coin investment suffered due to the lockdowns implemented in response to the surging second wave of the virus. Consequently, investment demand was muted during the Akshaya Tritiya festival in May, although healthy demand for digital gold partly offset this weakness. The pullback in the domestic gold price during June was a buying opportunity for retail investors, with small denomination coins (4g, 8g) reportedly popular among retail investors.

We are cautious in our expectations for Indian investment for the remainder of the year, given the continued threat of COVID-related disruption.

Turkish retail investment plunged in Q2. Bar and coin demand sharply reversed course after rocketing in Q1: it fell 79% y-o-y and 91% q-o-q to 4.1t – the lowest since Q4 2008. Increased price volatility was cited as a factor by contacts, while relentlessly high inflation rates impacted investors’ buying power.

The total for H1 (48.4t) is the highest since 2013. In value terms, this equates to a H1 record of TL21bn.

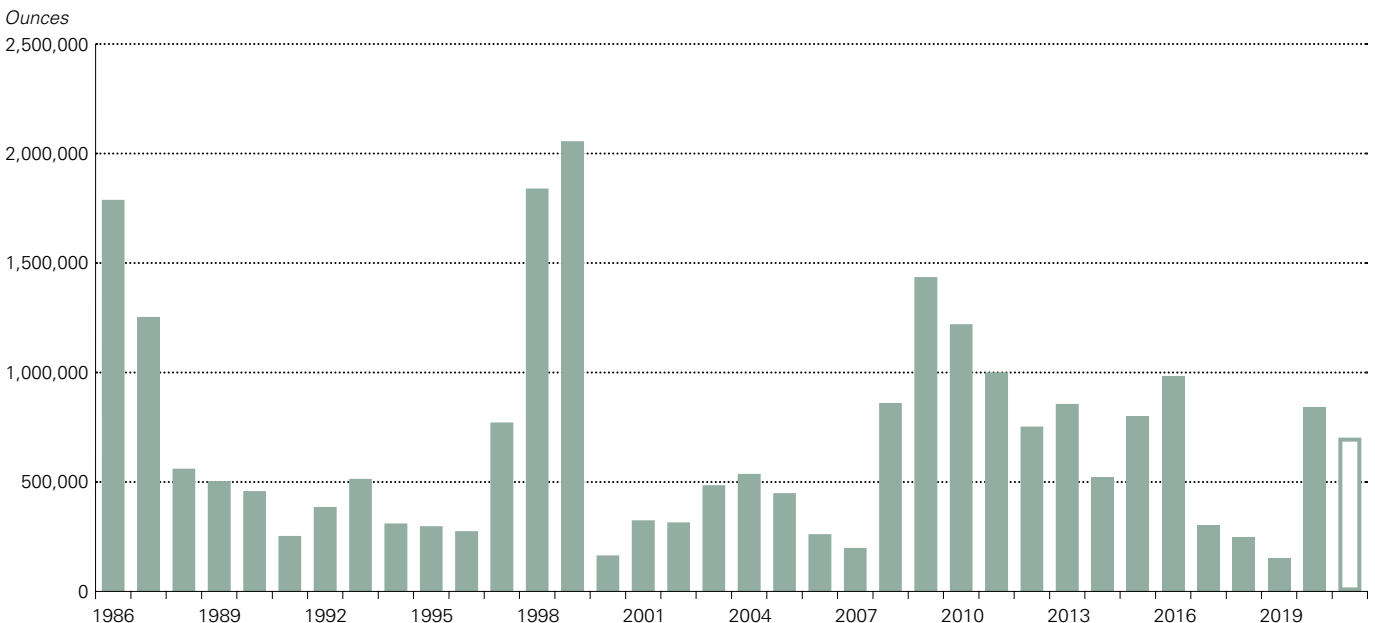
While much of the Middle East saw y-o-y growth in Q2 retail investment, Iran was again the outlier as investment there slumped. At 2.5t (-67% y-o-y) Iranian investment demand was dented by rampant inflation, which diverted funds away from gold. Across the rest of the region, investment was stronger compared with the COVID-hit levels of 2020 but q-o-q declines were widespread as the steep price rise in April and May discouraged investors.

US coin and bar demand almost replicated the strong Q1 total. Retail investors bought 30t in Q2, taking H1 demand to a record 61.7t, only 11% lower than the yearly total for 2020. Demand appears to be fuelled by a continuation of the same factors that have *driven recent strength*: low interest rates, rising inflation concerns and higher disposable incomes (boosted by government stimulus checks) set against restricted discretionary spending options.

The US Mint released its newly designed gold Eagle coins at the very end of the quarter, marking its 35-year anniversary. The Mint has reported *significant sales in June*, suggesting a strong response among investors keen to get their hands on the new design.

US gold Eagle coin celebrates turning 35 with strong sales

Annual US Mint sales of American Eagle gold coins, ounces*



*Data to 21 July 2021. Bar for 2021 represents year-to-date sales.

Source: US Mint, World Gold Council

Investment

Bar and coin investment in Europe maintained the healthy pace seen in Q1. Q2 demand increased 6% y-o-y to 74t, taking the H1 total to 146t, a fraction higher than H1 2020 (143.3t). Volumes were reportedly elevated throughout much of the quarter, reflecting continued concerns over inflation and low interest rates. The price drop in June provided an additional impetus towards the end of the quarter.

Among the smaller East Asian markets, Thailand's turnaround from negative net disinvestment to positive investment generated the largest growth.

