WORLD GOLD COUNCIL

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Gold Demand Trends

Q2 2024

Gold demand firm; record prices prevail

OTC investment and central banks remained decisive

Gold demand excluding OTC in Q2 was down 6% y/y to 929t as a sharp decline in jewellery consumption outweighed mild gains in all other sectors. Adding in OTC investment to total gold demand yields a 4% y/y increase to 1,258t – the highest Q2 in our data series back to 2000.

The record gold price environment took its toll on Q2 jewellery consumption: volumes fell 19% y/y to a four-year low of 391t.

Central bank net gold buying was 6% higher y/y at 184t, driven by the need for portfolio protection and diversification.

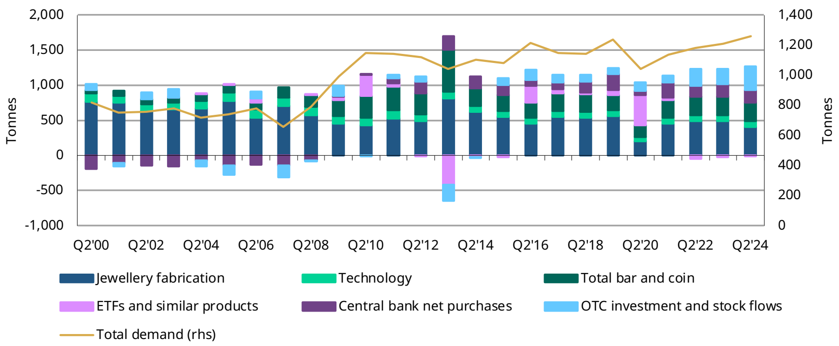
A minor 7t decline in global gold ETF holdings in Q2 compared positively with the 21t drop in Q2’23. Sizable early outflows were followed by nascent later inflows.

Retail bar and coin investment was 5% lower at 261t, primarily due to weak demand from Western markets.

Gold used in technology jumped 11% y/y, as the AI trend continued to drive demand in the sector.

Chart 1: Total gold demand reached its highest Q2 on record

Q2 total gold demand by sector, tonnes*



*Data as of 30 June 2024.
Source: ICE Benchmark Administration, Metals Focus, Refinitiv GFMS, World Gold Council

Highlights

The LBMA (PM) gold price averaged a record US$2,338/oz in Q2 – 18% higher y/y and 13% higher q/q. Gold reached a new record of US$2,427/oz in May.

OTC investment of 329t was a significant component of Q2 total gold demand. Together with continued central bank buying, it helped drive the price to a series of record highs during the quarter.

Total gold supply grew by 4% y/y to 1,258t. Mine production of 929t was a record for a second quarter. Recycling supply was the highest for a second quarter since 2012, responding to the rising gold price.

Regional investment trends continued to diverge. Demand for bars, coins and ETFs, was robust in the East, compared with a marked decline in the West. Western ETF investment flows have, however, started to return so far in Q3.

2024 full year outlook: revived Western investment flows to balance out weaker consumer demand and potentially slower central bank buying vs 2023.

For more information please contact: research@gold.org

Gold supply and demand

	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	y/y % change	
Supply							
Mine production	899.7	937.3	954.6	859.1	929.1	▲	3
Net producer hedging	-15.7	23.8	23.0	-24.5	-6.3	-	-
Recycled gold	324.0	290.1	313.5	348.5	335.4	▲	4
Total supply	**1,207.9**	**1,251.2**	**1,291.1**	**1,183.1**	**1,258.2**	▲	**4**
Demand							
Jewellery fabrication	494.1	581.0	583.4	534.4	410.6	▼	-17
Jewellery consumption	479.4	520.0	623.4	479.1	390.6	▼	-19
Jewellery inventory	14.7	61.0	-40.0	55.2	20.0	▲	36
Technology	72.8	77.3	82.2	80.5	81.1	▲	11
Electronics	59.1	63.4	67.6	66.4	67.6	▲	14
Other industrial	11.3	11.6	12.2	11.8	11.3	▼	0
Dentistry	2.4	2.3	2.3	2.3	2.3	▼	-5
Investment	252.6	155.9	257.4	200.4	253.9	▲	1
Total bar and coin	273.7	295.0	312.8	313.4	261.0	▼	-5
Bars	164.0	206.8	220.7	223.3	183.6	▲	12
Official coins	85.3	54.3	60.3	66.0	52.7	▼	-38
Medals/Imitation coins	24.4	34.0	31.9	24.1	24.8	▲	2
ETFs & similar products	-21.1	-139.1	-55.4	-113.0	-7.2	-	-
Central banks & other inst.	173.6	359.4	211.1	299.9	183.4	▲	6
Gold demand	**993.1**	**1,173.7**	**1,134.1**	**1,115.2**	**929.0**	▼	**-6**
OTC and other	214.9	77.5	156.9	67.9	329.2	▲	53
Total demand	**1,207.9**	**1,251.2**	**1,291.1**	**1,183.1**	**1,258.2**	▲	**4**
LBMA Gold Price (US$/oz)	**1,975.9**	**1,928.5**	**1,971.5**	**2,069.8**	**2,338.2**	▲	**18**

