

Gold Demand Trends

Q2 2022

Other highlights

The LBMA gold price PM (US\$/oz) lost 6% in Q2, but firmed marginally over H1 (+1%). Much of the Q2 weakness was related to the strength of the dollar; the gold price denominated in many other currencies was contrastingly different.

Continued growth in the second quarter lifted H1 mine production 3% to 1,764 tonnes (t) – a record first half for our data series. Mine production benefited from an absence of COVID-related lockdowns and was boosted by continued recovery in China following safety stoppages in 2021.

Recycling activity remained elevated compared with 2021. Total H1 recycling of 592t was 8% higher y-o-y. Higher average price levels, combined with increased economic hardship in many regions, supported recycling volumes.

The strict zero-COVID policy in China had a significant impact on total bar and coin investment and jewellery demand. Lockdowns imposed in several key cities and regions throughout much of Q2 meant that access to retail outlets was cut off to large swathes of consumers.

For more information please contact: research@gold.org

Gold demand softened in Q2

Despite Q2 weakness, strong first quarter ETF inflows fuelled a notable H1 recovery.

Gold demand (excluding OTC) was 8% lower y-o-y at 948t. Combined with Q1 this took H1 demand to 2,189t, up 12% y-o-y.

The LBMA Gold price PM averaged US\$1,871/oz in Q2, 3% above the Q2'21 average. However, this comparison conceals the 6% decline in the price during the most recent quarter, pressured by rising interest rates and the rocketing value of the US dollar.

As the gold price fell in Q2, gold ETFs lost 39t, giving back some of the strong Q1 gains. Net H1 inflows totalled 234t compared with 127t of outflows in H1'21.

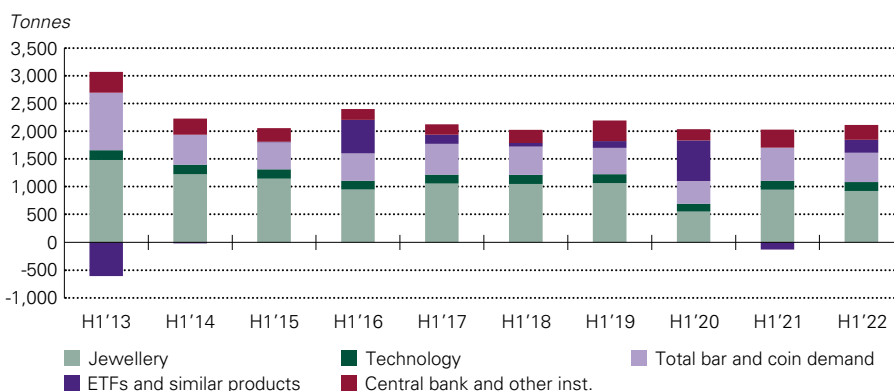
Bar and coin investment (245t) was unchanged from Q2'21 as a sharp drop in China was offset by growth in India, the Middle East and Turkey. The H1 total saw a 12% y-o-y drop to 526t on compounded Chinese weakness.

Q2 jewellery consumer demand reached 453t, 4% higher y-o-y, although the comparison is with a fairly weak Q2'21. Total H1 jewellery demand of 928t was 2% below H1'21.

Central banks continued to buy gold. Global official gold reserves grew by 180t in Q2, taking H1 net purchases to 270t.

Technology demand dipped in Q2, down 2% y-o-y to 78t on weaker demand for consumer electronics. H1 demand was fractionally lower as a result at 159t.

ETFs fuelled a notable H1 recovery*



*Data to 30 June 2022.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

Outlook

The challenging macroeconomic outlook presents both opportunities and challenges for gold.

- **Despite a strong H1, investment demand may be flat on the year.** Some macroeconomic factors such as aggressive monetary policy tightening and continued US dollar strength may create headwinds, but upside surprises for gold investment remain firmly on the table.
- **We see opportunities for safe-haven demand to continue.** Even if inflation decelerates, consumer prices remain high and are impacting asset allocation decisions. Additionally, a near-term resolution to the Ukraine war is remote, while further economic weakness is likely in Europe and the US as well as China. This should support some sectors of investment and central bank buying.
- **But these factors may weigh on consumer-driven demand and could spur higher recycling supply.** Continued tightening of financial conditions and economic deceleration may impact consumers' disposable income.

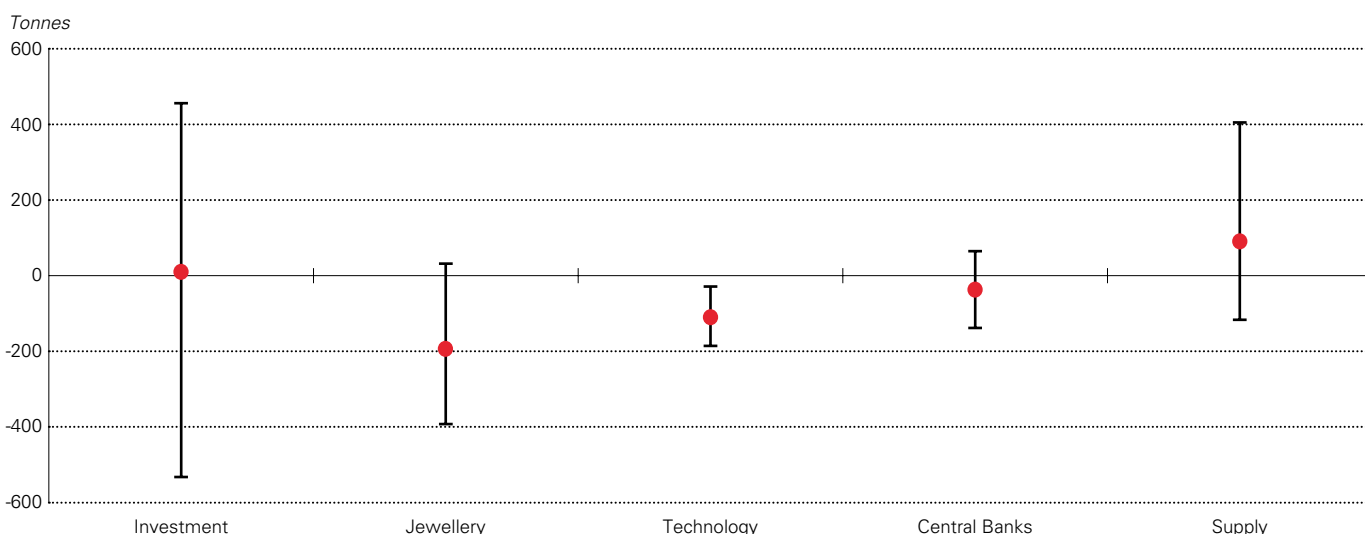
- **Chinese consumer demand weakness will likely continue, absent effective stimulus from government.** Indian consumer demand, although more robust, will probably not offer enough of a counterweight, and a repeat of last year's strong H2 is unlikely.
- **We have raised our outlook for central bank demand** following the strong H1 and see net purchases for the year at similar levels to those in 2021.
- **We continue to see upside potential for supply,** primarily in recycling where a global economic slowdown raises the risk of distressed selling.

Full year outlook

Investment: flat with potential for significant variability

We have revised down slightly our overall expectation for investment demand in 2022 from our *Q1 Gold Demand Trends*. Although H1 ended well, with bar & coin, ETF and OTC demand combined posting the third largest H1 since 2010, Q2 set a slightly weaker tone for ETFs which has continued so far in July. And this may set a precedent for the rest of H2 given a potential softening of inflation amid aggressive monetary policy tightening. Furthermore, a lingering strong US dollar environment could also create headwinds for investment, both through ETFs and the OTC market.

Expected y-o-y tonnage change in demand, 2022 vs. 2021



Upside potential, however, comes from a further weakening in both equities and fixed income, especially in a stagflationary or recessionary environment. And although inflation may start to tail off in H2, the supply situation in many commodity markets remains precarious and renewed spikes can't be ruled out. Such an environment would further highlight the safety of gold. After all, gold's relative performance remains solid in 2022, buttressing its diversification benefits compared to other hedges.

In addition, geopolitics are always a wild card and remain top of mind for investors. And finally, net investor positioning in futures is historically short, presenting a short-covering risk on a positive price trigger. Similarly, strong OTC demand in weak price environments has been a feature over the past few quarters, which is encouraging for gold. As such, OTC demand may stay strong even if at lower levels than the previous two years.

Bar and coin demand will likely remain healthy in H2, despite lingering weakness from China. Eurozone demand has been rising since the second quarter of 2019 as stagflationary conditions continue to unfold in the region. Should the inflation outlook become more sanguine, it may prompt lower net demand in H2, but overall tonnage is likely to remain healthy outside of China.

Jewellery and technology: notable downside risk

We are revising down our jewellery demand expectations for 2022. The largest risk to jewellery comes from potentially weaker economic growth. Furthermore, China's lockdowns have dented demand and a recovery will likely be slow due to the continued strict zero-COVID policy and stresses in the domestic real estate sector. Upside potential for Chinese jewellery, though, could materialise from a local currency weakness, pent-up wedding demand and dip-buying if prices remain rangebound or weaker. Should prices stay rangebound, they won't be an impediment to jewellery demand at least.

Jewellery demand in India faces downside risks in H2'22, due to uncertainty over the economic outlook, a higher import duty in India and the possibility of additional curbs on gold buying to stem further depreciation of the Indian rupee (INR). Upside potential for demand come from expectations of a normal monsoon, higher inflation and the possibility for rangebound prices.

Central banks: broadly steady

We view central bank demand much more positively than we did in our previous Gold Demand Trends report. Accordingly, we revise our forecast for the full year total to be broadly unchanged from 2021, with the possibility of some upside. This stems from a combination of lower sales, continued purchases from regular buyers and demand from institutions that have not been buyers in recent years – such as Iraq – or for a very long time, as is the case with Ireland, for example. In addition, the Central Bank of Russia, which used to acquire most of the local gold production prior to 2020, is believed to have resumed its buying program in response to international sanctions. Finally, our central banking survey points to buying intentions that, in our view, could set the tone for continued strong net buying this year.