Bar and coin demand in Thailand remained muted in Q2 at just 5.7t. This compares with average Q2 demand of 15.1t between 2015 and 2019. However, it marks a significant shift from the net sale of 40.6t seen in Q2 2020. Anecdotal reports suggest that the price rise – to US\$1,900/oz in May – once more encouraged a degree of profit-taking.

Japan saw a return to net selling in Q2, largely in response to the price rise, which offered a profit-taking opportunity. Net disinvestment of 3.3t resulted in a H1 total of 2.2t, compared with net sales of 8.9t in H1 2020. Investment in Vietnam increased 75% y-o-y to 9t, resulting in a healthy H1 total of 22.6t, slightly above the H1 average for 2015-2019. Demand was driven by rising inflation, lower bank savings rates and local currency depreciation.

Central banks

Central bank interest in gold reignites in H1 2021.

- Central banks globally bought 333t in H1, 39% above the five-year H1 average
- Thailand, Hungary and Brazil were the biggest purchasers during the first half, collectively adding 207t to their gold reserves
- Moderate selling throughout H1 was outweighed heavily by strong buying from March onwards.

In a third consecutive quarter of net central bank buying, global gold reserves grew by 199.9t in Q2, the highest level of quarterly net purchases since Q2 2019 (227.8t) and 73% above the five-year quarterly average. This brings net buying for H1 to 333.2t, 63% higher than H1 2020, 39% higher than the five-year H1 average, and 29% above the ten-year H1 average.

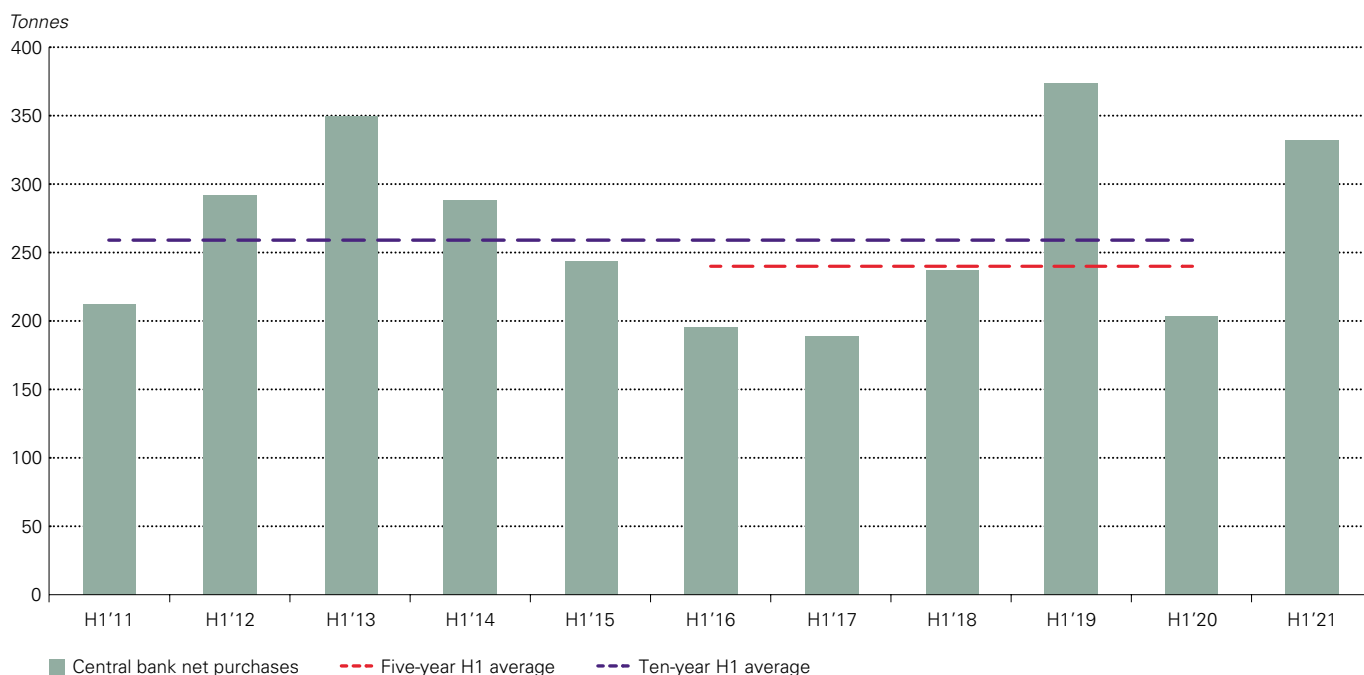
Having been relatively subdued in the second half of 2020, demand picked up in the first half of 2021, with almost two-thirds concentrated in Q2. Gross purchases totalled 287.7t over the first six months, with nine central banks accounting for the vast majority of this.¹⁰

Tonnes	Q2'20	Q2'21	Y-o-y change
Central banks and other institutions	63.7	199.9	↑ 214%

Source: Metals Focus, World Gold Council

Central bank demand picked up during the first half of 2021

H1 net central bank purchases, tonnes*



*Data as at 30 June 2021. Note: Five-year average of H1 demand between 2016 and 2020, and ten-year average of H1 demand between 2011 and 2020.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

¹⁰ Country-level data based on available IMF IFS and respective central bank data at time of publication.

