

# Gold Demand Trends

## Q2 2023

### Highlights

**The LBMA (PM) gold price averaged US\$1,976/oz during Q2, a record high.** This was 6% higher y/y and 4% above the previous record high from Q3'20. Currency moves meant that several countries saw further strength in local gold prices, notably China and Turkey.

**H1 gold demand (excluding OTC) was 6% lower at 2,062t.** The y/y decline was largely explained by this year's modest outflows from gold ETFs being compared with the strong surge of inflows in early 2022. Total demand in H1 (inclusive of OTC and stock flows) increased by 5% to 2,460t.

**Central bank gold buying in H1 reached a first-half record of 387t.** Despite the Q2 slowdown, the strong Q1 start set the seal on a record-breaking H1. Buying activity remains widespread and distributed among both emerging and developed countries.

**Local market conditions have driven exceptional gold demand in Turkey in recent quarters.** Combined H1 jewellery, bar and coin demand reached 118t, the highest first half year since 2007 when Turkish lira gold prices were a fraction of their current record levels. Presidential elections, dizzying inflation and currency weakness all contributed to drive demand up.

**Gold recycling for the first half was 9% higher y/y, with much of that growth coming from China and India.** Base effects played a role in both markets, as recycling had been relatively weak in Q2'22. Recycling activity has yet to pick up notably in Western markets, despite high gold prices and cost of living pressures.

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## Gold supported in Q2 despite softer central bank demand

Central bank buying slowed in Q2 but remained resolutely positive. This, combined with healthy investment and resilient jewellery demand, created a supportive environment for gold prices.

Q2 gold demand (excluding OTC) dropped slightly by 2% y/y to 921t, driven by a marked deceleration in net central bank buying compared to above average purchases in Q2'22. Inclusive of OTC and stock flows, total demand strengthened 7% y/y to 1,255t.<sup>1</sup>

Despite sales from Turkey in response to specific local market conditions, the 103t of net official sector purchasing in Q2 is in line with the underlying positive trend towards gold among central banks.

Jewellery consumption managed a modest improvement despite the high gold price environment, up 3% y/y at 476t. With jewellery fabrication of 491t, inventories increased by around 15t in Q2, in part as Chinese jewellery consumption failed to meet the trade's optimistic expectations.

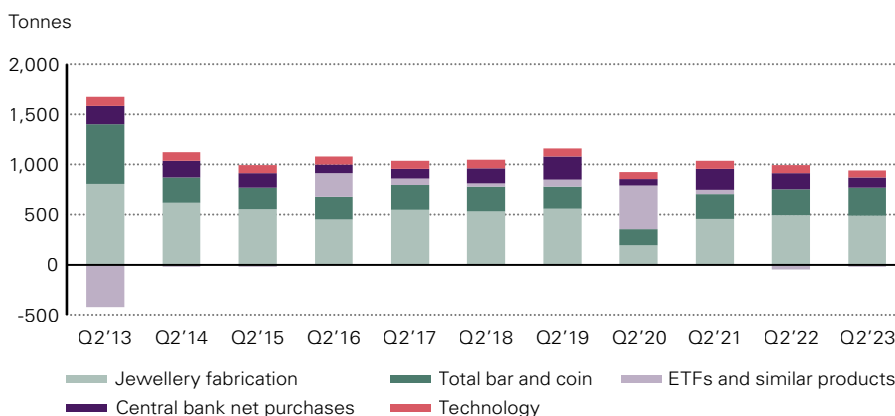
Bar and coin investment increased by 6% y/y to 277t in Q2, with Turkey a major driver of growth. And while ETFs saw net outflows of 21t (concentrated in June) these were notably smaller than the 47t outflow in Q2'22.

OTC investment jumped in Q2, reaching 335t. Although opaque, demand from this sector of the market was apparent as the gold price found firm support even in the face of ETF outflows and a reduction in COMEX net longs.

Demand for gold used in technology remained very soft thanks to continued weakness in consumer electronics; it held at just 70t for a second consecutive quarter.

Total gold supply was 7% higher y/y at 1,255t, lifted by growth in all segments. Mine production is estimated to have reached a record for H1 of 1,781t.

### Firmer jewellery and investment demand helped offset slower central bank buying in Q2\*



\*Data as of 30 June 2023.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

<sup>1</sup> See Notes and definitions

## Gold supply and demand

Tonnes	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23		y/y change
<b>Supply</b>							
<b>Mine production</b>	889.3	950.4	948.5	857.1	923.4	↑	4%
Net producer hedging	2.0	-26.5	-13.3	36.1	9.5	↑	383%
Total mine supply	891.3	923.9	935.2	893.2	932.8	↑	5%
Recycled gold	285.3	268.6	290.7	311.7	322.3	↑	13%
<b>Total Supply</b>	1,176.6	1,192.5	1,225.9	1,204.9	1,255.2	↑	7%
<b>Demand</b>							
Jewellery fabrication	493.5	582.6	601.9	511.5	491.3	↓	0%
Jewellery consumption	461.7	525.6	628.5	474.8	475.9	↑	3%
Jewellery inventory	31.8	57.1	-26.7	36.7	15.4	↓	-52%
Technology	78.3	77.3	72.1	70.1	70.4	↓	-10%
Electronics	64.3	63.5	57.9	56.1	56.4	↓	-12%
Other Industrial	11.4	11.3	11.7	11.6	11.6	↑	1%
Dentistry	2.6	2.5	2.4	2.4	2.4	↓	-10%
Investment	213.8	103.8	250.8	275.9	256.1	↑	20%
Total bar & coin demand	261.2	347.9	340.4	304.5	277.5	↑	6%
Physical Bar demand	172.7	225.5	222.6	183.4	162.9	↓	-6%
Official Coin	70.8	89.4	89.0	96.4	88.9	↑	25%
Medals/Imitation Coin	17.6	33.0	28.9	24.7	25.8	↑	47%
ETFs & similar products	-47.4	-244.1	-89.6	-28.7	-21.3	-	-
Central banks & other inst.	158.6	458.8	381.8	284.0	102.9	↓	-35%
<b>Gold demand</b>	944.2	1,222.5	1,306.6	1,141.5	920.7	↓	-2%
OTC and other	232.5	-30.1	-80.7	63.4	334.5	↑	44%
<b>Total Demand</b>	1,176.6	1,192.5	1,225.9	1,204.9	1,255.2	↑	7%
<b>LBMA Gold Price PM (US\$/oz, Qtr.Avg)</b>	1870.6	1728.9	1725.9	1889.9	1975.9	↑	6%

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

# Outlook

## Investment joins central banks in buffering softer fabrication demand and a supply ramp-up.

- Our FY 2023 expectation for investment remains unchanged as strong OTC demand makes up for softness in ETFs and slowing bar and coin
- Fabrication demand has been revised down slightly as high prices and affordability weigh on consumers
- The positive central bank trend is set to continue but we adjust our estimate down slightly following a weak Q2
- Supply is set to increase with mine production gunning for a record. Recycling is also nudged higher on squeezed household finances.

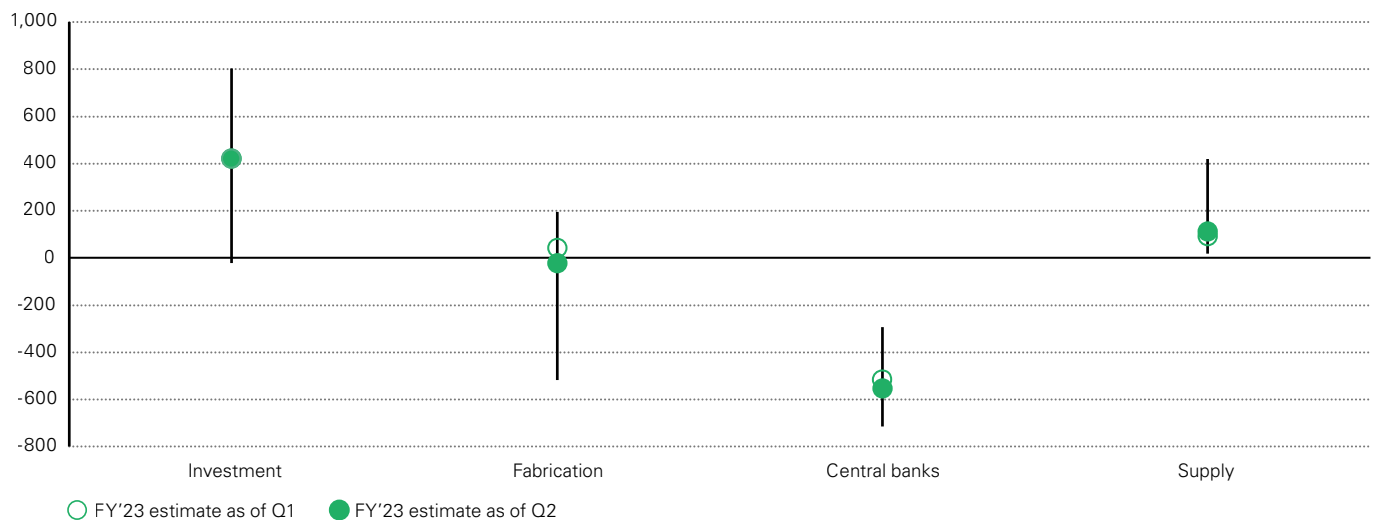
## Investment

Since the start of 2023 we have anticipated that global gold ETFs and OTC demand would take the baton from bar and coin demand as the year progressed; we put this down to:

- a peak in interest rates at levels not restrictive for gold investors;
- slower economic growth and its expected impact in reining in lofty equity valuations;
- negative sentiment and an under-allocation supporting higher institutional involvement;
- lower inflation impacting gold's allure among retail investors.