Supply: upside potential

Our full-year supply outlook remains one of growth. A robust H1 for producers sets the tone for the rest of the year. Our view on recycling is for it to likely be lower, but we see a greater degree of upside risk as the elevated possibility of recession in several jurisdictions raises the potential for distress selling.

Jewellery

Gold jewellery demand up vs Q2 2021 but below typical pre-pandemic quarterly levels.

- Q2 jewellery consumption was 4% higher y-o-y at 453t as growth in India and the Middle East outweighed declines in China and Russia
- Demand remains anaemic on a longer-term basis, 10% below the five-year quarterly average of 505t
- H1 total demand (928t) was 2% down on H1'21, but 12% below 2019 pre-pandemic levels.

| Tonnes | Q2'21 | Q2'22 | Y-o-y change | |
|-----------------------|-------|-------|--------------|------|
| World total | 437.1 | 453.2 | ↑ | 4% |
| India | 94.3 | 140.3 | ↑ | 49% |
| China, P.R.: Mainland | 146.7 | 103.5 | ↓ | -29% |

Source: Metals Focus, World Gold Council

Gold jewellery demand in Q2 was slightly firmer than the second quarter of last year but remains soft compared with pre-pandemic norms.

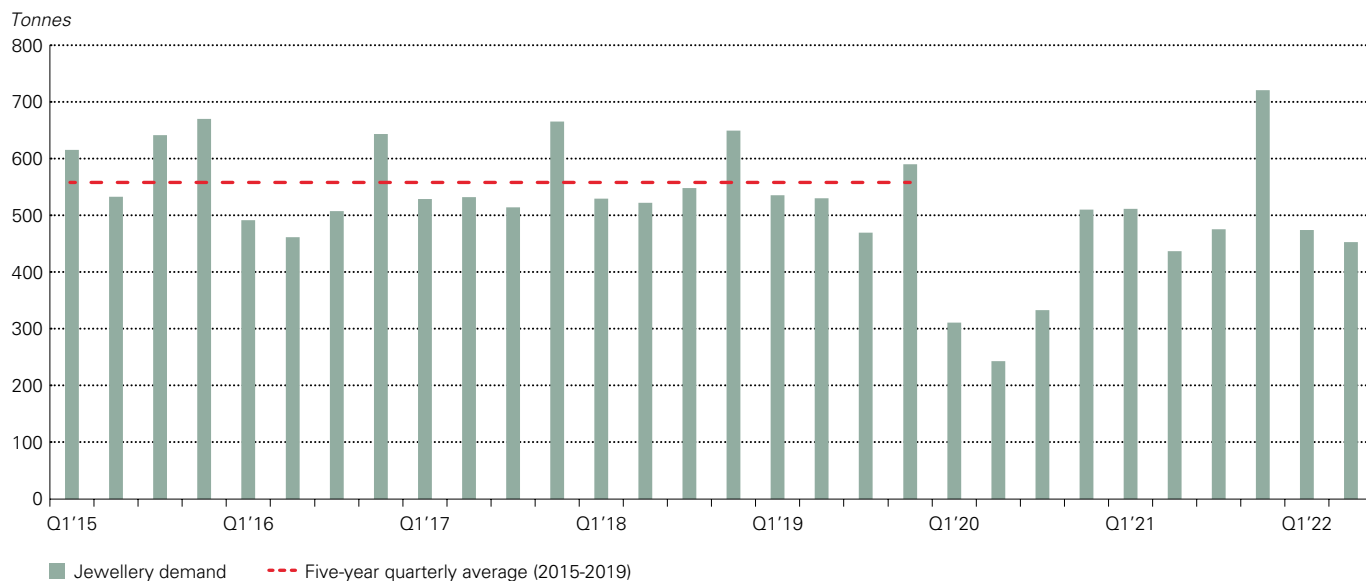
While global jewellery consumption has recovered from the worst of the COVID-induced weakness seen in 2020, it has yet to regain the typical quarterly averages – of around 550t – that characterised the few years preceding the pandemic.

Several factors were at play in constraining demand in Q2, including China's lockdowns and surging global inflation. But support came from healthy wedding and festival buying in India, and rising oil prices boosting sentiment in the Middle East.

In a repeat of the first quarter, growth in fabrication volumes outstripped that of consumption.

Consequently, jewellery inventories increased in Q2 – by 31t – as the supply chain in some markets continued to rebuild stocks after the impact of the pandemic and as it responded to robust consumer demand.

Quarterly jewellery demand remains below pre-pandemic levels*



*Data to 30 June 2022.

Source: Metals Focus, World Gold Council

China

China's gold jewellery demand fell by 29% to 103t in the second quarter. This brought the H1 total to 281t, 17% lower y-o-y and 19% below its 10-year average. Major city lockdowns hampered gold consumption in April and May, with millions subjected to controls to limit contagion. Consumers' inability to spend, together with decelerating income growth – the 1.5% y-o-y growth in Q2 was the weakest on record excluding 2020 – were main contributors to the weakness in Q2 Chinese gold jewellery demand. Gold jewellery consumption during H1 may have also been dented by a 5% rise in the local gold price as the RMB weakened.

And we believe changing consumer behaviour also played a role. The challenging environment encouraged precautionary savings: according to the People's Bank of China's quarterly survey, the tendency of local households reached the highest level on record in Q2.¹ The fact that the second quarter is a traditional off-season for gold jewellery consumption further exacerbated the weakness.

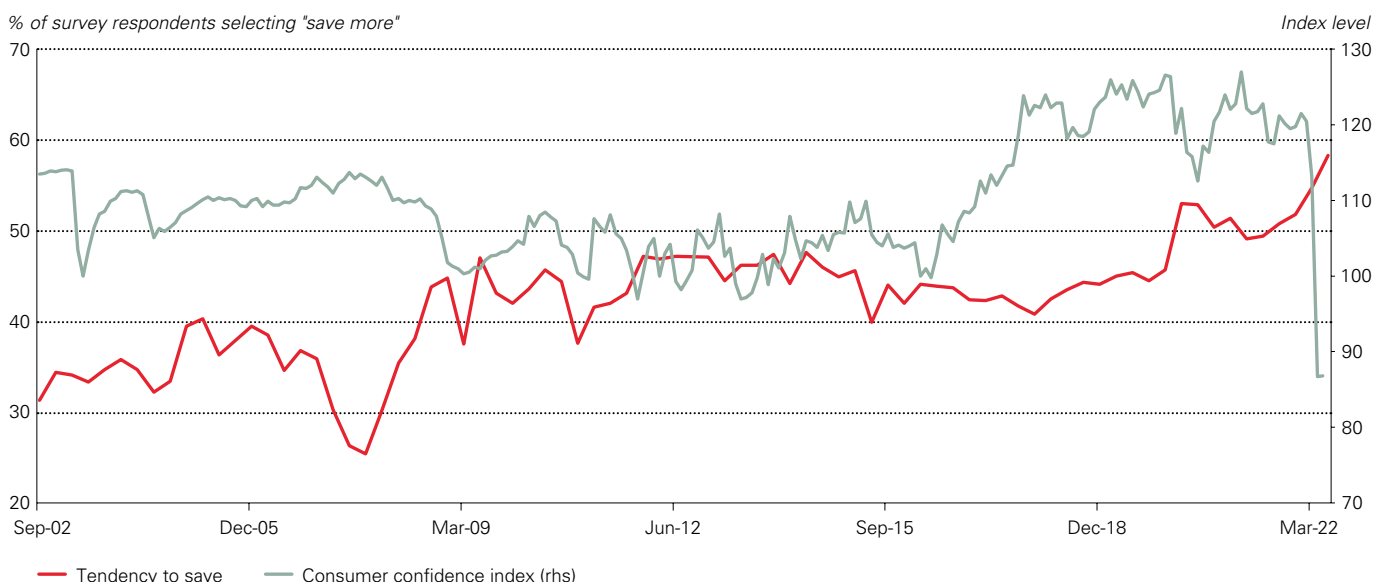
Heritage gold jewellery continued to dominate in spite of the broader market weakness, although some market saturation caused momentum to slow. 24K pure hard gold lost more market share. The increasing demand for price transparency has weighed on this category, as jewellers continue to transition from "per-piece" to "per-gram" pricing.

The COVID resurgence did not slow the stride of expansion by leading brands in 2022. Chow Tai Fook, for instance, increased the number of points of sale in mainland China from 5,646 at the end of 2021 to 5,931 by end-Q2'22, mainly in lower tier cities.²

Looking ahead, we expect continued weakness in H2 despite potential seasonal q-o-q rebounds.

The zero-COVID policy, weak domestic demand and turmoil in the real estate sector may continue to weigh on local economic growth and negatively impact gold jewellery demand. There may be some relief, however, from consumption stimulus measures, while pent-up wedding demand, and expanding product ranges of 24k Hard Gold and Heritage Gold jewellery might provide additional support should the measures to control the pandemic be successful.

COVID-related uncertainties and deteriorating confidence have encouraged households' precautionary saving behaviour



Source: PBoC, National Bureau of Statistics, World Gold Council

1 For more information, see [COVID, precautionary savings and gold in China | Post by Ray Jia | Gold Focus blog | World Gold Council](#)

2 Excluding non-CTF brand POS which also belongs to CTF group. For more information, please see [公告及通函：投資者關係：周大福珠寶集團 \(ctfjewellerygroup.com\)](#)

India

Robust wedding and festival sales helped boost Q2 jewellery demand to 140t. The 49% y-o-y increase in Q2 demand was largely due to a very weak Q2'21; nevertheless, demand in the most recent quarter was healthy from a longer-term perspective – 6% above the five-year quarterly average of 132t. Demand in H1 reached 234t – 6% higher y-o-y – as the weak first quarter offset Q2 strength.

Sales for Akshaya Tritiya in May, together with wedding purchases during the traditional Q2 wedding season generated the growth in demand. The timely correction in the gold price from the April high also contributed to the positive picture.

But despite healthy Q2 demand, the macroeconomic backdrop of a weaker currency, rising inflation and higher interest rates posed headwinds. Urban Indians have been the main driver of demand growth as economic activity in these areas has largely normalised to pre-pandemic levels. In contrast, rural consumers have been heavily impacted by rising inflation and higher interest rates on agricultural loans, meaning demand from this quarter has yet to recover fully from the impact of COVID.