Central banks

The largest purchaser during H1 was Thailand, which increased reserves by 90.2t, or 60%. Latest IMF data puts Thai gold reserves at 244.2t, 6% of total reserves, the highest level on record.¹¹ The Central Bank of Thailand Governor, Dr Sethaput Suthiwartnarueput, indicated that gold addresses the key reserve management objectives of security, return, diversification and tail-risk hedging. But Thailand was not alone in increasing reserves both significantly and swiftly. In March, Hungary bought 63t of gold, tripling its gold reserves from 31.5t to 94.5t, citing the pandemic, growing debt levels and inflation as key reasons for its purchase.

Turkey, one of several regularly active central bank over recent quarters, added 13.5t in H1, taking its official sector gold reserves to 408.2t (29% of total reserves). This increase was calculated using the more granular data now being published by the Central Bank of the Republic Turkey, which enables us to better identify the volume of official sector gold, distinct from gold held at the central

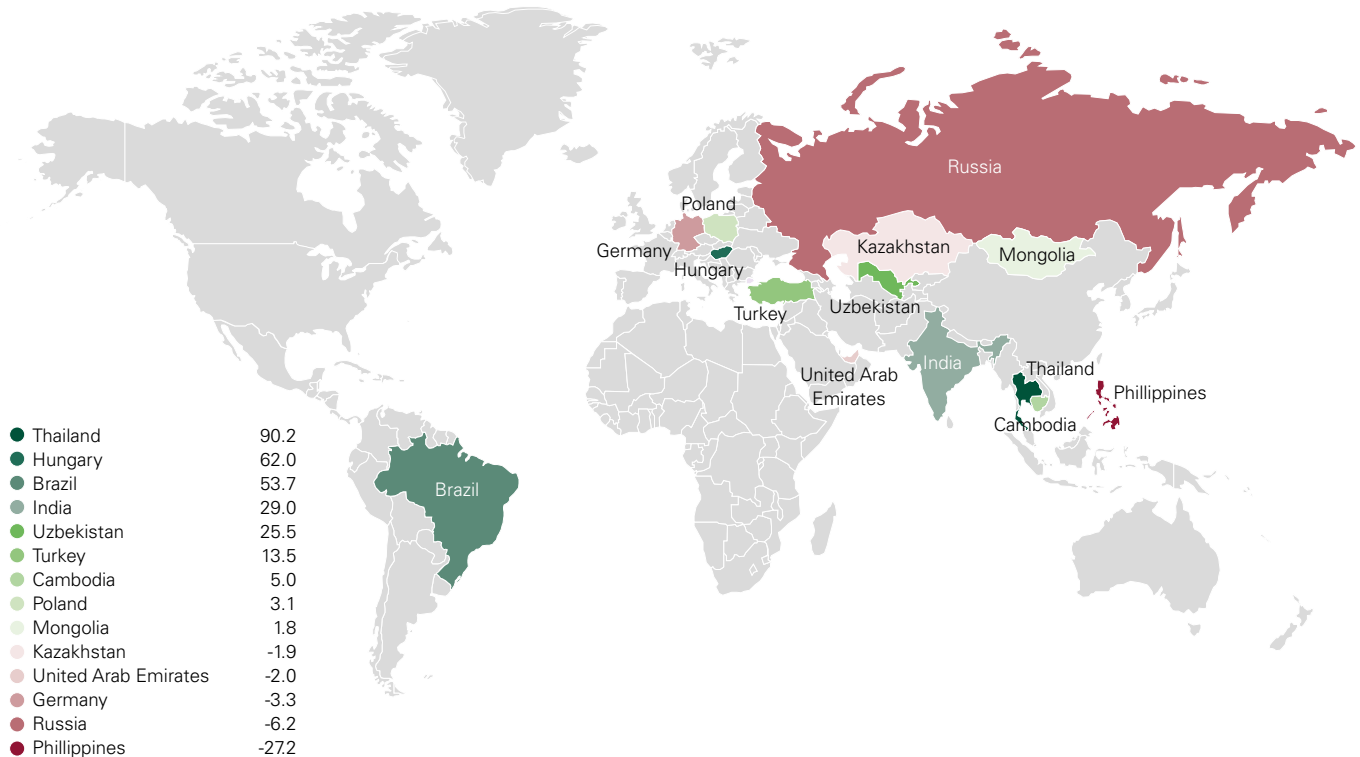
bank that belongs to non-official sector institutions. Based on this new information we have also revised our Turkish official sector data series going back to 2017.¹² More detail on this change to our data can be found [here](#).

Brazil was another notable buyer during H1, adding 53.7t to its gold reserves between May and June, the first sizeable increases since November 2012. This takes gold reserves to 121.1t (2% of total reserves), its highest level since November 2000.

Poland added 3.1t during H1, boosting its gold reserves to 231.8t (8% of total reserves). This is the first increase in Polish gold holdings since mid-2019, when the central bank bought a total of 100t between May and July. Poland is one of several *Central and Eastern European nations that have significantly increased their gold reserves* in recent years. Other regular buyers during the first six months were Uzbekistan (25.5t), India (29t), Cambodia (5t), and Mongolia (1.8t).

Diverse demand in H1 came from both new and regular buyers

Central bank demand by country in H1 2021*



*Country-level data based on available IMF IFS and respective central bank data at time of publication.

Source: IMF IFS, Respective Central Banks, World Gold Council

11 As per the IMF IFS database back to December 1950.

12 Official sector gold reserves refers to the sum of central bank owned gold and Treasury gold holdings.

Central banks

On top of buying during the quarter, several reports indicate that central banks or official institutions plan to increase their gold holdings in the future. This is broadly in line with the findings of our 2021 Central Bank Survey, which indicated that central banks continue to view gold positively.