### Expected change in annual demand, 2023 vs 2022\*

Tonnes, y/y



\*Data to 30 June 2023. Fabrication combines global jewellery and technology demand. Investment includes ETFs, bar and coin and OTC demand. Supply includes mine production and recycling. We have omitted hedging and assume it to be unchanged. Source: World Gold Council

This scenario hasn't played out exactly as expected, particularly for ETFs. Bar and coin demand has also been solid, supported in Q2 by bright spots including China, Turkey, the US and Japan. But there are tentative signs that the expected shift in investment is materialising. Our view is that bar and coin investment is likely to soften in the second half and the midpoint of our forecast range is for a full-year decline, although the potential for decent full-year upside remains given ongoing economic and financial market risks.

Gold ETF demand continued to disappoint in Q2, but we view this less as the result of gold bearishness and more as an absence of positive catalysts, particularly in light of a resilient US economy and strong equity markets. A continuation of the status quo would, in our view, see further lacklustre demand in the second half of the year. However, dip buying would be likely on weaker prices and event risk is ever-present given that the full impact of unprecedented rate hikes is yet to be felt.

The surprise appearance of sizeable OTC investment and inventory build in Q2 keeps our full-year investment forecast intact. Anecdotal evidence of bullion bank restocking in China, inflows in India's free-trade zone, high net worth demand – notably in Turkey, and a shift from some exchange-traded products to vaulted shows that there is continued appetite for gold in this segment. While the sizeable inflows in Q2 feed into our full-year figure, a lack of hard data means that we are cautious to make any estimates of this as an emerging trend.

In summary, our full-year estimate remains unchanged as strong OTC demand has compensated for weakness in ETFs and softer bar and coin demand.

## Fabrication

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Despite rising q/q and y/y, jewellery demand was weaker than we had anticipated. This was always a risk given strong gold prices and lower real incomes. India's y/y weakness stemmed from high prices, which curtailed affordability. China's slightly disappointing Q2 demand was reportedly a function of spending being diverted to tourism, a weak macro environment and a strong price. That said, it has held up well relative to other sectors such as diamonds and platinum.

As a result of a weaker than expected quarter, we revise our H2 and full-year expectations down slightly.

Technology demand was in line with expectations as the issues in this sector continue to depress demand. However, there are now indications that Q2 drew a line in the sand for sectoral weakness. PC demand is expected to normalise by the end of the year and the transfer of PCB manufacturing to alternative hubs could start to bear fruit in the near future.

## Central banks

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The domestic political and economic environment led to Turkey's large contribution to the weaker Q2 central bank demand number. Excluding Turkey's Q2 sales yields a positive yearly comparison and net purchasing well above the average since 2010. This underlying trend and the results of our central bank survey are two reasons for us to maintain an expectation for solid demand but with a slight downward adjustment lower to account for Q2 weakness.

## Mine production

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We have revised our outlook for mine production given the strength we have witnessed year to date; it is likely that a new record will be set for mine production in 2023, absent unforeseen shutdowns. A mild late winter in regions that normally curtail production during the coldest months of the year provided a boost. Elsewhere, we saw full capacity operation in South Africa and ramp-ups in Ghana and Russia.

## Recycling

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Recycling was higher in Q2 than we anticipated, as Q1 strength continued – rather than fading as we posited last quarter. Western European distress selling did not materialise, as the much-anticipated economic downturn proved elusive. Given the likely one-off impact on Chinese recycling, we adjust our expectations for the full-year figure up only marginally. But as before, a relatively high gold price and squeezed households mean that potential for an upside surprise trumps the downside in our estimates.

# Jewellery

## Jewellery demand proves resilient in the face of high gold prices.

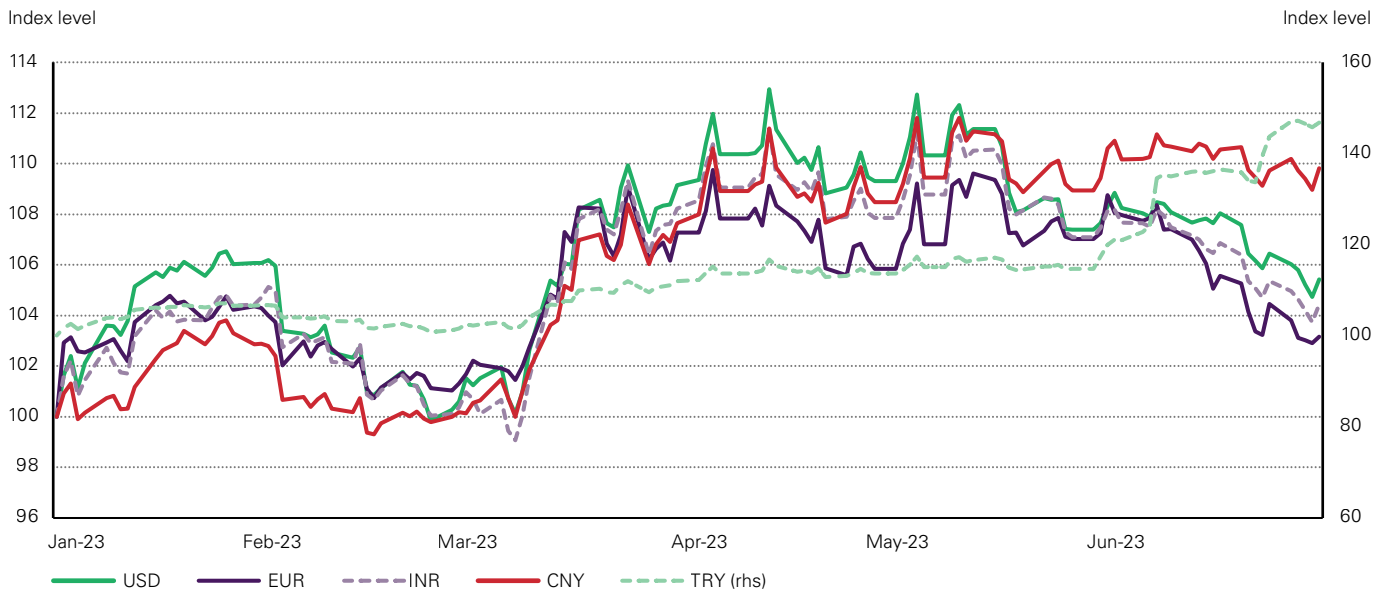
- Jewellery consumption in Q2 strengthened modestly y/y, up 3% despite historically high (if not record) prices in most markets
- The H1 total for jewellery demand was also slightly firmer compared with 2022, primarily due to China's recovery from the COVID lockdowns of 2022
- India, in contrast, was a drag on global demand as consumer demand softened in reaction to record high local gold prices.

Global gold jewellery consumption in Q2 of 476t was 3% higher y/y as strength in China outweighed weakness in India. Demand virtually flatlined from the previous quarter, taking H1 demand to 951t. Fabrication volumes of 491t in Q2 resulted in inventory growth of 15t. In part, this stock build was the result of Chinese demand falling short of manufacturers' expectations.

Tonnes	Q2'22	Q2'23	y/y change
<b>World total</b>	461.7	475.9	↑ 3%
India	140.3	128.6	↓ -8%
China, P.R.: Mainland	103.2	132.2	↑ 28%

Source: Metals Focus, World Gold Council

## Gold prices remained at historically high levels in Q2\*



\*Data to 30 June 2023.

Source: Bloomberg, ICE Benchmark Administration, World Gold Council

# Jewellery

In the context of the very high gold price environment, jewellery demand has been remarkably resilient so far this year. China's recovery from the severe 2022 consumption drought goes some way towards explaining this buoyancy, as does the investment motive that helps to drive purchases in high-carat markets including Turkey and India. Prospects for the sector for the rest of the year are muted (see Outlook), given that prices have remained well supported and consumers across much of the globe face a deteriorating economic picture.

## Global jewellery demand resilient so far in 2023, but remains below 10-year average\*



\*Data as of 30 June 2023.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

## China

**Gold jewellery demand in China reached 132t in Q2, 28% higher y/y.** The sizable y/y growth is, however, built on a weak base given the strict COVID-related lockdowns that hampered the market last year. Demand for H1 totalled 328t, 17% higher y/y but 4% shy of the 10-year average.

The end of the zero-COVID policy laid the foundation for a rebound in China's gold jewellery demand in H1. Pent-up wedding demand from last year also provided support. Furthermore, gold's unique dual nature, as a value-preserving asset and everyday accessory, continued attracting attention during Q2 as the local economic recovery became increasingly uncertain and the RMB depreciated. This is also apparent in the fact that gold jewellery demand strongly outperformed other demand categories, particularly diamonds.

But demand has yet to return to its 10-year average level. The record quarterly average local gold price weighed on demand, as did increased spending on tourism and entertainment, both of which are competitors for gold's share of discretionary expenditure.