22k plain gold jewellery continued to dominate the landscape, although more affordable 18k and 14k jewellery gained market share, particularly among younger consumers.

The outlook for the rest of the year is mixed. While festival and wedding demand should be a positive factor in Q4, demand will face challenges from a depreciating rupee, higher inflation and the higher import duty on gold.

Middle East and Turkey

Jewellery demand in the Middle East cemented its return to pre-COVID average levels; in contrast, Turkey remained subdued.

Q2 Turkish gold jewellery consumption fell 9% y-o-y to 7t. Demand has been remarkably steady for the past three quarters but remains weak in a historical context. Currency weakness has contributed to volatility in the local gold price and surging inflation squeezed disposable incomes. Demand for 22k gold with low making charges held up relatively well, as a safe-haven proxy.

Markets across the Middle East mainly witnessed y-o-y growth in Q2. Rising oil prices were supportive of demand across the region, boosting consumer sentiment and income levels. The UAE continued to benefit from a return to near-normal tourist numbers. Iran managed a y-o-y increase in Q2 demand, although this was partially due to the low base from Q2'21. Egypt was an outlier: demand fell 3% y-o-y as depreciation of the local currency translated into a notable increase in local gold prices.

The West

US consumers continued to demonstrate their desire for gold jewellery, although momentum may be slowing. Q2 demand grew 2% to 38t, comfortably above the 33t five-year quarterly average. This took H1 demand to 65t, broadly on a par with H1'21. The return to a more normal year for weddings continued to support demand, but there are early indications that the end of federal income support may have taken the wind out of the more affordable, lower carat end of the market.

European jewellery demand registered the strongest Q2 since 2016 at 15t. The 14% y-o-y increase contributed to a similar (15%) rise in H1 demand to 26t – signalling a return to pre-pandemic levels. Growth was largely due to a rise in the number of weddings, plus a better economic scenario – particularly with regards to lockdowns – than in Q2 last year. However, a reported cooling of demand towards the end of the quarter, as the cost-of-living crisis began to bite, suggests that momentum could slow in H2.

ASEAN markets

After falling in the first quarter, Indonesian jewellery consumption rose in Q2 by 18% y-o-y to 5t. Demand benefited from economic recovery, improving consumer sentiment and rupiah depreciation (some bought gold due to concerns about a further and heavier drop in the currency).

Jewellery consumption in Thailand rose for the sixth consecutive quarter, increasing by 10% to 2t. While demand has shown consistent growth since the start of 2021, it remains well below pre-pandemic levels. Jewellery consumption has been supported by the economic recovery, emergence from COVID and a rebound in tourism. Concerns about inflation and the purchasing power of the baht have also driven interest in gold as a store of value.

Jewellery fabrication outperformed consumption as gold shop owners started to re-stock in light of continued consumption growth.

Jewellery consumption in Vietnam rose for the second quarter by 28% y-o-y to 4t. Demand was supported by falling local gold prices, the economic recovery, and higher incomes, as many companies reversed temporary salary cuts. The government's US\$15 billion (bn) stimulus package has boosted GDP growth and consumer sentiment. It should be noted that the second quarter is traditionally relatively slow for jewellery sales due to the impact of Vietnamese New Year, which falls in Q1.

Jewellery demand in Singapore rose 43% y-o-y to 2t. The economic recovery and the lifting of most remaining COVID measures has supported demand.

Jewellery consumption in Malaysia increased 35% y-o-y to 3t. With pandemic control measures entirely lifted and international travel resuming in April, as well as a lower base last year due to Malaysia's Moving Control Orders, jewellery consumption saw a notable rebound. Festival buying also played a role in the second quarter.

Rest of Asia

Japanese gold jewellery consumption saw a second consecutive quarter of 5% y-o-y growth. Demand remains modest at 4t but in light of the rising local gold price the Q2 growth was noteworthy. Rising inflation is a potential headwind for the remainder of the year, however.

South Korea saw an 8% y-o-y decline in Q2 jewellery demand to 4t. The uncertain domestic economic environment, at a time of relatively high local gold prices, contributed to the more cautious consumer sentiment.

Australia

Australian jewellery demand rose 8% y-o-y to 3t. The higher cost of living is weighing on demand; although consumption is up, the growth in jewellery demand is slowing.

Investment

Bar and coin investment unchanged y-o-y in Q2; gold ETFs saw modest outflows.

- Gold-backed ETFs gave back some of their Q1 gains as global holdings declined by 39t during Q2
- The picture for H1 remains strong, with net inflows of 234t (US\$15bn)
- Bar and coin investment was unchanged from Q2'21 at 245t, generating an H1 total of 526t (-12% y-o-y).

Investment demand for gold subsided during Q2. Total investment was down 28% y-o-y at 206t. Persistent inflation concerns supported investment inflows into gold, but monetary tightening and a surging dollar were likely major drivers of outflows. These pressures increased at the tail end of the quarter as the US Fed adopted a more aggressive tightening pace and as fears grew over potential recession alongside a collapse in commodity prices.

| Tonnes | Q2'21 | Q2'22 | Y-o-y change | |
|-----------------------|-------|-------|--------------|------|
| Investment | 286.1 | 205.8 | ↓ | -28% |
| Bar and Coin | 245.5 | 244.5 | ↓ | 0% |
| India | 25.4 | 30.4 | ↑ | 20% |
| China, P.R.: Mainland | 57.4 | 37.4 | ↓ | -35% |
| Gold-backed ETFs | 40.6 | -38.8 | - | - |

Source: Metals Focus, World Gold Council

Continued recovery in Indian bar and coin demand, and a strong y-o-y comparison for Turkey, countered significant weakness in Chinese retail investment brought about by COVID-led lockdowns.

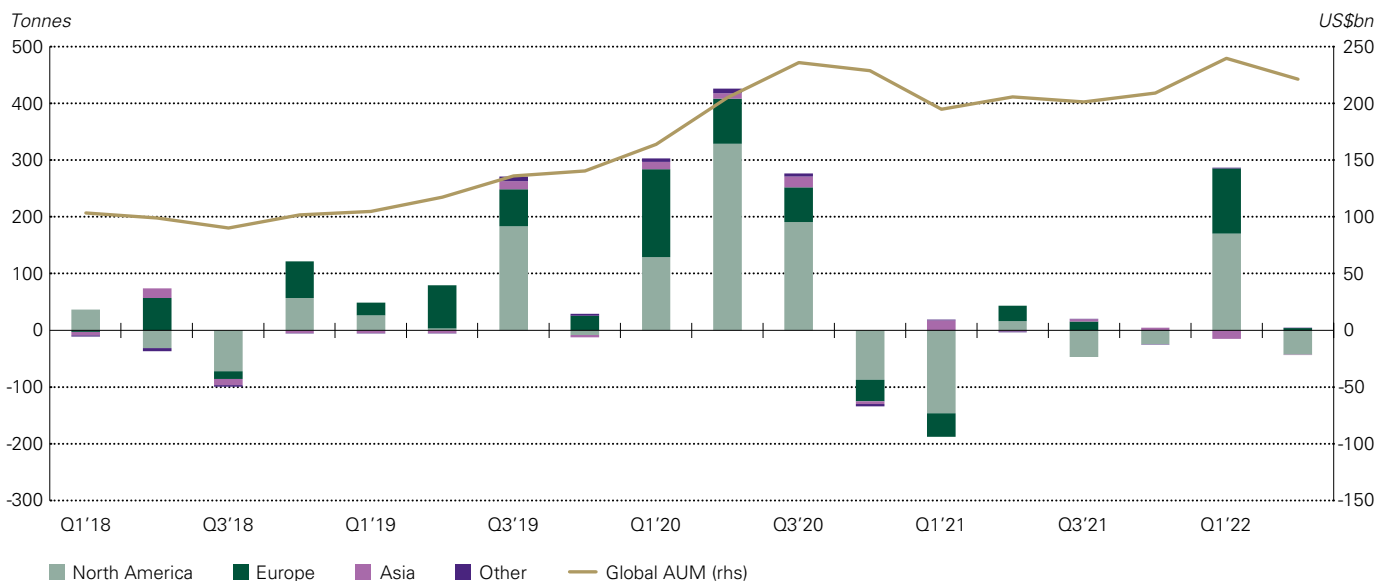
The H1 comparison for investment is considerably stronger: investment of 760t is 62% above H1'21. This is largely due to the hefty ETF inflows in the first quarter of this year.

ETFs

Q2 saw gold-backed ETFs give back some of the gains they made earlier in the year: outflows of 39t partially reversed the 273t Q1 inflow. Likely contributors to the decline were a more aggressive tightening of monetary policy, the surging dollar and perhaps some contagion from falling commodity prices.

Q1 inflows dominate the H1 picture: global holdings increased by 234t to 3,792t (US\$222bn), up 6% y-t-d. But Q2 outflows have continued into July, with the largest declines once again in North American and European-listed funds.

Modest Q2 outflows from gold ETFs gave back some of the strong Q1 gains*



*Data to 30 June 2022.

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

North American-listed funds saw the biggest outflows during the second quarter, losing 42t (US\$2bn). Outflows were concentrated among the largest and most liquid US funds and were fuelled by shifting expectations on the likely pace of US interest rate rises, which ramped up ahead of the Fed's aggressive 75bps June hike.

European funds saw modest Q2 inflows of just 5t (US\$0.4bn). Growth in the UK, Germany, Ireland and France was offset by outflows of around 6t from Swiss-based funds. The relatively strong performance of the gold price in euro- and sterling-terms compared to the US dollar likely encouraged the more positive activity in these markets.

During H1, North American- and European-listed funds witnessed similar-sized inflows – of 129t (US\$8bn) and 119t (US\$8bn) respectively. This was largely thanks to substantial growth during the first four months of the year as gold price strength attracted momentum inflows, boosted by geopolitical concerns, equity market losses and rising inflation.