In June, the Russian Minister of Finance, Anton Siluanov, announced that 20% of the assets of the National Wealth Fund (NFW – the Russian public pension fund – will be invested in gold. This forms part of Russia's de-dollarisation policy, with the NFW completing the removal of the dollar from its holdings in July. The move signals that gold remains an important asset for the Russian official sector, despite the Central Bank of Russia having suspended its gold buying programme in March 2020.

Also in June, President Luis Arce of Bolivia submitted a draft bill to allow the central bank to purchase domestically produced gold to strengthen its international reserves. Economy Minister, Marcelo Montenegro, stated: "The aim is to buy between 2-4 tonnes of gold annually, in such a way that this can be refined and become monetary gold."

In the same month, President Aleksandar Vucic of Serbia announced that the country plans to increase its gold reserves by two-fifths. The central bank, which currently holds 36.3t, has been set a target gold holding of 50t. No specific timeframe was given as to when the increase might occur, but it will follow the notable purchases of

3.2t in November 2020 and 9t in October 2019, which were made in an effort to improve the country's financial stability.

Finally, Zambia increased its gold reserves by a fractional 0.1t in Q2. While the absolute volume of buying and level of gold reserves remains small, this is part of a growing trend among various African central banks to buy domestically-mined gold using local currencies. Ghana and Tanzania have both made similar announcements but have yet to report any increases in official gold reserves.

By comparison, the overall level of sales was a fraction of buying. Gross sales totalled 41.5t in H1, with five central banks reducing their gold reserves by a tonne or more. The Philippines saw gold reserves fall by 27.2t, while Russia (6.2t), Germany (3.3t), the UAE (2t), and Kazakhstan (1.9t) also saw gold reserves decline. Recent sales from Russia and Germany appear to be related, at least in part, to their coin-minting programmes. Smaller sales were also seen from the Kyrgyz Republic and Mongolia, amongst others.

Despite much of the recent pick-up in demand being accounted for by buying from Hungary and Thailand, significant interest from a number of emerging market central banks means we maintain a positive outlook on demand for the remainder of the year. While this will likely be offset by some moderate selling, our expectation that global central banks will be overall net purchasers for 2021 remains unchanged going into the second half of the year.

Technology

Demand for gold in the technology sector continued to recover from 2020 lows.

- Overall demand in the sector during Q2 rose strongly by 18% y-o-y to 80t
- Electronics demand, which accounts for the bulk of industrial gold demand, registered 16% growth y-o-y to 66.3t
- Other industrial demand grew by 31% y-o-y to 10.8t, while dental demand recorded its first y-o-y increase since 2004, rising by 12% to 2.9t.

Tonnes	Q2'20	Q2'21	Y-o-y change
Technology	68.1	80.0	↑ 18%
Electronics	57.2	66.3	↑ 16%
Other industrial	8.3	10.8	↑ 31%
Dentistry	2.6	2.9	↑ 12%

Source: Metals Focus, World Gold Council

Demand for gold in technology has recovered rapidly from the lows of Q2 2020 and stands 18% higher y-o-y at 80t. It must be noted, however, that Q2 was the weakest quarter of 2020, due to the severe impact of COVID-19 on both the electronics supply chain output and global consumer confidence. But measured against the Q2 five-year average of electronics demand prior to 2020 (65t), it is evident that the sector has quickly returned towards more typical Q2 levels. Other industrial and dental demand has also recovered y-o-y, but both sectors remain below their five-year averages prior to 2020, of 13t and 4t respectively. H1 technology demand of 161t was fractionally above that of H1 2019 (160.6t).

Electronics

Gold used in the electronics sector rose 16% y-o-y to 66.3t during Q2. Demand for gold increased across all major electronics applications from the historic lows recorded during Q2 2020 as consumer confidence continued to improve and manufacturers returned to more normal operating environments. There have been

challenges, however. Widely-reported chip shortages continue to impact the automotive industry and increasingly encroach on some parts of the consumer electronics sector.¹³ For example, while Samsung recently forecast a strong second quarter operating profit of US\$11bn (largely due to healthy demand and strong pricing for memory chips), this was offset to some degree by weaker sales of devices, which had been impacted by component shortages.¹⁴

The memory sector continued to experience steady growth with demand rising 2-4% y-o-y. However, the supply of memory chips remains tight and many device manufacturers have been accumulating stock due to fears of shortages later in the year. In contrast, fabricators such as Micron and Samsung are carrying historically low stock levels, while continuing in their efforts to bring additional supply to the market.¹⁵ Looking further ahead, a large expansion of memory capacity is expected in China in 2022 as new assembly and test facilities are commissioned.¹⁶ The outlook for gold in the memory sector is generally positive, but some challenges remain. The recent crackdown on cryptocurrency mining in China, for example, is beginning to impact demand for high-end graphics cards in the country and this is forecast to continue throughout 2021.¹⁷ Finally, ongoing challenges remain, both from miniaturisation of device architecture (which potentially reduces the quantity of gold used in memory chips) and from the threat of manufacturers switching to silver bonding wire.