**Premium hard pure (24K) gold products gained popularity.** As the local gold price rose, these products enjoyed the strongest growth in H1, their lighter weights offsetting the impact of higher gold prices and better suiting the budgets of younger consumers. Increased transparency in pricing is further attracting consumers to these ranges.

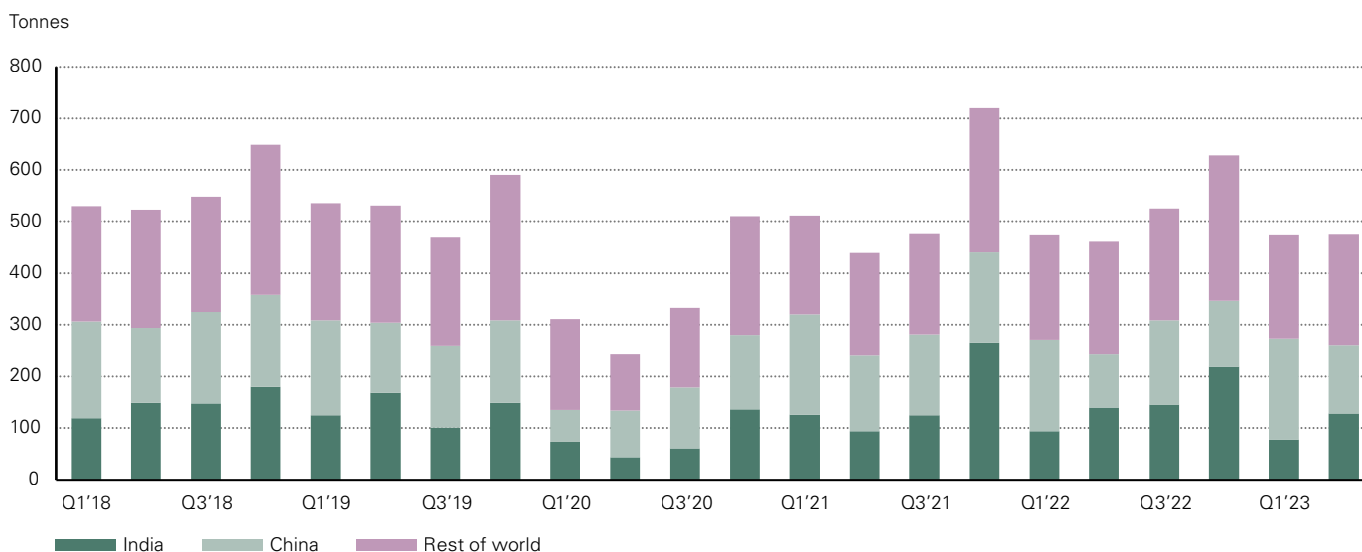
**Demand for antique-crafted gold jewellery remained robust.** However, volume growth slowed as heavier pieces suffered from affordability constraints in the high price environment. The industry has therefore shifted focus to lighter-weight pieces in this range, including those with enamel and gem inlays.

In contrast, 18K jewellery – known for its intricate designs but with lower gold purity – continued to lose market share. The long-term decline in this sector was reflected by the fact that retailers are dedicating less space to these collections.

**The domestic gold industry expects demand to rebound in August as the usual seasonal factors begin to kick in.** Holiday-related spending may support gold jewellery demand in the second half of the year. Industry events such as the Shenzhen Jewellery Fair could prompt more active replenishing among retailers and wedding demand should lift consumption during H2 – traditionally the peak season for marriages.

But this outlook contains risks, not least from the increasingly fragile domestic economic environment, which may cause consumers to become increasingly cautious about discretionary spending. The local gold price will also be a key factor; should it remain elevated, or strengthen, this will likely further curtail demand.

## China's post-COVID rebound tempered by near-record prices and faltering economy\*



\*Data as of 30 June 2023.  
Source: Metals Focus, World Gold Council

## India

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### **Indian gold jewellery consumption fell by 8% y/y to 129t in Q2, undermined by record high gold prices.**

This took H1 demand to 207t, down 12% y/y. 18k gold jewellery continued on an upward trend, as consumers were attracted by the affordability of these products.

Given the gold price, it would have been reasonable to expect far weaker gold jewellery demand. But arguably the supportive economic backdrop helped, with GDP growth forecast to increase by 6.3% for FY2023/24. A kneejerk reaction to the ban of 2,000 rupee notes during the quarter had a brief but notable impact on gold demand.

Unofficial flows of gold surged again in Q2, in response to the high gold price, which served to encourage import duty avoidance.

### **Although demand has held up relatively well so far this year, we are cautious regarding H2 prospects.**

Local prices, although off their record highs, remain elevated. And although the domestic economy remains relatively healthy there are indications of a slowdown in discretionary spending, with FMCG sales apparently declining during the quarter. The success – or otherwise – of the monsoon season will also have a considerable bearing on demand for the remainder of the year.

## Middle East and Turkey

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**Jewellery demand in Turkey posted a fourth consecutive double-digit y/y % increase.** Demand was 23% higher at 10t, taking H1 demand to a five-year high of 19.7t (+25% y/y). Such growth is all the more remarkable when considered against the backdrop of gold price moves in the local market, with Turkish lira prices approaching TRY50,000/oz by the end of June. This highlights the strength of the investment motive behind gold jewellery demand, as does buoyant demand for high-purity 22k jewellery relative to 14k. The specific dynamics of Turkey's gold market in recent quarters are covered in more depth in the [Investment](#) section.

### **Q2 jewellery demand in the Middle East declined by 5% y/y, to 45t.**

UAE saw the biggest drop, although this was largely due to base effects as Q2'22 benefited from the post-COVID relief rally that sparked a big jump in spending. Iran and Egypt suffered as a result of poor economic conditions; demand in both markets dropped below 7t, down 7% and 8% respectively.

Total H1 demand in the Middle East is 6% lower y/y, at 89t. This is comfortably above the 82t H1 average for the last five years, although that figure is distorted by the very weak 2020 figure.

## US and Europe

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### **The US registered a fifth consecutive y/y decline in quarterly jewellery demand, down 7% to 34t in Q2.**

In a longer-term context, however, demand remains relatively healthy. Q2 demand was bang in line with the five-year quarterly average. And while H1 demand of 59t was 7% lower y/y, this represents a healthy improvement on pre-pandemic norms, before demand was boosted by a jump in disposable income.

The second quarter decline reflected the continued winding down of government income support programmes, as well as the ongoing shift in consumer spending towards services. High gold prices were also a factor, with retailers finding it increasingly difficult to sell product at the US\$100 price-point – a psychologically important level for consumers in the lower end of the market.

**European jewellery consumption edged fractionally lower in Q2, down 1% y/y to less than 16t.** However, the decline was driven solely by the UK, where the cost of living crisis and a drop in the number of weddings played a major role. The euro's strength blunted gains in the international gold price and helped support modest gains in demand across mainland Europe.



## ASEAN markets

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**Indonesia witnessed an 11% y/y drop in Q2 gold jewellery consumption to less than 5t.** Although weak, Indonesia's gold jewellery demand has proven more resilient than that of many neighbouring countries, and H1 was marginally higher y/y, thanks to the strong Q1.

High local prices were a deterrent to consumers during Q2, pushing them towards lower-carat (less than 18k) jewellery. Government regulation aimed at increasing transparency has also snarled up the supply chain.<sup>2</sup> The new regulation requires all B2B transactions to be recorded centrally, which has created bottlenecks and reduced the supply of gold jewellery in the domestic market.

**The continued slowdown in Vietnam's economy drove jewellery demand down 18% y/y to less than 4t in Q2.** GDP growth in the country has undershot expectations for two consecutive quarters, impacting market sentiment.

**In Thailand, high gold prices, uneven economic recovery and political uncertainty were behind a 10% y/y drop in Q2.** Demand declined to less than 2t as consumers were encouraged to sell back old gold jewellery rather than buy new.

## Rest of Asia

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**Japan was a clear outlier among the smaller Asian markets in Q2; demand gained 5% y/y.** Despite high gold prices, local demand continued its recovery back towards pre-pandemic levels; H1 demand of 7t was the highest since 2019, likely supported by investment-driven buying as heavy, plain gold chains (known as "kihei") remain a popular choice.

**South Korea witnessed a fourth consecutive double-digit decline in Q2 as local gold prices reached a record high.** Demand slid to 3t, the lowest for a second quarter in our data series back to 2000. Local currency depreciation at a time of strong dollar gold prices proved too much for South Korean consumers, who are already battling with a rising cost of living.

## Australia

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**Jewellery demand in Australia recorded a 9% y/y decline in Q2.** Demand weakened to 2t as the cost of living crisis weighed on jewellery spending.

<sup>2</sup> [indonesiabusinesspost.com/regulatory/indonesian-government-announces-new-regulation-on-gold-taxes/](https://indonesiabusinesspost.com/regulatory/indonesian-government-announces-new-regulation-on-gold-taxes/)

# Investment

## Healthy y/y increase in Q2 investment partly reversed the Q1 fall, thanks to decent growth in bar and coin demand and a marked slowdown in ETF outflows.

- Q2 investment demand was 20% higher y/y at 256t; this generated a 31% drop in H1 demand to 532t
- April and May inflows into global gold ETFs reversed sharply in June; the net Q2 result being a modest 21t decline in holdings
- Global bar and coin investment was 6% higher y/y at 277t, 4% above the five-year quarterly average.