Gold ETFs listed in Asia saw minor losses in Q2 – holdings fell by a little over 1t (US\$0.1bn) – but it was the only region to see net H1 outflows (-16t). Chinese-based funds were the main contributor to the regional H1 decline. The bulk of Chinese outflows occurred during Q1 (13t), boosted by tactical trading into the rising gold price. But lower gold price volatility along with profit-taking were also likely drivers of outflows in Q2, with the result that Chinese-listed funds lost a cumulative 18t in the first half.

Indian ETFs more than reversed their Q1 losses, attracting 3t of inflows in Q2. This generated net inflows for H1 of 2t and pulled total holdings of Indian-listed funds to 39t. Volatility in the financial market, higher inflation and the depreciating rupee were key drivers of the Q2 inflows.

Funds listed in other regions were little changed in Q2, seeing fractional growth due to modest inflows into Australian-listed funds. They added 2t during H1, taking total holdings in these products to 63t.

Bar and coin

Retail investment demand for gold bars and coins was 245t in Q2. This was bang in line with Q2 last year and just a shade below the five-year quarterly average of 253t. Demand for H1 totalled 526t – 12% lower y-o-y – although H1'21 was the strongest first half since 2013.

China

COVID-induced lockdowns triggered the worst Q2 for Chinese retail gold investment since 2010; bar and coin demand fell 35% y-o-y to 37t. Added to the already weak first quarter, this generated a 40% drop in H1 investment to 87t, 38% below the 10-year H1 average.

Similar to the gold jewellery market, lockdowns in major Chinese cities was a key negative factor impacting local bar and coin sales, along with concerns over gold price weakness after the sharp Q1 rally. And despite a 5.5% depreciation in the RMB against the dollar, which usually pushes up safe-haven demand for gold, a sharp slowdown in households' income growth limited investor interest in physical gold.³ A strong rebound in Chinese equities – the CSI300 stock index rose 6.2% in Q2 – may have further distracted gold investors.

Some commercial banks saw y-o-y growth in Q2 gold bar sales. A shift in focus towards lower-tier cities – where COVID outbreaks were limited – yielded fruit, along with promotions that coincided with the price correction in June.

But H1 demand was still higher than 2020 as the Q2 mobility restrictions were limited to major cities only – in 2020 the peak Q1 gold consumption season was impacted by nation-wide lockdowns.

Looking ahead, similar to jewellery we believe that full year retail investment in China is likely to be weaker than 2021, despite possible q-o-q improvements during H2. Slow income recovery and uncertainties around the stop-start COVID resurgence could continue to weigh on bar and coin sales. But there may be some support from seasonality, a weaker currency and some bargain-hunting buying.

³ For more information, please see: [National Bureau of Statistics of China \(stats.gov.cn\)](https://www.stats.gov.cn)

India

Festival buying helped lift Indian retail investment in Q2. Bar and coin demand of 30t was 20% higher y-o-y, although the comparison is with a weak Q2'21. The H1 total of 72t was 11% stronger y-o-y, but compared with more 'normal' pre-pandemic levels, demand remained muted: 8% below the H1'19 total.

Q2 bar and coin investment was supported by festival purchases during Akshaya Tritiya. Further support came from the volatility in equity markets: the BSE Sensex index dropped 8.5% between the first week of April and the third week of June, prompting investors to focus on gold's safe-haven attributes. A sharp rise in the gold price in March and early April encouraged expectations for continued price strength. But these expectations tapered off as the local price fell back during May before broadly range-trading for the remainder of the quarter.

We expect Q3 investment demand to be somewhat subdued. Traditionally, this is a seasonally quiet period due to the monsoon and a lack of wedding and festival buying. And retail investors will also be digesting the increase in the import duty on gold, which was announced at the beginning of July. We expect this impact to be relatively short-lived, however. The rise in domestic prices as a result of the hike is unlikely to have a material long-term impact, as consumers effectively reclaim the import duty when they sell back. Importantly, we expect that consumers will have become fully accustomed to this new, higher price, before the Q3 wedding and festival season begins.

Middle East and Turkey

Q2 was another weak quarter for Turkish bar and coin demand. Although retail investment more than doubled y-o-y to 10t, this was largely a reflection of extreme weakness in Q2'21 demand. On a longer-term basis the Q2 total was comparatively weak, 42% below the five-year quarterly average. Demand in H1 was the weakest since 2016 at 20t.

The Turkish lira remained under pressure during Q2, driving the local gold price close to its December record high of TL1,060/g. Investors seemed reluctant to invest into a rising gold price, instead looking for dip-buying opportunities; although the brief local price pullback in late April/early May generated an uptick in demand.

Iran was again the engine of growth in the Middle East, albeit from a low base. Regional bar and coin demand improved 66% y-o-y in Q2, with growth recorded across all markets. Rising oil prices helped support incomes across the region. Currency moves boosted local prices in Iran, with the rial falling after nuclear deal negotiations reached a deadlock. Q2 investment demand more than doubled y-o-y to 7t, taking the H1 total to 17t (+80%). But this comparison is flattered by 2021 weakness and the outlook is more cautious: rising inflation and cuts to subsidies on household essentials will weigh on disposable income – and gold demand – in H2'22.

The West

Retail investment in the US slowed in Q2 but remains very strong on a long-term basis. Bar and coin demand of 29t was 4% weaker y-o-y, primarily due to an increase in profit-taking as the price jumped in April. The y-o-y decline was largely due to the strength of demand in Q2 last year; a longer-term view of the market confirms that demand remains extremely strong, more than double the five-year quarterly average of 14t. Bullion coin sales from the US Mint reinforce this picture of healthy demand: H1 sales of 986,500 ounces were the second highest on record.⁴ On a half-yearly basis, H1 demand was fractionally lower than 2021 at 61t.

European investment volumes also eased slightly from exceptionally high levels. The initial buying frenzy sparked by the Ukraine war eased in Q2, although geopolitical risks continued to support demand, which remained strong by historical standards. Q2 investment of 68t was comfortably above the 52t quarterly five-year average.

Economic uncertainty and concerns about surging inflation levels further fuelled investment, and profit-taking reportedly remained low despite relatively strong euro-gold prices. H1 volumes were little changed y-o-y, although the composition of demand apparently shifted towards smaller gold bars.

ASEAN markets

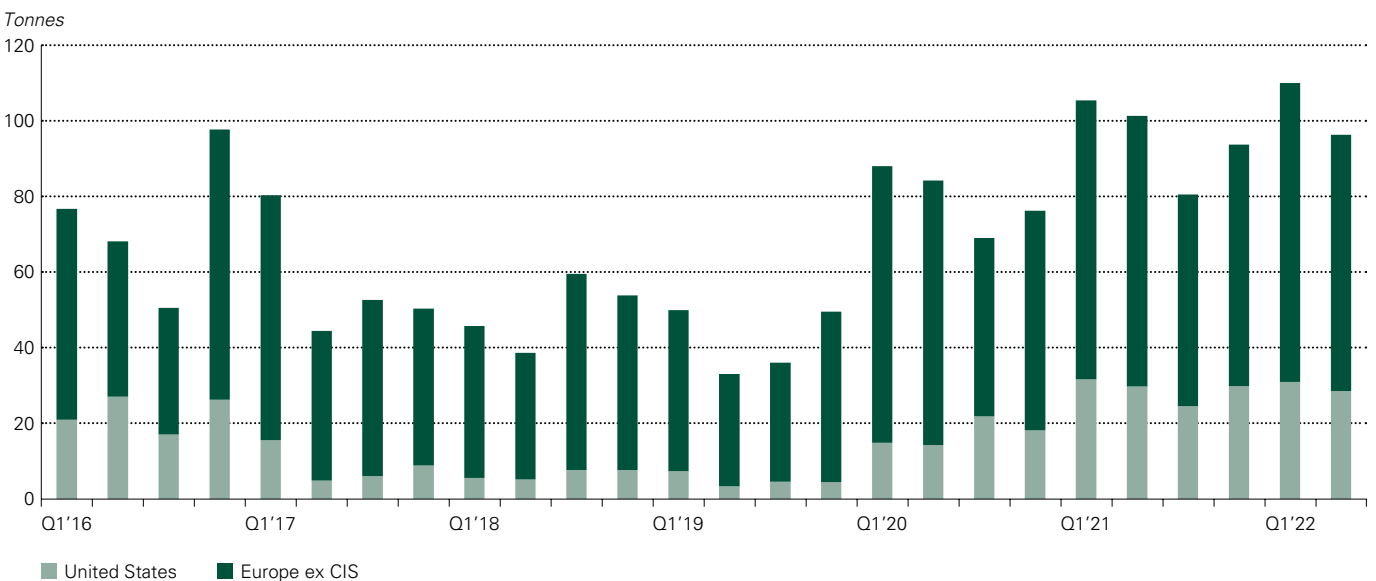
Q2 Indonesian bar and coin investment rose 10% y-o-y to 4t. Economic recovery and longer-term inflation concerns supported demand, as did the depreciation of the rupiah, which encouraged safe-haven demand. However, the rupiah's depreciation softened the impact of the correction in the US dollar price, which may have limited demand.

In Thailand, Q2 retail investment rose by 15% y-o-y to 7t. Growth in investment was supported by concerns about inflation – which exceeded 7% at the end of June – lower gold prices (seen as a good buying opportunity) and weakness in the local currency. The baht has fallen sharply since February, and by the end of June had fallen to its lowest against the dollar for more than five years.

In Vietnam, bar and coin demand rose 5% y-o-y to 10t – the strongest Q2 since 2015. Concerns about inflation and the value of the Vietnamese dong encouraged investors to seek refuge in gold. National CPI increased by 3.4% in the second quarter on high oil and food prices. The strong demand response was reflected in record local premiums on gold investment bars.

Bar and coin demand in Singapore grew 43% y-o-y to 1t. A combination of Singapore's healthy economic recovery and concerns about global inflation have driven demand for gold bars and coins.

Retail investment in Western markets remains historically elevated*



*Data to 30 June 2022.

Source: Metals Focus, World Gold Council

⁴ www.usmint.gov/about/production-sales-figures/bullion-sales

Investment

Bar and coin demand in Malaysia saw a healthy rebound, growing 33% to 1t. Like the jewellery market, investor sentiment has been supported by the ending of COVID restrictions and the resumption of international travel.