LED demand remained strong during Q2. Gold volumes used in LED production increased by 12-18% y-o-y across major markets. Several key sectors saw ongoing recovery, including automotive, where both electrification and a general recovery in sales from last year's pandemic-related weakness boosted demand. The general display sector has experienced a similar recovery, with PC and notebook shipments rising during the quarter. The gradual resumption of major events around the world is starting to drive growing demand for video wall display units, a major user of high-end LED chips. Although a minor component of the overall LED sector, Infrared LED (IR LED) demand is buoyed by the continued popularity of healthcare sensors, such as skin sensors and heart rate tracking capabilities

13 www.ft.com/content/3d7d4ad2-63ef-45f0-adee-a4b7abe3d027

14 www.bbc.co.uk/news/business-57744982

15 www.businesskorea.co.kr/news/articleView.html?idxno=67974

16 news.samsung.com/global/samsung-electronics-to-boost-investment-in-logic-chip-businesses-to-krw-171-trillion-by-2030

17 www.techspot.com/news/90267-miners-china-selling-off-their-graphics-cards-amid.html

built into watches and smartphones. However, as we have previously reported, the threat of migration to mini-LED and/or micro-LED technology (which, in some cases, uses less gold) remains. While this shift undoubtedly represents a risk for gold, it does not remove the need for gold entirely: mini-LEDs still require gold bonding wire – albeit in far smaller quantities – and mini-LEDs are currently more expensive than the incumbent technology, which will likely present a challenge in terms of uptake.

Q2 is traditionally a slow quarter for the wireless sector, but gold demand still grew 5-8% y-o-y.¹⁸ 5G infrastructure deployment continued in many countries around the world, providing strong support for wireless technology alongside a range of applications in sectors such as consumer electronics and automotive. As previously reported, aerospace is a growing area within this sector: a proliferation of low Earth orbit satellites (LEOs) is generating demand for high-end wireless devices and represents an expanding use for gold. While chip shortages reportedly curtailed smartphone manufacturing by ~5% during Q2, reports suggest that Apple is aiming to have 90 million handsets ready for launch in 2021, an increase of 20% on previous launch numbers, which should support demand.¹⁹ However, in a potential threat to this important sector, recent reports suggest that certain Android manufacturers have changed their designs to eliminate 3D sensing in mobile devices due to the cost increase when upgrading from 4G to 5G technology. This has temporarily slowed 3D sensor growth as shipments fell to ~80% of their previous forecast level. Longer term, though, the outlook for wireless demand remains positive as evolving technology drives demand for gold across several applications.

The Printed Circuit Board (PCB) sector also performed steadily during Q2. Major markets registered increased gold demand of between 6% and 10% y-o-y. This was driven by the ongoing recoveries in the automotive and consumer electronics sectors, alongside emerging aerospace, AI and 5G applications. Overall, the PCB sector has a positive outlook, benefitting from a healthy supply chain, which is recovering quickly from COVID-19, and from continued strong demand across a range of sectors.

At the aggregate level, each of the major electronics fabrication hubs around the world recorded increases in gold demand during Q1; the four key hubs of Japan, Mainland China and Hong Kong, South Korea, and the US, recorded increases of 6.6%, 10.5%, 11.2% and 30.5% respectively.

Other industrial and dentistry

Other industrial applications recorded a healthy y-o-y increase of 31% to 10.8t during Q2, while dental demand rose 12% y-o-y to 2.9t. Strong demand for plating salts used in costume jewellery and luxury accessories was the main driver for the recovery, which was tempered to an extent by the resurgence of COVID-19 in India and a consequent fall in demand for *jari* – a gold thread used in clothing. However, as mentioned previously, these rises should also be taken in the context of a particularly weak Q2 2020.

¹⁸ Q2 tends to be a quieter period as manufacturers adjust inventory levels and product portfolios.

¹⁹ www.bloomberg.com/news/articles/2021-07-14/apple-seeks-up-to-20-increase-in-new-iphone-production-for-2021

Supply

Total supply rose 4% y-o-y in H1 owing to reduced COVID-19 impact.

- Total H1 supply increased 4% to 2,308t due to less disruption caused by the pandemic
- H1 mine production increased 9% to 1,783t – the largest H1 level on record – while recycling fell 5% to 546t
- Total supply increased by 13% y-o-y in Q2, led by a 16% jump in mine production compared to Q2 2020, which was the worst affected quarter for pandemic production stoppages.

Tonnes	Q2'20	Q2'21	Y-o-y change	
Total supply	1,038.9	1,171.7	↑	13%
Mine production	793.9	924.0	↑	16%
Net producer hedging	-37.2	-28.9	↑	-
Recycled gold	282.2	276.6	↓	-2%

Source: Metals Focus, World Gold Council

Gold supply bounced back in H1, up 4% y-o-y to 2,308t, as the mining industry experienced much fewer pandemic production stoppages and recorded some underlying production growth. Mine production increased 9% y-o-y in the first six months of the year. Recycled gold supply fell

by 5% y-o-y in H1, despite a higher average gold price – up about 10% y-o-y – as the economic recovery reduced the incentive to recycle gold.