Tonnes	Q2'22	Q2'23	y/y change	
<b>Investment</b>	213.8	256.1	↑	20%
Bar & Coin	261.2	277.5	↑	6%
India	30.4	29.5	↓	-3%
China, P.R.: Mainland	37.4	49.3	↑	32%
Gold-backed ETFs	-47.4	-21.3	-	-

Source: Metals Focus, World Gold Council

**Gold investment in Q2 was healthy compared with the same quarter last year, up 20% to 256t.** The 6% growth in Q2 bar and coin demand was driven by very sizable jumps in a handful of markets – notably Turkey and the Middle East – and was mostly due to market-specific factors. This was offset by Europe, which exerted a strong drag on the global total.

Global gold ETFs saw two consecutive months of net inflows before flipping negative in June, ending in net outflows of 21t for the quarter. This compares positively with Q2'22, which saw outflows of 47t. But the H1 comparison is less flattering: 50t of net outflows compared with 223t of net inflows in H1'22, when Russia's invasion of Ukraine sparked huge interest in gold.

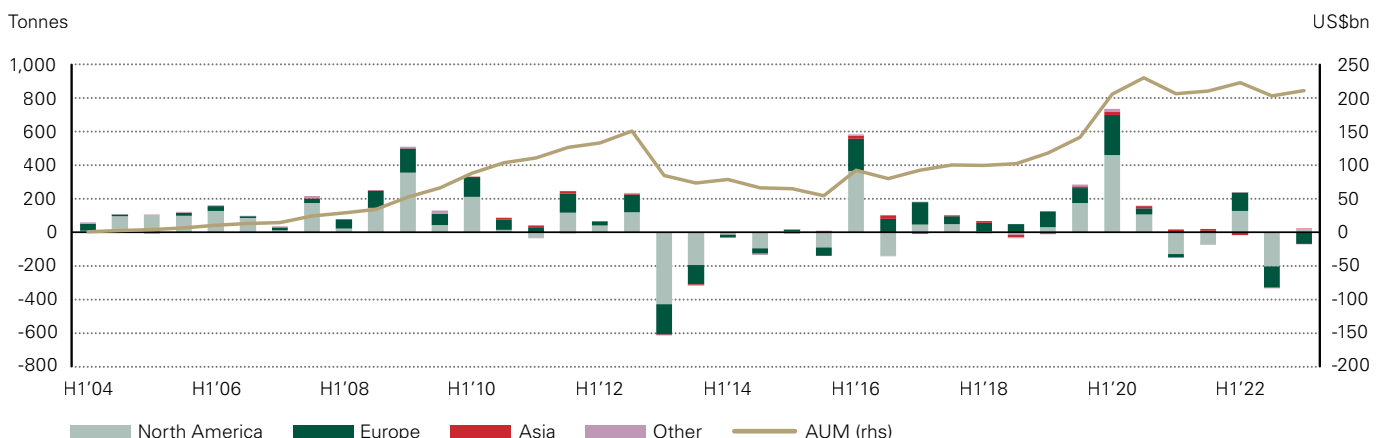
The 'OTC and other'\*\*\* element of investment was a substantial 335t in Q2. Various factors contributed to this number, including high net worth purchases of physical bullion products in several markets – notably Turkey – as well as stock build-up in key markets such as China and India. The growth in this category of demand appears to contradict the trend in net long positioning in the futures market, which subsided by around 150t during the quarter, down to around 477t by the end of June. Nonetheless, the fact that the gold price held up well and established a firm foothold above US\$1,900/oz during the quarter corroborates these harder-to-measure OTC demand flows.

\*\*\*In our data model, 'OTC and other' captures demand in the OTC market, for which data is not readily available. It also captures changes to inventories on commodity exchanges, unobserved changes to fabrication inventories and any statistical residual.

## ETFs

**Gold ETFs ended their three-month positive streak with June's sharp reversal.** Contributing factors were strong performance from key equity markets, combined with a drop in the gold price in reaction to hawkish signs from major central banks.

## Q2 outflows from European-listed funds engulfed smaller inflows elsewhere\*



\*Data as of 30 June 2023.

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

# Investment

Europe was something of a regional outlier, being the only region to see net negative Q2 outflows (-29t). European-listed funds saw consistent outflows throughout the quarter, albeit that these were trivial during April and May. European investors appeared to be more consistently focused on continued rate hikes as stubbornly high inflation in the region kept attention on the ECB's tightening path.<sup>3</sup>

Decent inflows into North American funds in April and May meant the region ended the quarter slightly positive (+9t), despite almost 27t of outflows in June. The after-effects of the banking crisis supported demand early in the quarter, as did the tense US debt ceiling negotiations. The gold price also attracted momentum investment, before the price pull back at the end of May triggered outflows; these continued throughout June as expectations for US interest rates shifted higher.

Funds listed in Asia were little changed in Q2, registering a marginal 1t increase in holdings. This growth was driven purely by Japan, where inflows mirrored healthy bar and coin investment. China witnessed inflows in June, buoyed by currency depreciation and continued concern over the domestic economy.

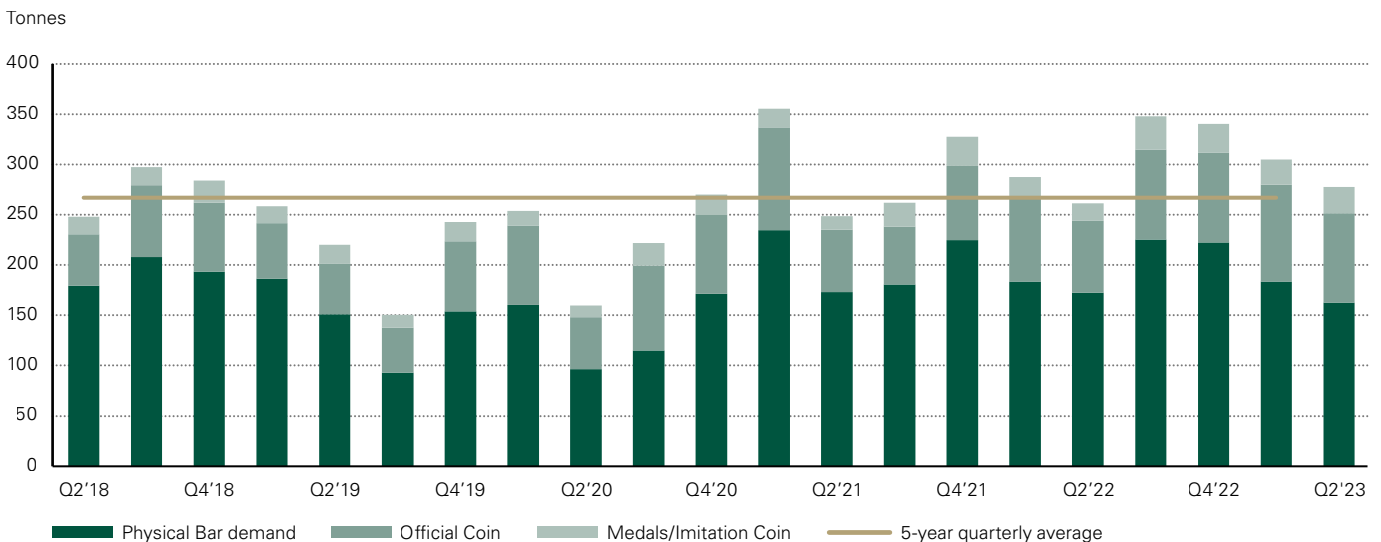
In other markets, funds listed in Turkey and Australia experienced investment shifts similar to those in the bar and coin space. Consistent Turkish inflows through to the end of May gave way to outflows in June as the conclusion of the presidential elections caused political uncertainties to subside, while a return to more conventional monetary policy caused a jump in local interest rates. Australian funds saw fairly consistent outflows through much of the quarter, possibly in response to the price peaking before correcting lower.

For a more detailed review of regional H1 activity in global gold-backed ETFs, see '[Gold ETF Flows: June 2023](#)'.

## Bar and coin

**Bar and coin investment in Q2 increased by a healthy 6% y/y in Q2, although was down 9% from the prior quarter.** In the wake of the April and May gold price peaks, the ensuing correction and broadly rangebound action during the latter half of the quarter gave investors in many markets reason to pause and wait for clearer direction.

### Gold coins were the drivers of y/y growth in retail investment; bar demand slipped a little\*



\*Data as of 30 June 2023.  
Source: Metals Focus, World Gold Council

3 [www.ecb.europa.eu/press/pr/date/2023/html/ecb.mp230615~d34cddb4c6.en.html](http://www.ecb.europa.eu/press/pr/date/2023/html/ecb.mp230615~d34cddb4c6.en.html)

## China

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**Bar and coin investors in China bought 49t of gold in Q2, 32% higher y/y.** The positive comparison is largely due to weak Q2'22, when COVID restrictions prevented the purchase of physical bars and coins.

Conversely, the q/q comparison shows a 25% decline from Q1, given differing price dynamics during that quarter, when marked local price gains attracted significant investor attention. However, this momentum slowed in Q2 and local prices traded broadly sideways, encouraging many investors to wait on the sidelines for a clear trend to re-emerge. A slowing domestic economy further dampened demand in the quarter.