Rest of Asia

Japan saw another quarter of modest net sales, with just under 4t of disinvestment. The dip in the yen price during the quarter prompted fresh buying amid the continued profit-taking. Conversations suggest that a generation of younger investors in Japan are emerging as a new source of demand.

In South Korea, bar and coin demand declined 13% y-o-y to 4t. Amid a domestic downturn and a relatively high local gold price, many investors appear to be waiting for a more attractive entry point. The government cut its annual growth forecast in June from 3.1% to 2.6% and raised its inflation forecast from 2.2% to 4.7%, the highest since 2008. This will likely affect consumer confidence in H2.

Australia

Retail bar and coin demand in Australia was down 8% y-o-y to 5t. Rising inflation and concerns about the scope of interest rate hikes (crucial in a country where many home-owners are highly leveraged), have left many investors sitting on the side-lines and holding onto their cash, driving down retail investment both y-o-y and q-o-q.

Central banks

Continued strength in central bank buying.

- Central banks bought 180t of gold in Q2, lifting H1 net purchases to 270t
- Gold's performance during a crisis and its role as a store of value are key drivers of central bank demand for gold
- Chunky purchases from a small number of banks helped offset modest selling elsewhere.

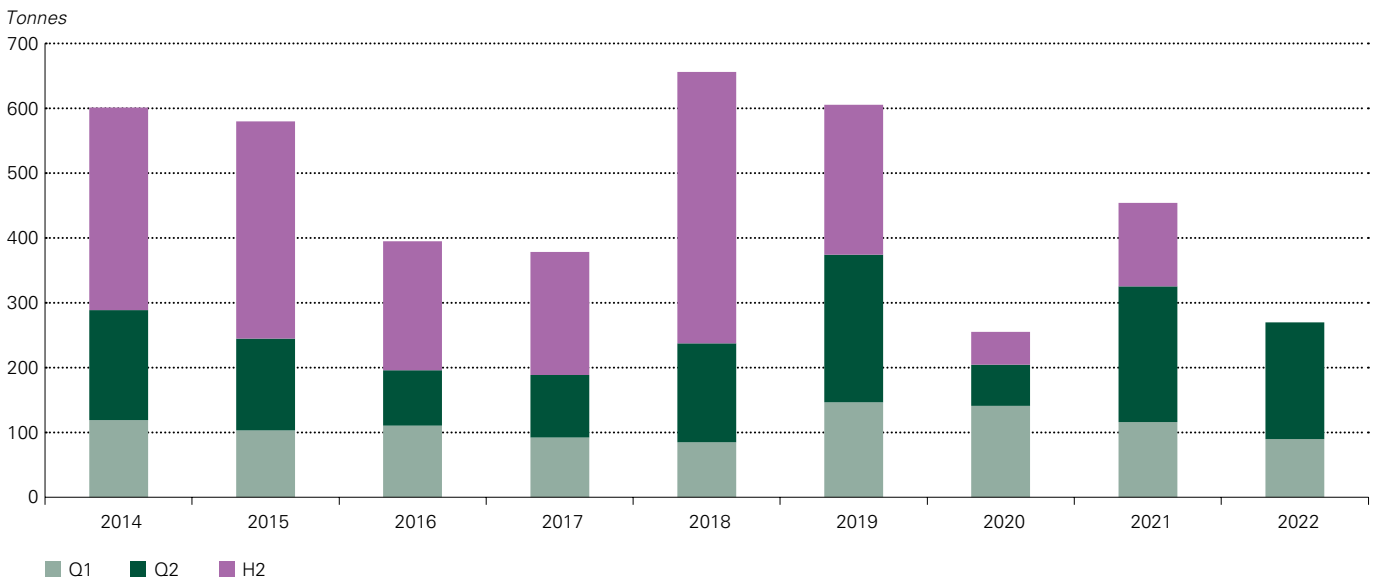
| Tonnes | Q2'21 | Q2'22 | Y-o-y change |
|---|-------|-------|--------------|
| Central banks and other institutions | 209.6 | 179.9 | ↓ -14% |

Source: Metals Focus, World Gold Council

Central banks added 180t of gold to global reserves in Q2, 14% less than in Q2'21 (**Chart 1**). But central bank demand is not seasonal, which makes the q-o-q comparison more instructive: Q2 net buying was double that of Q1. This growth was propelled by a significant purchase from the Central Bank of Iraq and more modest purchases from a number of regular buyers.

H1 net purchases of 270t are virtually in-line with the five-year H1 average of 266t, illustrating the strength of buying amid global instability. And this supports the findings of our recently published annual central bank survey, in which one-quarter of respondents stated their intention to increase gold reserves in the next 12 months (up from one-fifth in 2021). The survey also found that gold's performance during a time of crisis and its role as a long-term store of value/inflation hedge are key determinants in the decisions of central banks to hold it. More detail from the survey can be found [here](#).

Central bank buying continued to be strong in H1'22*



*Data to 30 June 2022.

Source: Metals Focus, World Gold Council

Central banks

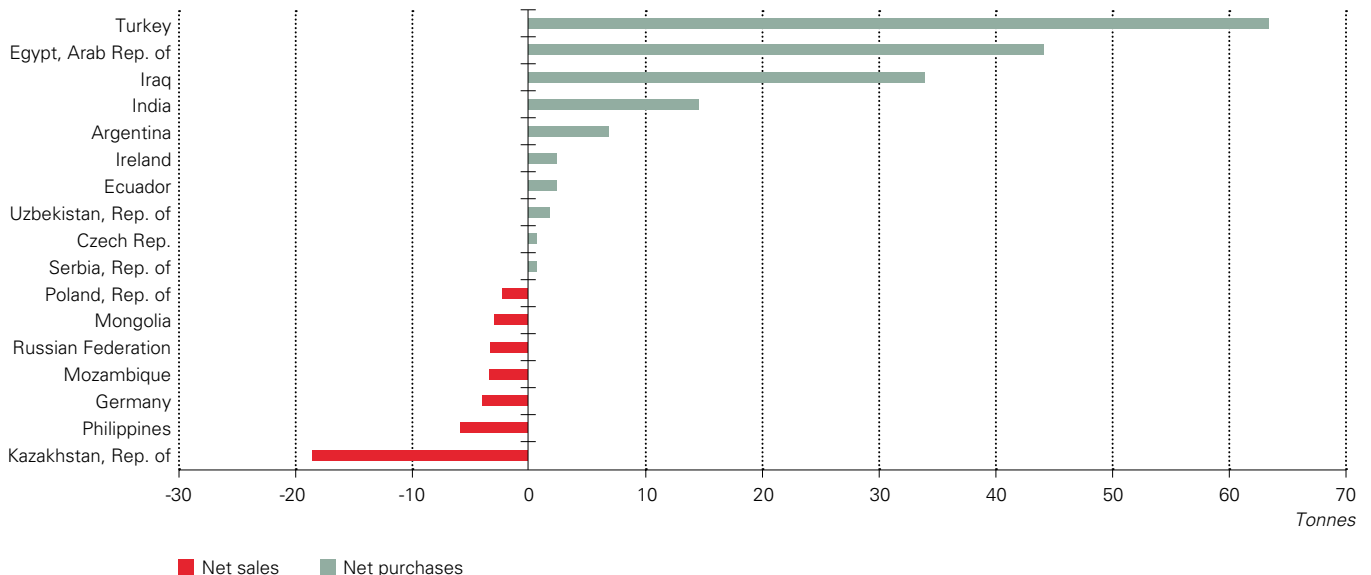
A small number of central banks were responsible for the vast majority of purchases made during H1 (**Chart 2**). Turkey was the biggest buyer during the first half of the year, adding 63t to its gold reserves (32% of total reserves). Egypt was the second largest purchaser in H1, reporting a 44t (+54%) increase in March. The country now holds 125t of gold, or 21% of total reserves. In June, the Central Bank of Iraq announced that it had bought around 34t during the month – its first significant purchase since September 2018 – lifting its gold reserves to just over 130t. Meanwhile, India continued its buying throughout H1, with gold reserves rising by 15t over this period.

Ireland was another notable purchaser during the first half of 2022, adding nearly 3t of gold to its reserves during Q1. It was the only active buyer among developed market central banks, although its monthly additions have been modest and no purchases were made in Q2; since it began buying gold in August 2021 total gold reserves have almost doubled. Ecuador also added almost 3t in H1, likely through its domestic gold buying programme.

In June, it was reported that the Central Bank of Bolivia (BCB) had proposed a new law that would allow it to become the sole purchaser of domestically-produced gold. Similar policies are in place in some other gold-producing nations, where the central bank is given first refusal on gold production before it can be sold on the international market. No details were given as to the amount of gold the BCB might buy if the law were to be passed. The report also notes that the new law would allow the central bank to use its gold reserves (43t) as collateral or in swaps without the need for legislative approval.

In the same month, incoming Czech central bank Governor Aleš Michl stated the central bank should significantly increase its gold reserves “up from 11 tonnes to 100 tonnes or more” as part of a proposed overall strategy to increase the expected return on official reserves and make the Czech National Bank profitable. He also stated that he believes that the increase in gold reserves should be gradual “over a number of years”, emphasising that gold is “good for diversification; it has zero correlation with shares”.

Year-to-date net purchases and sales by country*



*Data to 30 June 2022 where available at time of writing.

Note: Chart includes purchases or sales of 0.5t or more. On Goldhub, see: [Central bank holdings](#).

Source: IMF IFS, respective central banks, World Gold Council

Central banks

Several central banks reduced their gold reserves during H1. Kazakhstan was the largest seller y-t-d, with gold reserves dropping 18t to 384t (70% of total reserves). Most of the selling occurred in Q1, followed by a switch to net buying of 16t in Q2. As noted in the [Q1 report](#), Kazakhstan has traditionally bought from domestic sources and it is not uncommon for gold producing nations to swing between buying and selling.