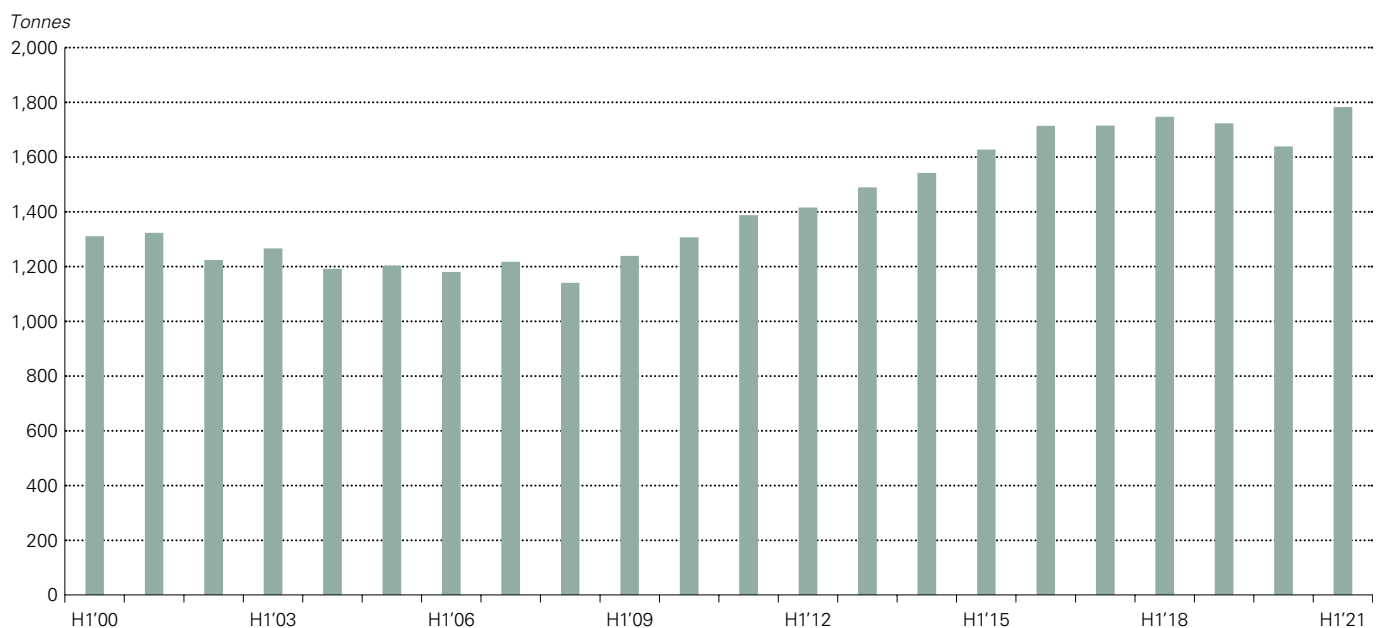
Mine production

H1 mine production increased 9% y-o-y to 1,782.6t – the highest H1 in our records from 2000. The most significant factor behind this y-o-y growth was the virtual absence of pandemic-related disruption, a sharp contrast to the production stoppages seen in the first half of 2020, especially in Q2 of that year. But there was more to H1 strength than simply the COVID-19 factor: H1 mine production was also 3% higher than the first half of 2019. Increased output from the vast copper-gold operations of Grasberg in Indonesia and Oyu Tolgoi in Mongolia further contributed to this growth, as did operational ramp-ups in North America and higher grades at some Mexican mines.

Mexico saw the largest increase in production, up 67% y-o-y, assisted by rising grades at operations such as Peñasquito and Morelos. Canada reported production up 57% y-o-y, helped by new project ramp ups and the return of Musselwhite to full production following a fire in Q1 2019. The 50% y-o-y increase in Peruvian production was almost fully attributable to the recovery from the pandemic, as was the 46% y-o-y increase in South Africa, which bounced back from its weakest quarterly output in at least 50 years.

H1 mined gold production was the highest since 2000

H1 gold mine production, tonnes



*Data as of 30 June 2021.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

Some countries did see notable declines in mine production in Q2. In Australia, lower grades at Cadia Valley and Fosterville led to a 3% decline y-o-y. In China, *the world's largest gold producer*, mine production fell 5% y-o-y after safety-related stoppages in Shandong province in Q1 2021 continued to affect operations in the second quarter. Lower grades at Kyrgyzstan's Kumtor mine drove a 21% y-o-y fall in production and Egypt saw 25% lower mine production after the Sukari open pit operation implemented a revised mine plan following the detection of pit-wall instability.

Despite higher production, costs have increased in 2021. In Q1 – the latest data available – *quarterly average all-in sustaining costs (AISC)* rose to US\$1,048/oz, 6% higher y-o-y, primarily due to higher total cash costs (TCC) and increased sustaining capital expenditure. TCC rose 4% y-o-y to US\$769/oz, driven by lower grades, rising labour and energy costs, and additional COVID-19 related costs.

In the absence of a resurgence of COVID-19 disruptions, *annual mine production looks set to recover from the decline seen in 2020.*