**H1 saw 115t of gold bar and coin demand, 33% higher y/y.** Aside from the low-base effect, H1 investment was underpinned by the PBoC's continued gold purchases and geopolitical concerns, as well as RMB weakness, which further supported investment demand through its impact in pushing up the local gold price. Furthermore, as we have previously highlighted, local households' tendency to save is at near-record levels, prompting many investors to turn to gold bars and coins for value preservation.

From a longer-term perspective, bar and coin sales were 15% lower than their 10-year average, and 20% below 2021 levels (a more 'normal' year for comparison purposes as it was unaffected by local COVID lockdowns). Overall, we believe the record level gold price and the weakening economic recovery were main contributors to this weakness.

**The outlook for Chinese bar and coin demand looks positive for the remainder of the year, aided by 2022's low base.** Seasonal factors should prove supportive and investors may follow the lead set by global central banks, which continue to accumulate gold. Risk-off sentiment given the uncertain economic recovery – and potential weakness in RMB assets – should also prove positive for gold, although local gold price moves will remain a key factor in H2 and continued price stability would likely result in lacklustre investor interest.

## India

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**Indian bar and coin demand was little changed in Q2, down 3% y/y to just under 30t.** The H1 comparison was a little weaker at -11%, thanks to the relatively muted first quarter. Compared with longer-term norms, demand was notably weaker – 10% below its five-year quarterly average of 40t.

The local price correction during the quarter encouraged some investors to buy at lower levels in anticipation of a price rebound. Akshaya Tritiya was also positive for festival investment purchases, more so than for jewellery.

## Middle East and Turkey

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**Another fivefold y/y increase in quarterly bar and coin demand in Turkey took the H1 total to 98t – a record for our series.** Q2 demand jumped to 48t, compared with a five-year average of just 20t.

Local dynamics in Turkey have proven exceptionally positive for gold demand in recent quarters. Runaway inflation, loose monetary policy, the weakest lira on record and a hotly contested presidential election proved a potent combination, even in the face of a dizzying rise in the local gold price to record highs. A lack of viable investment alternatives has also worked in gold's favour. The increase is reflected in the significant jump in the 'medals and imitation coin' category of retail investment as private mints and refineries responded to the surge in demand.

Gold investment also attracted the attention of larger-scale investors, with high net worth (HNW) interest reported in larger-format bars – a more opaque element of demand that is captured in our OTC series.

Thanks to a temporary partial ban on gold imports during the quarter (aimed at containing the trade deficit), much of Q2's local demand was met through sales by the Central Bank of Turkey, which reported significant declines in its official gold holdings in April and May. Import quotas were reinstated following the elections as investment demand slowed and tightness in the market eased.

# Investment

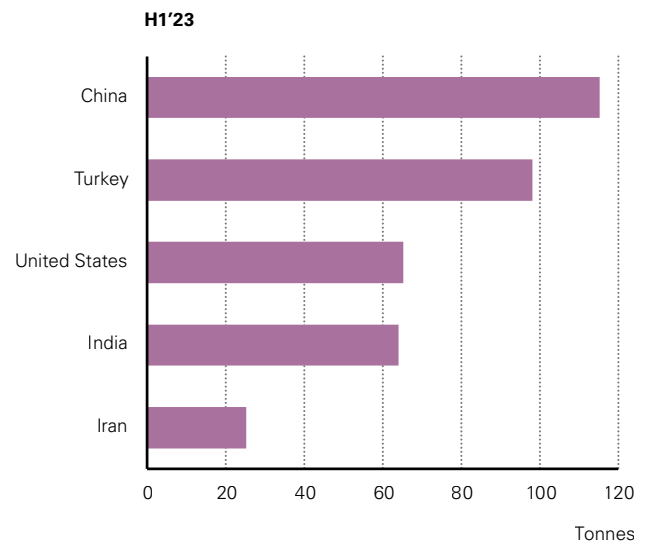
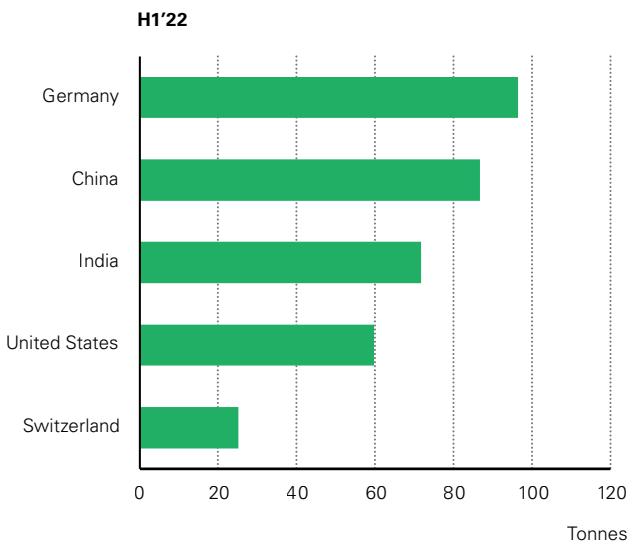
**Bar and coin investment in the Middle East reached a 10-year high of 32t.** Growth was universal across the region, but by far the largest contributions were from Egypt and Iran.

Q2 investment demand in Egypt more than trebled y/y to exceed 10t, eclipsing previous quarterly records. H1 total investment demand of 19t is already close to 2022's annual total. The steep y/y rise in inflation, combined with successive controlled devaluations of the local currency have shone a spotlight on gold's properties as a safe haven.

A relaxation of restrictions on hand-carried gold has eased supply conditions in the local market and this is reflected in lower premiums on gold investment products. Demand remains robust in the face of a challenging economic backdrop and potential further currency depreciation.

Iranian bar and coin demand perked during the quarter up as the local currency gained against the dollar and the domestic gold price dipped. Investment was up 66% compared with Q2'22, at 12t. Inflation remains high and continues to underpin gold's safe-haven appeal.

## Turkey and Iran replace Germany and Switzerland in the top 5 bar and coin markets in H1'23\*



\*Data as of 30 June 2023.  
Source: Metals Focus, World Gold Council

## The West

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**US and European bar and coin demand diverged again in Q2:** US investment gathered pace while European demand continued to slide.

**US investors continued to show a very strong appetite for gold bars and coins in Q2, with demand rising to a 13-year high of 32.2t.** This took H1 demand to 65t – the strongest half-yearly total since 2008 and the highest for a first half in our entire data series.

The collapse of SVB and Signature Bank late in Q1 created shockwaves that carried into Q2, with investors scrambling to buy physical bullion products. US Mint coin sales reflect this upsurge in demand, with sales of Eagles and Buffaloes almost reaching 1 million ounces by end-June. This compares with annual sales of 1.4m ounces over the full year 2022.

However, demand tailed off notably in June as the stock market pushed higher, banking contagion seemed to be contained – for now at least – and interest rates continued to grind upwards. Importantly though, two-way activity remained very limited; testament that individual investors as yet have very little appetite to liquidate their holdings. That could change if the gold price remains high and relatively stable, particularly if economic conditions in the US start to deteriorate and distress-selling becomes a necessity.

But the sense is that investment interest remains piqued and demand will likely pick up again should any signs of banking instability re-emerge, and on approach to the 2024 presidential election campaigns.

**In Europe, bar and coin demand extended its sharp Q1 drop, with a 62% y/y decline.** Investment demand totalled just 30t during the quarter, only around half the five-year quarterly average for the region (58t). H1 demand slid to its lowest since before the Global Financial Crisis, at 68t.

Losses were widespread across the region, although Germany was particularly weak: demand plummeted 78% y/y to a 15-year low of 11t. The decline was due to a combination of limited buying and higher levels of selling back.

Investment continued to suffer from the return to positive interest rates, giving savers an incentive to hold cash in bank accounts. Investors were also discouraged from making fresh purchases at such high euro gold prices – a factor that promoted increased profit-taking. Investors also seemed more sanguine about geopolitical factors, with the US banking crisis apparently being contained and the Credit Suisse collapse viewed as a company-specific issue.

Other German-speaking markets contributed to the regional slump: Switzerland and Austria both saw sharp double-digit declines.

## ASEAN markets

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**The ASEAN markets covered in GDT saw universal y/y declines in Q2.** Bar and coin demand in Vietnam was 5% lower y/y at 9t. Investment was again hampered by liquidity restrictions as investors who hold equities and real estate suffer from their poor performance. Those who do buy gold continue to favour chi rings (simple gold rings, which are used for investment purposes) as premiums on SJC tael bars remain offputtingly high.

Investment in Thailand was 10% lower y/y at 6t. Investors held back from buying at such high price levels in the hope that the price would dip and offer an opportunity to add to holdings at lower levels.

Many Indonesian investors were similarly patient, waiting for a deeper price correction before returning to the market. Bar and coin demand was 10% lower at less than 4t.

## Rest of Asia

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**Japan saw a remarkable Q2 as bar and coin demand moved to positive net investment despite the local gold price reaching new all-time highs.** Gross selling from existing holders continued, but the trend identified in Q1 of younger investors entering the market apparently accelerated. Wealth preservation, in an environment of persistent yen depreciation, seems to be the main driver of these purchases and much of the flow is into gold accumulation plans.

Retail investment in South Korea weakened notably in Q2, subsiding to its lowest level since Q3'16. Conservative investor sentiment translated into a general reluctance to build positions on the pullback in the price from the record high of early May.