The Philippines (6t), Germany (4t), Mozambique (3t), Mongolia (3t) Poland (2t) and were the other notable sellers during H1. Russia sold 3t at the start of the year, however this is unlikely to truly represent its full activity during H1. In February, the Central Bank of Russia (CBR) [announced](#) that it would resume its purchase of gold from domestic producers following the imposition of international sanctions. The CBR suspended its gold purchases in 2020, since when its gold reserves have remained largely unchanged at just under 2,300t of gold (21% of total reserves).⁵ But further updates may not be forthcoming: on 6 July the State Duma adopted the [third reading](#) of a law to classify data on the size of Russia's gold reserves. The bill will officially come into force once it is signed by the President and published.

⁵ Data as of 31 January 2022 – the latest data available via the IMF International Financial Statistics database.

Technology

Supply and demand challenges begin to bite.

- Gold used in industrial applications fell by 2% y-o-y to 78t during the second quarter
- The electronics sector – the largest single industrial user of gold – fell by 3% y-o-y to 64t during the quarter
- At 159t, H1 technology demand was marginally below the first half of last year, mainly due to the slowdown in Q2.

| Tonnes | Q2'21 | Q2'22 | Y-o-y change | |
|-------------------|-------|-------|--------------|-----|
| Technology | 79.8 | 78.4 | ↓ | -2% |
| Electronics | 66.2 | 64.4 | ↓ | -3% |
| Other industrial | 10.7 | 11.3 | ↑ | 5% |
| Dentistry | 2.9 | 2.6 | ↓ | -8% |

Source: Metals Focus, World Gold Council

Two key themes dominated the second quarter. First, the re-emergence of COVID in parts of China had a notable impact both on the supply of gold and demand in the sector; new lockdowns disrupted chip supply chains, leading to a major slump in output during Q2. Some of the resulting slack was taken up by other countries in the region such as South Korea, but the impact of the lockdowns was notable. Second, consumer electronics demand around the world started to fall during Q2 as inflationary pressures and geopolitical issues combined to dent demand. Some major industry commentators, such as Gartner, predict that PC and smartphone shipments will see significant declines in 2022,⁶ with China being a notable casualty.

Electronics

Gold used in the electronics sector fell slightly during Q2, down 3% y-o-y to 64t. Widespread disruption persisted in the automotive sector as chip shortages continued into the second quarter. Many manufacturers reported ongoing pent-up demand for new vehicles, but this was tempered by rising prices and delayed deliveries; GM, for example, was forced to push back deliveries of 95,000 vehicles into H2'22, due in part to chip shortages.

Looking ahead, faltering consumer electronics demand is likely to have a significant impact on the sector. Taiwan Semiconductor Manufacturing Co. (TSMC) – the world's largest chip manufacturer and Apple's most important supplier – recently reported strong sales during their most recent financial quarter, but cautioned that it "saw weakness in the consumer market" going forward.⁷

Demand for gold in LEDs experienced a sharp decline on the back of weakening consumer electronics demand and ongoing mini-LED penetration. Falling demand for backlight applications, such as laptops and larger flatscreen panels, was partially offset by continued strength in automotive applications, particularly in high-end lighting. Demand also remained strong for high-end LEDs (such as UV-LEDs and IR-LEDs, both of which are used in increasingly popular healthcare applications such as skin sensors and heart rate tracking functionality in watches and smartphones).

But there are continued headwinds to gold demand in this sector. The shift to mini-LED technology (which, in some cases, uses less gold) remains noteworthy, and costs of these chips are coming down, with most major device manufacturers reportedly expanding the supply chain capacity of mini-LED panels for their devices. Furthermore, the development of micro-LED technology continues to progress, although costs remain high meaning widespread adoption is unlikely in the near term. Samsung, for example, is reportedly experiencing some manufacturing difficulties with the technology.⁸

6 www.gartner.com/en/newsroom/press-releases/2022-06-30-gartner-forecasts-worldwide-pc-shipments-to-decline-9-5-percent-in-2022

7 www.cnbc.com/2022/07/14/tsmc-q2-2022-chipmaker-posts-record-profit-and-strong-guidance.html

8 www.whathifi.com/news/samsungs-living-room-sized-micro-led-tvs-apparently-delayed-until-2024-at-the-earliest

The memory sector again posted a small increase in demand for gold during Q2, suggesting demand growth in the sector may be plateauing. The strong growth observed throughout 2021 continued to level off in line with slowing consumer electronics demand. While NAND shipments continued to feed strong demand from hyperscale data centres, sales of high-end graphics cards continued to fall as crypto mining activities slowed significantly, and this represents a significant threat to demand alongside the potential of oversupply in the short term. Prices of these chips are falling, although they remain profitable for the manufacturers for now. However, continued price falls may see the major manufacturers, such as Samsung and Micron, adjust their production output. Finally, as we have reported previously, miniaturisation of NAND chips remains a threat, as major manufacturers develop new architectures that may need smaller quantities of connecting bonding wire.

Demand in the wireless sector declined during Q2. This is a direct consequence of faltering consumer electronics demand, which makes up 70% of the overall wireless segment. The decline was exacerbated by Q2 historically being the weakest seasonal sales quarter; a recovery may be seen during H2, particularly as new devices are scheduled for release in Q3.

Demand for gold used in 5G infrastructure has been stable and is likely to remain so: the penetration of 5G enabled smartphones is expanding rapidly, with Ericsson predicting 5G to top one billion subscriptions in 2022 and 4.4 billion by 2027.⁹ In addition, numerous other 5G applications are likely to support the development of the wireless sector over the coming years. Low Earth Orbit Satellites (LEOS) are becoming increasingly ubiquitous and a number of major technology companies are collaborating to develop non-terrestrial networks.¹⁰ Light detection and imaging (LIDAR) is another technology that is likely support wireless demand in the coming years.

Finally, demand for Printed Circuit Boards (PCBs) remained healthy during Q2, with solid growth outside of China. China is responsible for half of the world's supply of PCBs, and hence the country's localised COVID lockdowns have had a disproportionate impact on supply during the quarter. Supply is likely to be tight throughout 2022, despite additional capacity and falling consumer electronics demand. Automotive and emerging applications such as LIDAR and LEOS will continue to provide support moving forward.

At the aggregate level, two of the four major electronics fabrication hubs around the world recorded increases in gold demand during Q2: South Korea and the US at 3% and 6% respectively, while Japan remained flat and Mainland China and Hong Kong registered a significant decline of 19%.

Other industrial and dentistry

Other industrial applications recorded a small y-o-y increase of 5% to 11t during Q2, primarily as Indian demand (mainly in the form of *jari*, a gold thread used in clothing) continued to normalise from the COVID-hit Q2'21. However, demand elsewhere generally fell; Chinese lockdowns took hold and Italian demand for plating salts faded as high-end brands adopted an increasingly cautious approach to accessories. Finally, dental demand fell 8% y-o-y to 3t, continuing its downward trend of recent years.

⁹ www.ericsson.com/en/press-releases/2022/6/ericsson-mobility-report-5g-to-top-one-billion-subscriptions-in-2022-and-4.4-billion-in-2027

¹⁰ www.ericsson.com/en/press-releases/2022/7/ericsson-qualcomm-and-thales-to-take-5g-into-space

Supply

Total gold supply rose 5% y-o-y as mine production reached a H1 record.

- Total H1 supply increased 5% y-o-y to 2,357t on higher mine production and recycling supply. Preliminary estimates suggest the industry hedgebook was unchanged in H1
- Mine production in H1 increased 3% y-o-y to a record level as volumes in China recovered following safety stoppages last year and higher grades were mined in large operations elsewhere
- Recycled gold volumes in Q2 rose by 5% y-o-y, lifting H1 recycling to its highest level since 2016.

| Tonnes | Q2'21 | Q2'22 | Y-o-y change | |
|----------------------|---------|---------|--------------|----|
| Total supply | 1,137.4 | 1,192.7 | ↑ | 5% |
| Mine production | 876.2 | 911.7 | ↑ | 4% |
| Net producer hedging | -17.3 | -10.0 | - | - |
| Recycled gold | 278.5 | 291.1 | ↑ | 5% |

Source: Metals Focus, World Gold Council

Total gold supply increased by 5% y-o-y in Q2. This was driven by strong mine production of 912t – an all-time second quarter high in our records – and firmer recycling, which increased 5% y-o-y to 291t.¹¹

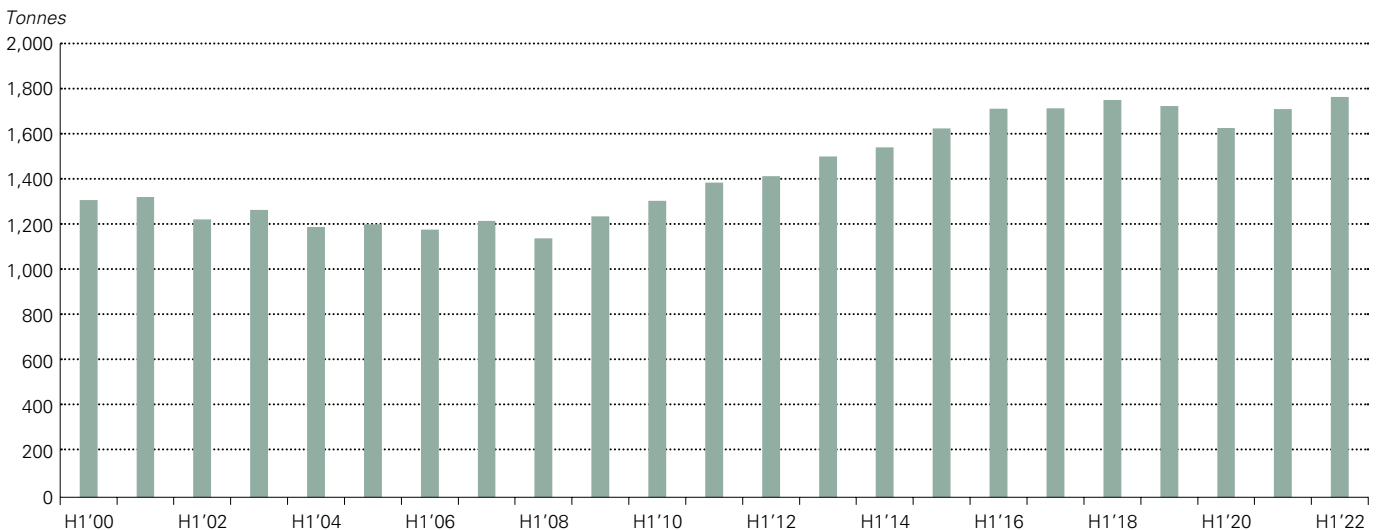
Owing to the timing of this publication, supply estimates are subject to potential revisions once the majority of mining companies have released their quarterly reports. For example, Metals Focus' initial estimate was a 20t reduction to the global hedge book in Q1'22, but this has since been revised to a 10t addition.