Net producer hedging

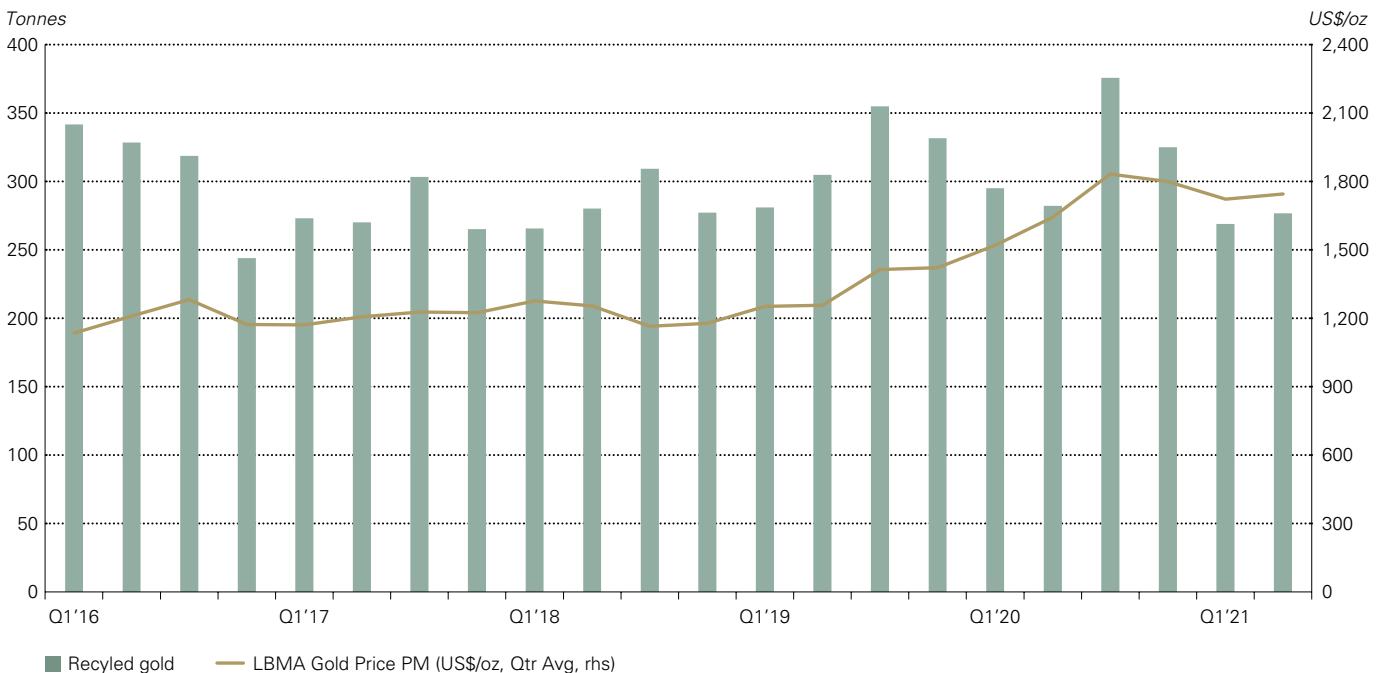
It is estimated that gold miners reduced their aggregate hedged position by 20t in H1 on a net basis. The US dollar gold price was marginally higher in Q2 – up 1% q-o-q – and this near-stability is believed to have contributed to de-hedging in Q2, as producers appear to prefer to keep production exposed to the spot gold price. Revised data shows that the most notable hedges during Q1 occurred in Australia, where Northern Star Resources executed a significant transaction, and other companies added new positions associated with debt finance for projects. Initial estimates for Q2 show 29t of net de-hedging, however this is subject to future revision as more information is published by mining companies.

Recycled gold

Recycling, strongly affected by lockdowns in 2020, remained depressed in H1 amid the global economic recovery. Recycled gold supply amounted to 545.5t in H1, 5% lower y-o-y. In Q2 specifically, gold recycling fell 2% y-o-y to 276.6t despite the 6% increase in the US dollar gold price y-o-y.

Q2 saw a q-o-q rise in gold recycling activities, driven by higher gold price

Recycled gold supply, tonnes, and gold price, US\$/oz



*Data as of 30 June 2021.

Source: ICE Benchmark Administration, Metals Focus, World Gold Council

Alongside economic growth, price is a strong determinant of recycling. But as we noted *last quarter*, it is arguably more relevant to consider the q-o-q picture when ascribing consumer recycling behaviour to changes in the gold price. Recycled gold saw a 3% quarterly increase alongside a 1% increase in the average gold price from Q1 to Q2 2021.

The data underscores what econometric modelling tells us: that changes in the gold price have an immediate, but temporary, effect on recycling.²⁰ Consumers are encouraged to sell their old gold jewellery in response to a rising gold price during a given period, not because prices are higher than they were one year ago. And once those easily available supplies have been sold, it generally takes another upsurge in the price to flush out further items for scrap. The H1 y-o-y decline in recycled supply leads us to believe that much of the near-market supply of recycling feedstock has been depleted, and that it will likely take another significant rise in price to draw this out.

Looking at country specific data, it quickly becomes apparent that no single global trend dominated during the second quarter. Whether recycling increased or decreased versus the comparable period last year depended on factors such as pandemic-related restrictions, the timings of waves of infections, different levels of government support for those hit by the pandemic, local currency price changes, etc. Thailand saw the largest single country swing y-o-y as it had experienced exceptionally high recycled supply in 2020 compared to near-normal sales in the most recent quarter. Stripping out Thailand's figures, global recycling volumes increased 3% y-o-y, with the largest contributor to the increase being India.

The ferocity and spread of the second wave of COVID-19 throughout rural India impacted income levels during the quarter. Many rural consumers turned to gold to meet medical expenses during the pandemic, forcing distress selling of gold. The second wave of the pandemic,

combined with the fact that the gold price at the end of Q1 was 17% below the all-time high last year, also impaired the ability of gold loan borrowers to meet repayments, with some reports emerging of higher gold loan defaults.²¹

We saw evidence of distress selling elsewhere too. Lebanon, for example, saw a doubling of recycled supply y-o-y due to economic and currency weakness. Although many Middle Eastern countries saw double digit increases in volumes, the region as a whole was flat y-o-y, due to greatly reduced recycling supply from Turkey.

In contrast, only modest increases have been seen in other markets. In the US, caution around travelling during the pandemic last year, especially in New York and Los Angeles – both important collection centres – kept recycling supply constrained. Even as sellers have regained their confidence, there was little evidence of distress selling, probably due to government support programmes – something also seen in the UK. Lower EUR-denominated prices, together with government support, also limited European recycling volumes.