## Australia

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**Bar and coin investment lost momentum in Australia in Q2: at 3t it was sharply lower both y/y and q/q.**

The slowdown is attributed partly to the high gold price and partly to the intensifying cost of living crisis, both of which are reflected in a pick-up in two-way activity. Nonetheless, anecdotal reports suggest the appetite for gold remains intact.

# Central banks

## Highest first half on record for central bank gold demand.

- Central bank net buying slowed to 103t in Q2, down 35% y/y
- Nevertheless, H1 central bank demand totalled 387t, the highest first half in our records back to 2000
- Our latest annual survey results show central bank sentiment towards gold is still positive.

Tonnes	Q2'22	Q2'23	y/y change
<b>Central banks and other institutions</b>	158.6	102.9	↓ -35%

Source: Metals Focus, World Gold Council

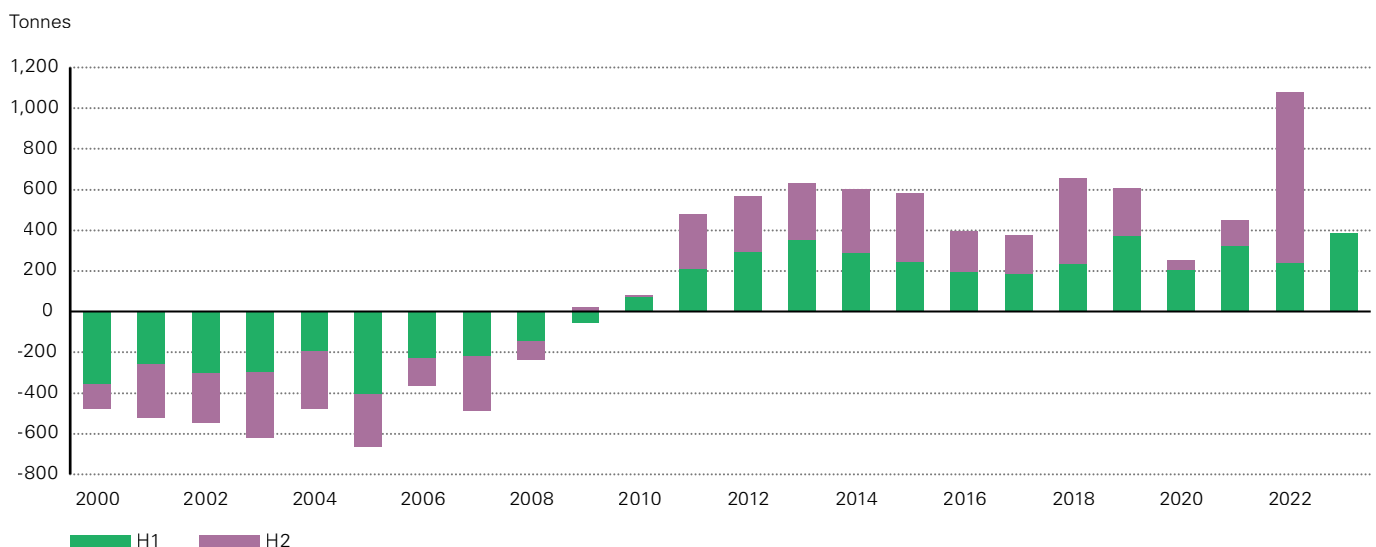
Following a record-breaking start in Q1, central bank gold demand slowed significantly in Q2: global net purchases totalled 103t between April and June (-64% q/q, -35% y/y). But this has done little to diminish the strong overall central bank buying so far in 2023: H1 demand of 387t is the highest in our data series back to 2000.

The slower pace of Q2 buying was due to a relatively lower volume of purchases combined with a much higher volume of sales, particularly from Turkey.<sup>4</sup> Having been a leading buyer throughout most of Q1, the Central Bank of Turkey (TCMB) abruptly flipped to being a significant net seller in March.<sup>5</sup> Selling continued in April and May before purchasing resumed in June – resulting in net Q2 sales of 132t.

The TCMB sold gold into the local market in response to very tight conditions following a temporary partial ban on gold bullion imports at a time of economic and political uncertainty resulting in very strong domestic gold demand.<sup>6</sup> As such, we believe the selling was tactical rather than a strategic change in Turkey's long-term gold policy. This view was reinforced by the TCMB resuming purchases in June. Aside from Turkey, Kazakhstan, Uzbekistan and Germany sold a combined 25t in Q2.

Turkey's gold reserves have fallen by a net 102t y-t-d, while seven other central banks reported declines in their reserves at the end of H1. Kazakhstan (38t), Uzbekistan (19t), Cambodia (10t), Russia (3t), Germany (2t) – likely related to coin-minting – Croatia (2t) – due to a transfer to the ECB upon joining the eurozone – and Tajikistan (1t) were the other notable sellers, all of which highlight the scale of Turkish selling.

## H1'23 central bank demand is the highest first half total on record\*



\*Data as of 30 June 2023. Quarterly data available from Q1 2000.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

4 Country-level gross sales and purchases are taken from the most recent IMF IFS, or data reported directly by individual central banks where relevant and available. These may not match the net central bank demand figures published in Gold Demand Trends, as Metals Focus uses additional sources of information to obtain its estimates.

5 Turkey official sector gold reserves are the sum of central bank owned gold and Treasury gold holdings. This is equivalent to gross gold reserves less all gold held at the central bank in relation to commercial sector gold policies, such as the Reserve Option Mechanism (ROM), collateral, deposits and swaps. Please follow this link for information on this methodology: [www.gold.org/download/file/16208/Central-bank-stats-methodology-technical-adjustments.pdf](http://www.gold.org/download/file/16208/Central-bank-stats-methodology-technical-adjustments.pdf)

6 [www.reuters.com/markets/commodities/turkey-suspend-some-gold-imports-after-earthquake-bloomberg-news-2023-02-14/](http://www.reuters.com/markets/commodities/turkey-suspend-some-gold-imports-after-earthquake-bloomberg-news-2023-02-14/)

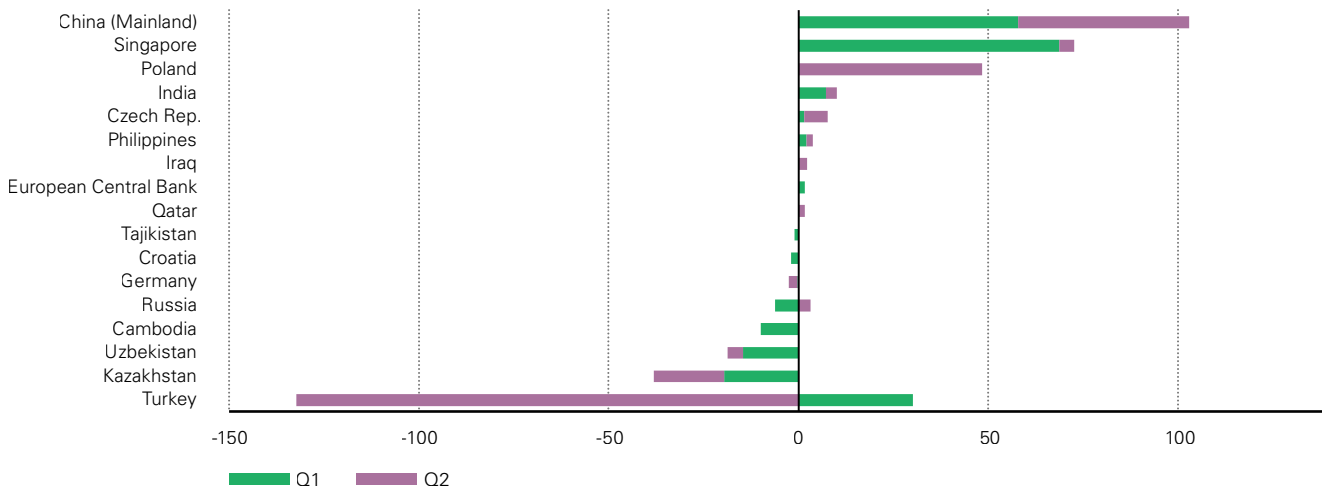
# Central banks

In contrast, nine central banks were net purchasers during the first half of 2023 – based on data available at the time of writing – with three major buyers accounting for the bulk of the total. The People’s Bank of China reported adding 103t during H1, extending its monthly buying streak to eight months. Its gold reserves totalled 2,113t (4% of total reserves) at the end of June. The Monetary Authority of Singapore was the second largest buyer during H1, adding 73t, followed by the National Bank of Poland, which bought 48t. The six other H1 buyers all made significantly smaller purchases:

India (10t), Czech Republic (8t), the Philippines (4t), Iraq (2t), the European Central Bank (2t) – related to the transfer of gold from Croatia as it joined the euro area – and Qatar (2t).

Selling activity in Q2 has done little to dent the underlying positive trend in central bank gold demand. Findings from our latest Central Bank Gold Reserves Survey – now in its sixth year – shows sentiment towards gold remains positive. Seven in ten respondents believe that global gold reserves will rise over the next 12 months – a significant increase from last year’s survey. As such, we remain optimistic on central bank gold demand over the coming quarters, although it is unlikely to match the levels of demand seen in H2 last year.