Mine production

Early data for Q2 suggests that mine production increased 4% y-o-y to just below 912t. This is the strongest second quarter production level in our quarterly series, narrowly beating the previous record (899t) set in Q2'18.

Combined with Q1'22 production of 853t, this resulted in H1 mine production of 1,764t – a record H1 high in our data series and 1% higher than the previous record set in 2018. Strength was seen across Q1 and Q2, both of which were records for the time of the year. Production gains were driven by continued recovery in output from China, where safety stoppages in the Shandong province limited production in 2021, together with higher mined grades at some large operations and fewer unexpected production interruptions. Very little production has been lost due to COVID-related interruptions this year.

Mine production hit an all-time H1 high in H1'22*



*Data to 30 June 2022.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

¹¹ Our quarterly series dates back to Q1 2000.

On a q-o-q basis, production increased by 7%, due primarily to normal seasonal fluctuations that limit production in the first quarter of the year: open pit and alluvial operations are reduced or halted in some very cold climates, especially in Russia and other countries in the former Soviet Union. Similarly, South Africa's gold mining industry is subject to reduced output during the long summer holidays over Christmas and the New Year.

In the second quarter output from Asia and North America saw the largest increase, both up around 8% (10t) y-o-y. The growth in Asia is remarkable considering the 41% decline in Mongolian production due to lower planned grades at Oyu Tolgoi. Losses here were more than offset by strong production from China – up 9% y-o-y – as most operations that had been impacted by safety stoppages last year were back at full capacity during the quarter. Canada (+10% y-o-y) and the United States (+9% y-o-y) benefited from higher grades and fewer operational problems. Central and South American gold production was 6% (8t) higher.

Output in Africa is estimated to have increased slightly y-o-y. Mine production in Ghana increased 16% y-o-y due to the restart of the Ashanti mine and higher grades at Ahafo, but South Africa saw a 16% fall y-o-y due to strike action at Sibanye-Stillwater's gold mines. Although the strike was settled on 11 June, production is only now gradually ramping up: re-starting operations at deep underground operations is not a trivial process. Output in Burkina Faso was down 9% y-o-y due to the deteriorating security situation in the country together with the impact of lower grades at some mines.

Production in the CIS was largely unchanged and is the only region not to report growth in Q2. This was due to a 3% fall in output from Russia after the suspension of the Kupol mine following Russia's invasion of Ukraine. This mine has now been sold and is likely to resume production later this year.

Despite higher production, mining costs have increased in 2022. In Q1 – the latest data available – average all-in sustaining costs (AISC) rose to US\$1,232/oz. The 9% q-o-q increase was primarily due to rising local input costs such as the price of diesel, electricity and consumables, as well as higher wage rates. This was exacerbated by a 4% q-o-q drop in average head grades, which fell to 1.35g/t.¹²

Although it remains too early to precisely forecast full year mine production for 2022, many of the trends evident in the first half suggest that production will remain strong. Please see the **Outlook section** for more details.

Net producer hedging

Provisional estimates put de-hedging at 10t in Q2 after examining the maturity profile of outstanding positions. But we would not be surprised if some Australian or South African companies took advantage of high local currency gold prices during the quarter.

This reverses the 10t of new net hedging in Q1'22 after a revision to our data series.¹³ The net impact on the aggregate hedgebook for H1 was therefore negligible, leaving it largely unchanged. The aggregate hedge book has fallen in four of the past five years, and by a total of 93t over that period.

¹² Head grade refers to the grade of ore being processed at a mine.

¹³ Initial estimates in April suggested that gold miners had reduced (de-hedged) their aggregate hedged position by 10.3t in Q4 2021.

Recycled gold

Recycled gold volumes increased by 8% y-o-y to 592t in H1, the highest H1 since 2016. But the quarterly data shows considerable volatility over the past three years, fluctuating in response to higher prices and coronavirus disruption.

Second quarter gold recycling increased to 291t (-3% q-o-q, +5% y-o-y). Higher volumes were seen from India, Turkey and most European countries; excluding these three regions, global recycling volumes declined y-o-y.

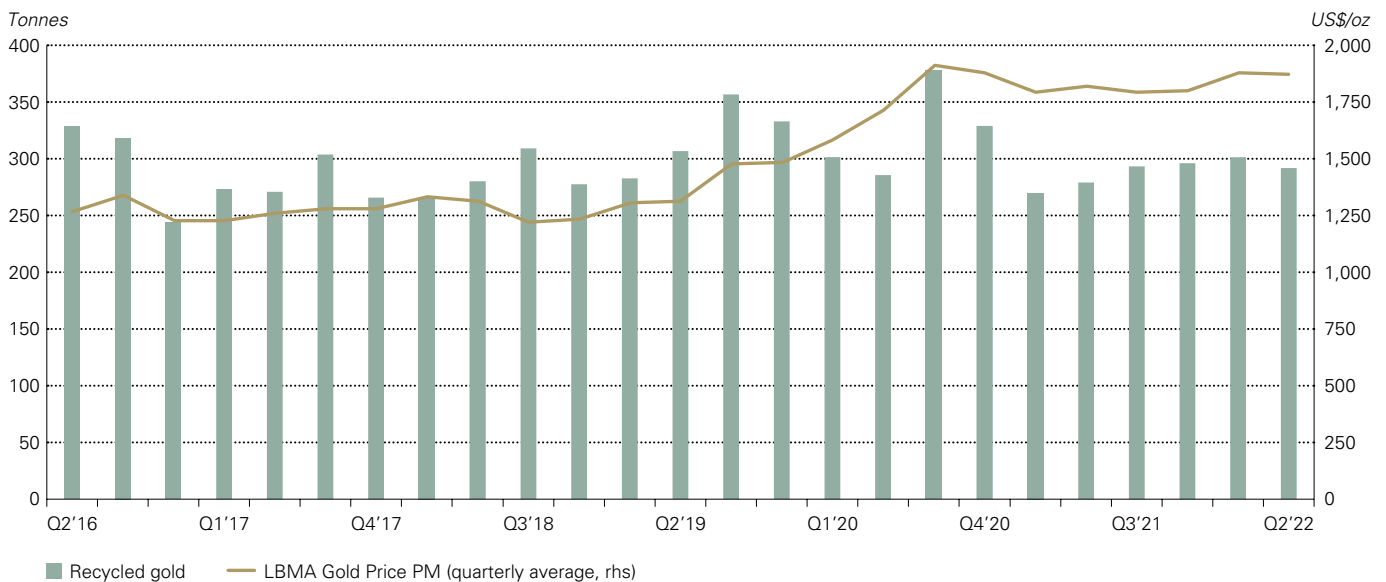
We have argued previously that it is more useful to use the q-o-q picture to judge consumer recycling behaviour, especially considering the disruptions to recycling activities that took place during the pandemic in 2020 and 2021. As in Q1, recycling volumes would have increased further if it was not for China, where volumes were suppressed due to the resurgence of COVID, limiting potential sellers' access to markets in some major cities.

The y-o-y strength in Europe in Q2 was due to a combination of two factors: first, unlike 2021 there were no pandemic restrictions and, second, the strong performance of the euro-denominated gold price, which approached €60/g at times, spurred on sales. Although European economies have been hard hit by the Russian invasion of Ukraine, lifting energy prices and triggering early signs of recession, as yet we've heard only a handful of reports of distress selling in the region.

In contrast to Europe, Q2 recycling volumes in the US fell y-o-y. Subdued US dollar gold prices and a reasonably strong economy were disincentives to sell back old jewellery. Google searches in the US for the term "Cash for Gold" show no sign of a spike in interest there yet.

In the Middle East most countries saw a decline in recycling volumes y-o-y as recovering economies, many of which are boosted by high energy prices, reduced the incentive to recycle old jewellery. But Turkey saw strong growth in recycling supply, prompted by high Turkish lira-denominated gold prices and some signs of economic distress.

Gold recycling lower q-o-q in Q2 owing to a resurgence of COVID in China*



*Data to 30 June 2022.

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

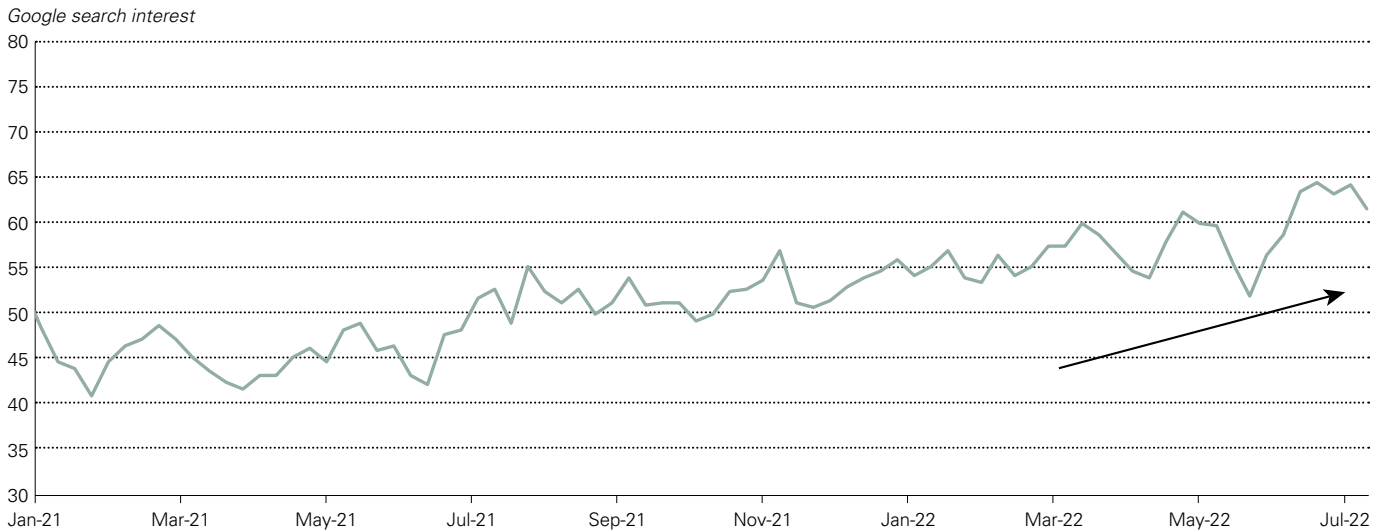
In Asia, Chinese recycling activity remained depressed after the resurgence of COVID triggered lockdowns in various important regions including Shanghai and Shenzhen. Other East Asian economies saw higher y-o-y volumes of recycling – especially from Thailand – as economies in this region were almost unaffected by lockdowns.