China saw slower y-o-y gold recycling volumes in the second quarter compared to the large volumes of consumer and retailer sell-backs last year. Cases of COVID-19, albeit minor, in Shenzhen in Q2 this year resulted in strict restrictions, limiting fabrication as well as associated recycling.

We believe that recycling is likely to remain subdued throughout 2021. The need for significant increases in the gold price, a more optimistic economic outlook, and low near-market supplies, create headwinds for higher levels of selling back. In H1, the y-o-y fall in recycled gold reduced the impact of record mine production, highlighting the importance of this component of the gold supply/demand balance.

20 www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q1-2021/supply

21 www.moneycontrol.com/news/business/gold-loan-defaults-rise-after-covid-19-second-wave-drop-in-prices-7150781.html

About the World Gold Council

The World Gold Council is the market development organisation for the gold industry. Our purpose is to stimulate and sustain demand for gold, provide industry leadership, and be the global authority on the gold market.

We develop gold-backed solutions, services and products, based on authoritative market insight and we work with a range of partners to put our ideas into action. As a result, we create structural shifts in demand for gold across key market sectors.

We provide insights into the international gold markets, helping people to understand the wealth preservation qualities of gold and its role in meeting the social and environmental needs of society.

Based in the UK, with operations in India, China, Singapore and the USA, the World Gold Council is an association whose members comprise the world's leading and most forward thinking gold mining companies.

World Gold Council

7th Floor, 15 Fetter Lane
London EC4A 1BW
United Kingdom

T +44 20 7826 4700

F +44 20 7826 4799

W www.gold.org

Contributors

Louise Street

louise.street@gold.org

Krishan Gopaul

krishan.gopaul@gold.org

Bharat Iyer

bharat.iyer@gold.org

Ray Jia

ray.jia@gold.org

Mukesh Kumar

mukesh.kumar@gold.org

Adam Perlaky

adam.perlaky@gold.org

Juan Carlos Artigas

Global Head of Research
juancarlos.artigas@gold.org

John Reade

Chief Market Strategist
john.ream@gold.org

Further information

For data sets and methodology visit:

www.gold.org/goldhub/data/gold-supply-and-demand-statistics

Or contact:

research@gold.org

Global distribution

Claire Lincoln

Head of Sales – EMEA
claire.lincoln@gold.org
T +44 20 7826 4788

Fred Yang

Head of Sales – China
fred.yang@gold.org
T +86 21 2226 1109

Jaspar Crawley

Head of Sales – ASEAN
jaspar.crawley@gold.org
T +65 9658 6269

Sheela Kulkarni

Director – India
sheela.kulkarni@gold.org
T +91 22 6157 9114

Matthew Mark

Head of Sales – Americas
matthew.mark@gold.org
T +1 212 317 3834

Important information and disclaimers

© 2021 World Gold Council. All rights reserved. World Gold Council and the Circle device are trademarks of the World Gold Council or its affiliates.

All references to LBMA Gold Price are used with the permission of ICE Benchmark Administration Limited and have been provided for informational purposes only. ICE Benchmark Administration Limited accepts no liability or responsibility for the accuracy of the prices or the underlying product to which the prices may be referenced. Other content is the intellectual property of the respective third party and all rights are reserved to them.

Reproduction or redistribution of any of this information is expressly prohibited without the prior written consent of World Gold Council or the appropriate copyright owners, except as specifically provided below. Information and statistics are copyright © and/or other intellectual property of the World Gold Council or its affiliates (collectively, "WGC") or third-party providers identified herein. All rights of the respective owners are reserved.

The use of the statistics in this information is permitted for the purposes of review and commentary (including media commentary) in line with fair industry practice, subject to the following two pre-conditions: (i) only limited extracts of data or analysis be used; and (ii) any and all use of these statistics is accompanied by a citation to World Gold Council and, where appropriate, to Metals Focus, Refinitiv GFMS or other identified copyright owners as their source. World Gold Council is affiliated with Metals Focus.

WGC does not guarantee the accuracy or completeness of any information nor accepts responsibility for any losses or damages arising directly or indirectly from the use of this information.

This information is for educational purposes only and by receiving this information, you agree with its intended purpose. Nothing contained herein is intended to constitute a recommendation, investment advice, or offer for the purchase or sale of gold, any gold-related products or services or any other products, services, securities or financial instruments (collectively, "Services"). This information does not take into account any investment objectives, financial situation or particular needs of any particular person.

Diversification does not guarantee any investment returns and does not eliminate the risk of loss. The resulting performance of various investment outcomes that can be generated through allocation to gold are hypothetical in nature, may not reflect actual investment results and are not guarantees of future results. WGC does not guarantee or warranty any calculations and models used in any hypothetical portfolios or any outcomes resulting from any such use. Investors should discuss their individual circumstances with their appropriate investment professionals before making any decision regarding any Services or investments.

This information may contain forward-looking statements, such as statements which use the words "believes", "expects", "may", or "suggests", or similar terminology, which are based on current expectations and are subject to change. Forward-looking statements involve a number of risks and uncertainties. There can be no assurance that any forward-looking statements will be achieved. WGC assumes no responsibility for updating any forward-looking statements.

Information regarding QaurumSM and the Gold Valuation Framework

Note that the resulting performance of various investment outcomes that can be generated through use of Qaurum, the Gold Valuation Framework and other information are hypothetical in nature, may not reflect actual investment results and are not guarantees of future results. Neither WGC nor Oxford Economics provides any warranty or guarantee regarding the functionality of the tool, including without limitation any projections, estimates or calculations.