## Substantial sales from Turkey impacted the H1 total\*



\*Data as of 30 June 2023 where available. Note: chart only includes net purchases/sales of a tonne or more. Source: IMF IFS, respective central banks, World Gold Council



# Technology

## Weak demand for gold in the technology sector continued into Q2, but early indicators of a potential recovery are emerging.

- Gold used in technology during Q2 fell by 10% y/y to 70t, finalising a very weak H1 demand of 140t – the weakest H1 in our data series
- The electronics sector, which dominates technology demand, fell 12% y/y to 56t
- Other industrial applications recorded a marginal 1% y/y increase to 12t, while dental demand continued its long-term decline, falling 10% y/y to 2t.

Tonnes	Q2'22	Q2'23	y/y change
<b>Technology</b>	78.3	70.4	↓ -10%
Electronics	64.3	56.4	↓ -12%
Other Industrial	11.4	11.6	↑ 1%
Dentistry	2.6	2.4	↓ -10%

Source: Metals Focus, World Gold Council

The weakness in gold demand in industrial applications carried into Q2 as surging inflation rates continued to severely impact the entire electronics supply chain, from chip manufacturers to end-users. H1 total demand of 140t is notably low, below even the COVID-impacted H1 of 2020. However, there are indications that Q2 may represent the low point of the downturn, with H2 expected to see some recovery as new products are launched and manufacturing ramps up to more normal levels.

## Electronics

**Gold used in the electronics industry fell again in Q2, with significant y/y declines registered across all applications.** Mirroring Q1, these falls were a direct consequence of weak end-user demand for consumer electronics – the major demand area for gold in electronics applications. This has led to negative shipment forecasts for most major device categories in 2023, including smartphones, PCs and laptops. And the weakness is reflected in chip manufacturer financial reports: Samsung, for example, recently reported a 96% fall in second quarter operating profit.<sup>7</sup> However, the same forecasts suggest a 2024 recovery in; smartphone<sup>8</sup> and PC and laptop<sup>9</sup> shipments, with Gartner stating that “PC inventory will normalise by the end of 2023, and PC demand will return to growth in 2024”.

**Gold used in Light Emitting Diodes (LEDs) fell y/y during Q2.** Demand for LEDs was generally weak compared with Q2'22, in response to constrained consumer electronics buying. But backlight applications experienced some q/q recovery thanks to stronger orders from brand manufacturers preparing for mid-year promotions and product launches. Demand from the automotive sector remained steady and the longer-term outlook is fairly positive, with increasing adoption of both backlights and sensors to enable the next generation of in-vehicle functionality. Once again, the threat from mini-LED technology (which typically uses less gold than traditional LEDs) again had only a limited impact on the wider sector due to high implementation costs for manufacturers.

**Printed Circuit Board (PCB) demand recorded both y/y and q/q declines during Q2.** Weak consumer electronics demand continued to hit the PCB sector hard, with fabrication utilisation rates reportedly falling to lows of 60-65% during the quarter. However, this is forecast to recover to ~70% during Q3. Additionally, sanctions, rising labour costs and more stringent environmental controls in China are leading to notable transfers of manufacturing to other SE Asian countries.<sup>10</sup>

<sup>7</sup> [edition.cnn.com/2023/07/06/tech/korea-samsung-profit-drop-hnk-intl/index.html](https://edition.cnn.com/2023/07/06/tech/korea-samsung-profit-drop-hnk-intl/index.html)

<sup>8</sup> [www.cnet.com/tech/mobile/smartphone-shipments-are-forecast-to-decline-in-2023-thanks-to-inflation/](https://www.cnet.com/tech/mobile/smartphone-shipments-are-forecast-to-decline-in-2023-thanks-to-inflation/)

<sup>9</sup> [www.gartner.com/en/newsroom/press-releases/2023-07-11-gartner-says-worldwide--pc-shipments-declined-16-percent-in-second-quarter-of-2023](https://www.gartner.com/en/newsroom/press-releases/2023-07-11-gartner-says-worldwide--pc-shipments-declined-16-percent-in-second-quarter-of-2023)

<sup>10</sup> [www.digitimes.com/news/a20230417PD209/passive-pcb-other-ic-components-pcb-taiwan-thailand.html](https://www.digitimes.com/news/a20230417PD209/passive-pcb-other-ic-components-pcb-taiwan-thailand.html)

**Memory chip demand also fell during Q2.** Memory manufacturers are focusing on supply control, as device manufacturers have taken advantage of this period of low prices to retain relatively high inventories. Fabrication utilisation rates were 75-80% during the quarter, and are unlikely to return to full capacity before the end of 2023. Like other key sectors, the current weak levels of consumer electronics demand overshadow the overall demand picture. There are other growing sources of demand, such as AI servers and graphic memory, but at present these remain much smaller than consumer electronics and fail to compensate for the weakness in that dominant market segment.

**The wireless sector saw similar Q2 weakness, but recorded a notable q/q increase.** The quarterly jump was due to manufacturers replenishing inventories ahead of the upcoming peak season, when promotions and device launches will be prominent. However, there is uncertainty as to whether this improvement will continue into the second half of the year as it is thought to be based on short term orders.

At the aggregate level, three of the major electronics fabrication hubs around the world recorded a y/y fall in gold demand during Q2: Japan (-19%), South Korea (-32%) and the US (-9%), while mainland China and Hong Kong SAR together registered a small increase of 5%.

## Other industrial and dentistry

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Q2 saw a rise of 1% y/y, due primarily to growth in the luxury accessories / plating sector Italy and China. The former swung back to gains as the luxury accessories sector grew at a faster pace than forecast, while China enjoyed a post-COVID rebound. But these rises were largely undone by losses in India. Demand in the dental sector remained weak, falling 10% y/y during the quarter as high metal prices accelerated substitution and as last year's post-COVID rebound in the number of treatments carried out faded.

# Supply

## Total Q2 gold supply rose 7% y/y; mine production reached a H1 record.

- Total gold supply increased by 7% y/y in Q2, driven by growth in all supply components
- Total H1 supply was 5% higher y/y at 2,460t, driven by 3% growth in mine production to a record H1 level
- Recycled gold volumes in Q2 rose by 13% y/y, lifting H1 recycling to its highest level since 2016.

Tonnes	Q2'22	Q2'23	y/y change	
<b>Total supply</b>	1,176.6	1,255.2	↑	7%
Mine production	889.3	923.4	↑	4%
Net producer hedging	2.0	9.5	↑	383%
Recycled gold	285.3	322.3	↑	13%

Source: Metals Focus, World Gold Council

Q2 saw strength across all components of supply. Mine production reached 923t – an all-time second quarter high in our records – and recycling increased 13% y/y to 322t.

Preliminary estimates also suggest the net producer hedge book increased again in Q2'23, although the timing of this publication makes net producer hedging estimates subject to potential revisions once the majority of mining companies have released their quarterly reports.

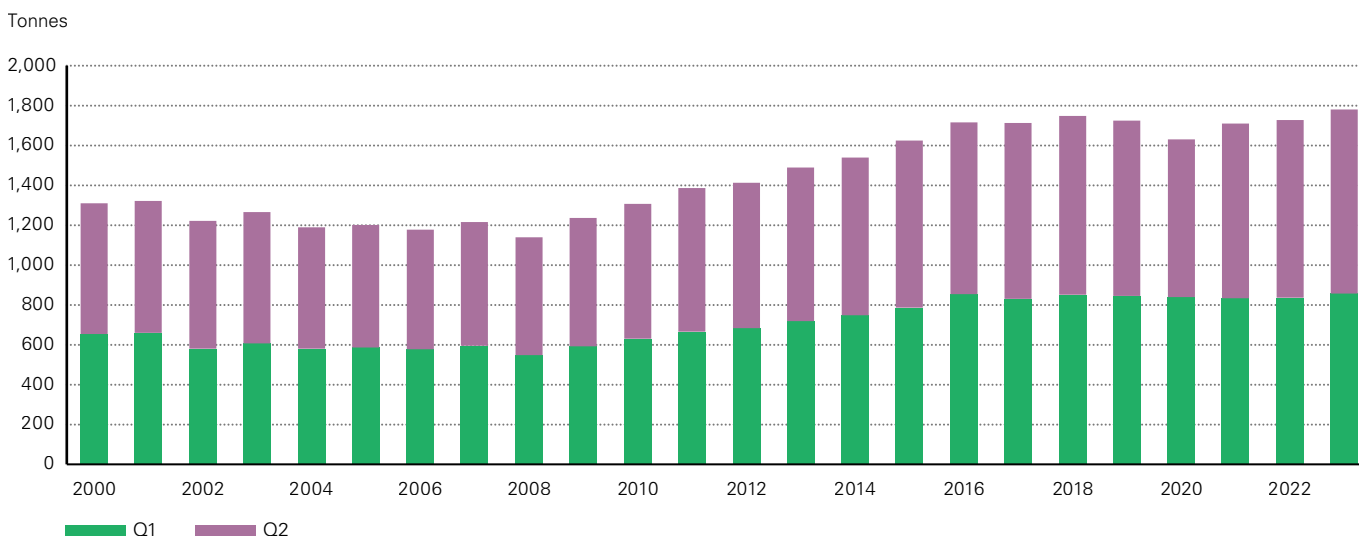
## Mine production

Early data for Q2 suggests that mine production increased 4% y/y to 923t. This is the strongest second quarter production level in our quarterly series going back to 2000, narrowly beating the previous record (899t) set in Q2'18.