India was also comparatively unaffected by the pandemic during the quarter. Recycling volumes were higher y-o-y for the second successive quarter, triggered by a firm rupee gold price and assisted by further gold loan defaults, pawnbroker sales and some rural distress selling ahead of the planting season.

One interesting feature of Q2 was the large decline in recycling volumes from Sri Lanka despite the country’s worsening economic turmoil. Although we believe the incentive and need exists for Sri Lankans to raise cash, fuel shortages reduced the ability of sellers to get to shops and, even if they did, power cuts meant shops were mostly closed. We suspect that recycling will jump once economic conditions improve somewhat, but this does show that distress selling requires a certain level of commercial and economic functionality.

Gold’s price direction and the looming squeeze on consumers from inflation, especially in higher food and energy prices, will likely drive consumer recycling supply in 2022. With many major economies slowing, we are watching closely for signs of increased distress selling of gold and the potential for recycling supply to increase. Read the **Outlook section** for more details.

Google search interest of “Cash for Gold” in the US has been gradually rising in 2022*



*Data to 10 July 2022. Note: Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A score of 0 means there was not enough data for this term.

Source: Google, World Gold Council

Notes and definitions

Notes

Revisions to data

All data is subject to revision in the light of new information.

Historical data series

Demand and supply data from Q1 2014 are provided by Metals Focus. Data between Q1 2010 and Q4 2013 is a synthesis of Metals Focus and GFMS, Thomson Reuters data, which was created using relatively simple statistical techniques. For more information on this process, please see *[Creating a consistent data series](#)* by Dr James Abdey.

Definitions

Bars

Net investment (i.e. gross purchases less gross sales) in small gold bars (1kg and below) sold at the retail level. Where identifiable, this also includes gold bought and stored via online vendors.

Central banks and other official institutions

Net purchases (i.e. gross purchases less gross sales) by central banks and other official sector institutions, including supra national entities such as the IMF. Swaps and the effects of delta hedging are excluded.

Comex net long positioning

The Commodity Futures Trading Commission (CFTC) publishes a weekly Commitment of Traders (COT) report that provides information on the positioning of speculative investors in the U.S. futures markets. The report gives the aggregate positions held by traders from the previous Tuesday, including the number of long contracts (that stand to benefit if prices rise) and short contracts (that benefit if they fall). The report is often used as an indicator of market sentiment regarding the price of gold: short positioning reflects bearish sentiment while long positioning reflects bullish sentiment in the gold futures' markets.

Consumer demand

The sum of jewellery consumption and total bar and coin investment occurring within a country i.e. the amount (in fine weight) of gold purchased directly by individuals. Technology demand is not included at the individual country level, as it is measured at the point of fabrication rather than at the point of consumption.

Electronics

The volume of gold bullion or grain fabricated into components used in the production of electronics, including – but not limited to – semiconductors and bonding wire.

Dentistry

The volume of gold bullion or grain fabricated into products destined for dental applications such as dental alloys.

Gold-backed Exchange-Traded Funds (ETFs) and similar

The volume of gold held in physical form by open-ended Exchange Traded Funds (ETFs) and other products such as close-end funds, and mutual funds. Most funds included in this list are fully backed by physical gold. While several funds allow other holdings such as cash, derivatives or other precious metals, we monitor only those funds investing at least 90% in physical gold and appropriately adjust their reported assets to estimate physical holdings only. For funds that include physical holdings of multiple precious metals, the total AUM depicted for such funds is lower than their actual total AUM. Over time, the data set will adapt to most accurately represent the universe of active funds. For a comprehensive list of the funds we track or to subscribe to our monthly update on gold-backed ETF holdings, visit [/goldhub/data/global-gold-backed-etf-holdings-and-flows](https://goldhub.com/data/global-gold-backed-etf-holdings-and-flows)

Fabrication

Fabrication is the first transformation of gold bullion into a semi-finished or finished product.

Gold bullion

Gold, in bar form, refined to a purity of at least 99.5%.

Gold demand

The total of jewellery fabrication, technology fabrication, investment and net purchases by central banks.

Jewellery consumption

End-user (consumer) demand for all newly-made carat jewellery sold at the retail level, by volume of fine gold. Measured on a gross basis (i.e. includes recycled gold). Excludes: purchases funded by the trading-in of existing carat gold jewellery (gold-for-gold exchange); and purchases of second-hand jewellery, other metals plated with gold, and coins and bars used as jewellery. At the global level, it is measured as jewellery fabrication adjusted for changes in inventories held by the trade. At the country level, it is jewellery fabrication adjusted for changes in trade stocks plus imports, less exports.

Notes and definitions

Jewellery fabrication

Jewellery fabrication is the first transformation of gold bullion into semi-finished or finished jewellery. This differs from jewellery consumption as it excludes stock building/de-stocking by manufacturers and distributors. At the individual country level, it also excludes imports or exports.

Jewellery inventory

Changes to the level of jewellery stocks along the jewellery distribution chain, this is the difference between gold fabrication and gold consumption. A negative figure represents a draw-down of stocks when consumption exceeds fabrication. A positive figure represents a build-up of stocks.

LBMA Gold price PM

Unless otherwise specified, gold price values from 20 March 2015 are based on the LBMA Gold price PM administered by ICE Benchmark Administration (IBA), with prior values being based on the London PM Fix. For more information, see www.gold.org/goldhub/research/market-primer/gold-prices

Medals/imitation coins

Fabrication of gold coins without a face value, produced by both private and official/national mints. India dominates this category with, on average, around 75% of the total. 'Medallion' is the name given to unofficial coins in India. Medals of at least 99% purity are also included.

Mine production

The volume (in fine weight) of gold mined globally. This includes an estimate for gold produced by artisanal and small-scale gold mining (ASGM), which is largely informal. For more information, refer to: www.gold.org/goldhub/research/market-primer/mine-production

Net producer hedging

The net impact in the physical market of mining companies' gold forward sales, loans and options positions. Hedging transactions – which release gold to the market from existing above-ground stocks – accelerates the sale of gold. De-hedging – the process of closing out hedged positions – has the opposite impact and will reduce the amount of gold available to the market in any given quarter. Over time, hedging activity does not generate a net change in the supply of gold. For more information, refer to: www.gold.org/goldhub/research/market-primer/mine-production

Official coins

Net investment in gold bullion coins (i.e. gross purchases less gross sales) at the retail level. It is equal to the volume of fine gold in coins fabricated by official/national mints which are, or have been, legal tender in the country of issue. It is measured at the country of consumption rather than at the country of origin (for example, the Perth Mint in Australia, sells most of the coins it produces through its global distribution network). In practice it includes the initial sale of many coins destined ultimately to be considered as numismatic rather than bullion.

OTC and other

This number captures demand in the OTC market (for which data is not readily available), changes to inventories on commodity exchanges, any unobserved changes in fabrication inventories and any statistical residual. It is the difference between total supply and gold demand.

Other industrial

Gold used in the production of compounds, such as Gold Potassium Cyanide, for electro-plating in industrial applications as well as in the production of gold-plated jewellery and other decorative items such as gold thread. India accounts for the bulk of demand in this category.

Over-the-counter (OTC)

Over-the-counter (OTC) transactions (also referred to as 'off exchange' trading) take place directly between two parties, unlike exchange trading which is conducted via an exchange.

Recycled gold

Gold recovered from fabricated products, including unused trade stocks, which is refined back into bullion. This specifically refers to gold sold for cash. It does not include gold traded-in for other gold products (for example, by consumers at jewellery stores) or process scrap (scrap generated during manufacturing, which never becomes part of a fabricated product but instead returns as scrap to a refiner). For more information, refer to www.gold.org/goldhub/research/market-primer/recycling

Technology

This captures all gold used in the fabrication of electronics, dental, medical, decorative and other technological applications, with electronics representing the largest component of this category. It includes gold destined for plating jewellery.

Notes and definitions

Tonne (Metric)

1,000 kg or 32,151 troy oz of fine gold.

Total bar and coin

Total net investment in gold bars, coins and medals/imitation coins.

Total supply

The total of mine production, net producer hedging and recycling.

Year-to-date (y-t-d)

In Gold Demand Trends, year-to-date refers to the period to the end of the quarter being reviewed (i.e. for Gold Demand Trends Q2 2017, 'year-to-date' referred to the period from 31/12/2016 to 30/06/2017).

About the World Gold Council

We're the global experts on gold.

Leveraging our broad knowledge and experience, we work to improve understanding of the gold market and underscore gold's value to individuals, investors, and the world at large.

Collaboration is the cornerstone of our approach. We're an association whose members are the world's most forward-thinking gold mining companies. Combining the insights of our members and other industry partners, we seek to unlock gold's evolving role as a catalyst for advancements that meet societal needs.

We develop standards, expand access to gold, and tackle barriers to adoption to stimulate demand and support a vibrant and sustainable future for the gold market. From our offices in Beijing, London, Mumbai, New York, Shanghai, and Singapore, we deliver positive impact worldwide.

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Further information

For data sets and methodology visit:

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

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