Combined with Q1'23 production of 857t – also a record for the time of year – this generated a record H1 mine production of 1,781t – 2% higher than the previous record set in 2018.

On a q/q basis, production increased by 8%, due primarily to normal seasonal fluctuations that limit production in the first quarter, when open pit and alluvial operations are reduced or halted in some very cold climates, especially Russia and other CIS countries.<sup>11</sup> Similarly, South Africa's gold mining industry is subject to reduced output during the long summer holidays over Christmas and the New Year.

## Mine production hit an all-time H1 high in 2023\*



\*Data as of 30 June 2023. Quarterly data available from Q1 2000.  
Sources: Metals Focus, Refinitiv GFMS, World Gold Council

<sup>11</sup> CIS stands for Commonwealth of Independent States, a regional grouping comprising of: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Uzbekistan.

In the second quarter, mine production from four countries drove the increase in global output:

- Mine production increased by 29% y/y in **South Africa**, mostly due to the impact of disruptive strike action in Q2'22. Last year saw Sibanye-Stillwater's gold mines suspended for the majority of the second quarter, but these operated at full capacity this year.
- **Ghana** saw a 20% y/y increase in mine production in the second quarter due to ramp-ups at two major mines: Bibiani and Obuasi. Mine management forecasts further increases in output at both operations in coming years, which should allow further gains in Ghanaian production.
- Increased output from Nevada Gold Mines due to sequencing at Cortex and improved processing rates at Carlin and Turquoise Ridge drove an 11% y/y increase in mine production from the **US**.
- **Russian** mine production increased by 7% y/y due to higher grades at Polyus' Olimpiada, the country's largest gold mine and from the ramp-up of the recently commissioned Kutyn mine. Western sanctions against Russia do not appear to be affecting gold mine volumes, but costs have risen rapidly and there have been delays to new projects under development.

Chinese production remained disruption-free for the first time in two years, following a recovery in production from previous safety stoppages.

Operations in some countries were hit by a mix of lower grades, production suspension and, in the case of Sudan, ongoing conflict:

- In **Sudan**, mine production fell by an estimated 10% y/y due to disruption to artisanal and small-scale (ASM) mining from the ongoing conflict.
- **Argentina** saw a 10% y/y decline in mine production largely attributable to planned lower grades and processed volumes at Veladaro.
- In **Cote d'Ivoire** output was 6% lower y/y as falling grades reduced output from some mines, including Endeavour's Ity and Perseus Mining's Yaoure, the two largest mines in the country.
- **Australia** saw production fall by 2% y/y following the suspension of Dacian Gold's Mt Morgans operation in April and lower grades at Newmont's Boddington mine and Newcrest's Cadia Valley.

Regionally, Africa had the most significant increase, up 11t y/y due to higher production from South Africa and Ghana as detailed above. Gold production increased an estimated 8t y/y in the CIS region and by 7t in North America due to higher production from Russia and the US respectively.

Despite higher production, mining costs have increased in 2023. In Q1'23 – the latest quarter for which we have data – AISC increased by 6% q/q to reach a record quarterly high of US\$1,358/oz. This figure represents a 10% increase y/y. Rising industry costs since 2020 have been driven by inflationary pressure on all aspects of miners' input costs; most notably labour, fuel and electricity.

Although it is too early to be certain, our expectation, based on Metals Focus data, is that the trends in the first half of the year suggest mine production will hit a new all-time high in 2023, surpassing the prior record of 3,656t set in 2018.

## Net producer hedging

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**Initial estimates suggest that net hedging continued in the second quarter although possibly at a slower rate.** We have pencilled in a 9t contribution to total supply from new net hedging in Q2'23, although we will likely adjust this following the completion of company reporting.

By the same token, Q1 net hedging has been revised higher on the basis of company results. The global delta-adjusted producer hedge book increased by 36t in Q1'23, to 205t, compared with a provisional estimate of 8t. New hedging appears to be divided between:

- Producers operating in South Africa and Australia, who took advantage of high local currency gold prices and steeper forward curves, and
- Project and/or debt-related hedging in North America.

## Recycled gold

Second quarter gold recycling increased to 322t (+3% q/q, +13% y/y), the strongest level since Q4'20. Excluding robust gains from India and China, the rest of the world saw a small fall in recycling volumes – despite the gold price averaging a record US\$1,976/oz for the quarter (the LBMA PM reference price).

Recycled gold volumes increased by 9% y/y to 634t in H1, the highest first half since 2016.

Three factors boosted the increase in **Chinese** gold recycling in Q2'23. Firstly, COVID disruptions last year reduced recycling supply, distorting y/y comparisons due to base effects. Secondly, much weaker than expected jewellery demand triggered wholesale inventory recycling following disappointing trade fairs in April. And thirdly, there was an element of price-sensitive recycling supply due to strong local currency prices during the quarter. The supply of recycled gold in the rest of the **East Asian region** followed more normal patterns, responding mostly to local currency prices.

In **India**, base effects also played a role in the y/y and q/q increase in recycled gold supply, but the absolute level of recycling was in line with historic norms. There was some evidence that high prices and consumer distress fuelled recycled gold supply growth. Meanwhile, weak jewellery demand was also reflected in low volumes of old gold jewellery being exchanged for new.

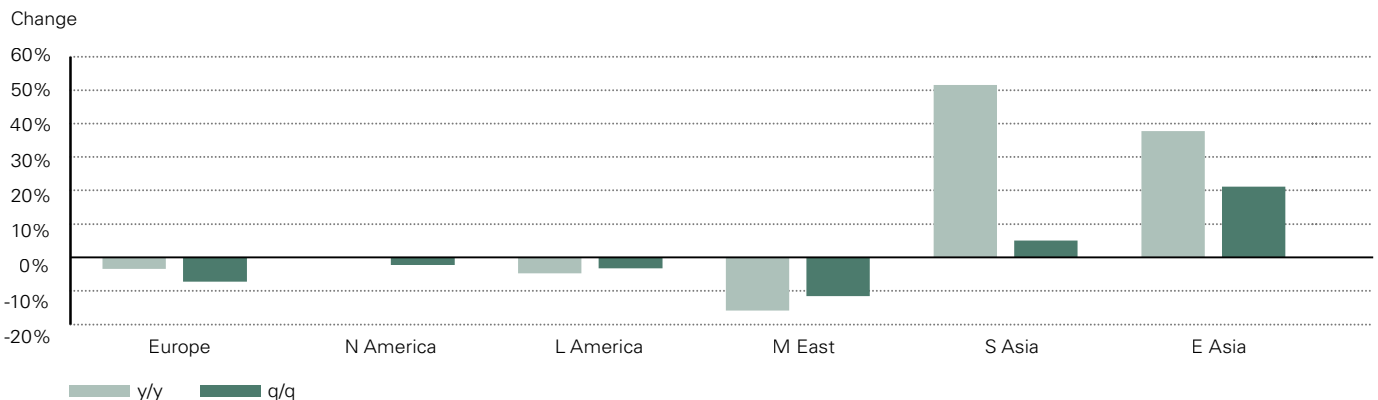
There was only a marginal increase in recycled gold supply in the **US**, despite higher gold prices. Low unemployment and a resilient economy appear to have negated the effects of the cost of living crisis on gold recycling, and we have heard some reports of depleted near-market stocks of gold to recycle.

In continental **Europe** there was little reaction to higher gold prices, perhaps because consumers have acclimatised to a higher local gold price following sharp increases in 2022. Again, there was talk of near-market stock depletion, although only in northern European countries, as supply of old 18 carat gold jewellery in southern Europe remains plentiful. One outlier from the overall European narrative was the **UK**, where economic underperformance appears to have prompted a healthy supply of gold for recycling, especially during periods of strong sterling-denominated prices.

The **Middle East** saw a y/y and q/q decline in recycling volumes, with Iran and Egypt contributing to the fall, thanks in part to high inflation. In neighbouring **Turkey**, recycling activity was restrained ahead of presidential elections. Once concluded, selling picked up, boosted by a fall in the Turkish lira.

Gold's price direction and the continuing inflation squeeze on consumers, will likely elevate recycling supply in H2. Lingering base effects will, however, be important context when interpreting y/y and q/q changes for the rest of the year. Although recession has been avoided in most markets, interest rates are higher and major economies are slowing. We continue to watch for signs of increased distress selling of gold and the potential for recycling supply to increase further. Read the [Outlook section](#) for more details.

### China and India drove Q2 recycled gold supply up 13% y/y\*



\*Data as of 30 June 2023.

Sources: Metals Focus, World Gold Council

# Notes and definitions

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## Notes

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### 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

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### 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

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 [www.gold.org/goldhub/data/global-gold-backed-etf-holdings-and-flows](http://www.gold.org/goldhub/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

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## **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](http://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](http://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](http://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](http://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

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## **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).



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## World Gold Council

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We are a membership organisation that champions the role gold plays as a strategic asset, shaping the future of a responsible and accessible gold supply chain. Our team of experts builds understanding of the use case and possibilities of gold through research, analysis, commentary and insights.

We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

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## Further information

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For data sets and methodology visit:

**[www.gold.org/goldhub/data/gold-supply-and-demand-statistics](http://www.gold.org/goldhub/data/gold-supply-and-demand-statistics)**

Or contact:

**[research@gold.org](mailto:research@gold.org)**

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