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

Outlook

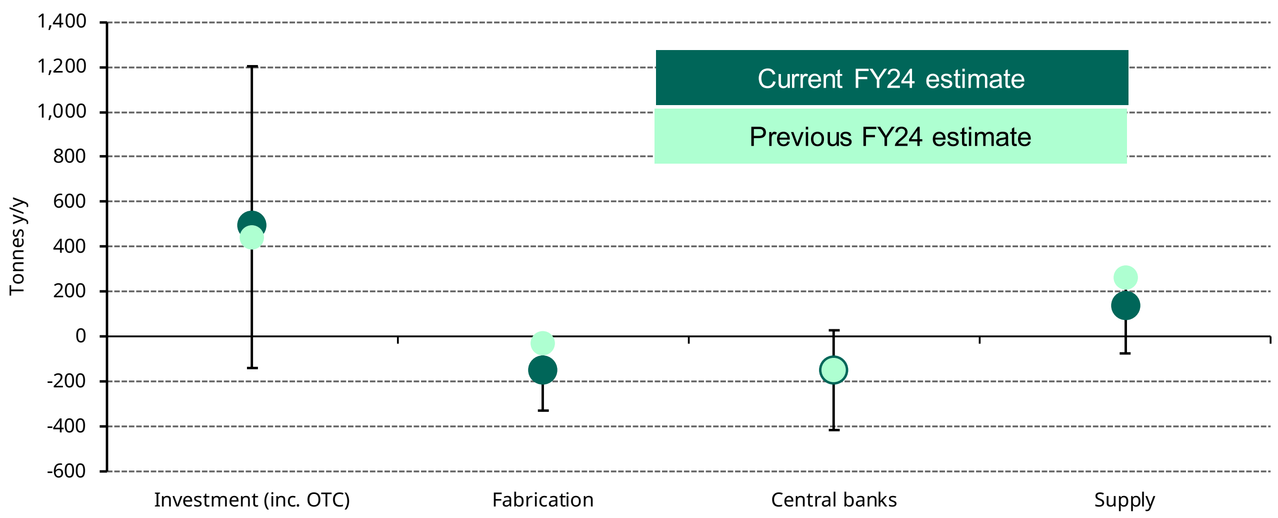
Western gold ETF investors begin to stir, as central bank buying decelerates. Jewellery succumbs to high prices but geopolitical and economic uncertainty supports bar and coin interest

- Gold prices continued to firm in Q2 and beyond, in line with total demand. With plenty of fundamental support we think that prices can maintain or slowly build on current levels in H2, as per our mid-year outlook.
- Western investment demand is likely to produce a positive H2 but we have slightly lowered our full year estimate, given a disappointing Q2 for ETFs relative to our expectations. OTC investment is likely to contribute significantly, as it did in H1.
- Q2 saw price sensitivity bite into jewellery demand and it may be a while before consumers fully adjust to higher prices. India will likely remain a lone and tentative bright spot, boosted by the recent duty cut and healthy macro backdrop.[1] More positively for fabrication, technology demand continues to benefit from AI and high-performance computing applications, and this is likely to continue into H2.
- Recycling is likely to stay in the upper quartile of its historical range due to high prices and economic uncertainty, and mine supply is still poised for a record year, although our full year potential range has shifted slightly lower following a downward revision to Q1.
- Downside risks to our overall view come from a pull-back in central bank buying and weakness in emerging market retail investment. Upside risks to our view would come from a more material economic slowdown in developed markets, in tandem with a lower policy rate path which would increase interest in gold investment products. In addition, (geo)political uncertainty might spill over to market volatility, primarily as the race to the White House heats up.

Investment

Developed market investment demand in gold ETFs has remained lacklustre as prices have soared so far in 2024 (**Chart 3, p 4**). However, the less visible hand of OTC demand and solid secondary market activity suggests investor interest has been present.

Chart 2: Resurgent investment flows likely to more than offset weaker jewellery demand in 2024
Expected change in annual gold demand and supply 2024 v 2023, tonnes*



*Data as of 30 June 2024.
Source: World Gold Council

1. The Indian government presented its 2024-25 budget on 23 July, and announced a cut in total import duty on gold bars from 15% to 6% and on gold dorè from 14.35% to 5.35%.

A continuation of the nascent positive trajectory of gold ETFs, along with further strength in futures positioning, is still likely in our view given a number of catalysts:

- A clearer path to lower policy rates in the US and Europe
- An 'excessive' current and forecast US fiscal deficit, given growth and employment
- Increased market volatility as US political wrangling ratchets up in H2
- Global geopolitical risk that curtails some recycling and bolsters retail demand
- Support from the trend of central bank buying.

Of note is the recent change in European and North American gold ETF flows. We think the potential for a positive H2 is on the cards as ETF activity tends to trend. Asian ETF demand is also expected to remain positive, driven mainly by Chinese ETF buying but also from continued inflows in India.

Gold ETFs remain under-owned in our view and the distribution of possible outcomes is skewed to the upside.

Bar and coin demand is likely to remain on a firm footing in H2. Although Chinese bar and coin demand may take a break early in the second half – continuing the late slowdown in Q2 – interest remains, given support from economic uncertainty and underperformance of domestic assets. Downside risks, however, might come from a lack of a clear trend in the gold price.

Indian bar and coin demand has responded to the rising price as expectations of further gains encouraged investors into the trend. Healthy monsoon rainfall so far should support rural incomes and, in turn, sustain investment demand. Meanwhile, the recently announced cut in import duty on gold also has the potential to measurably increase retail

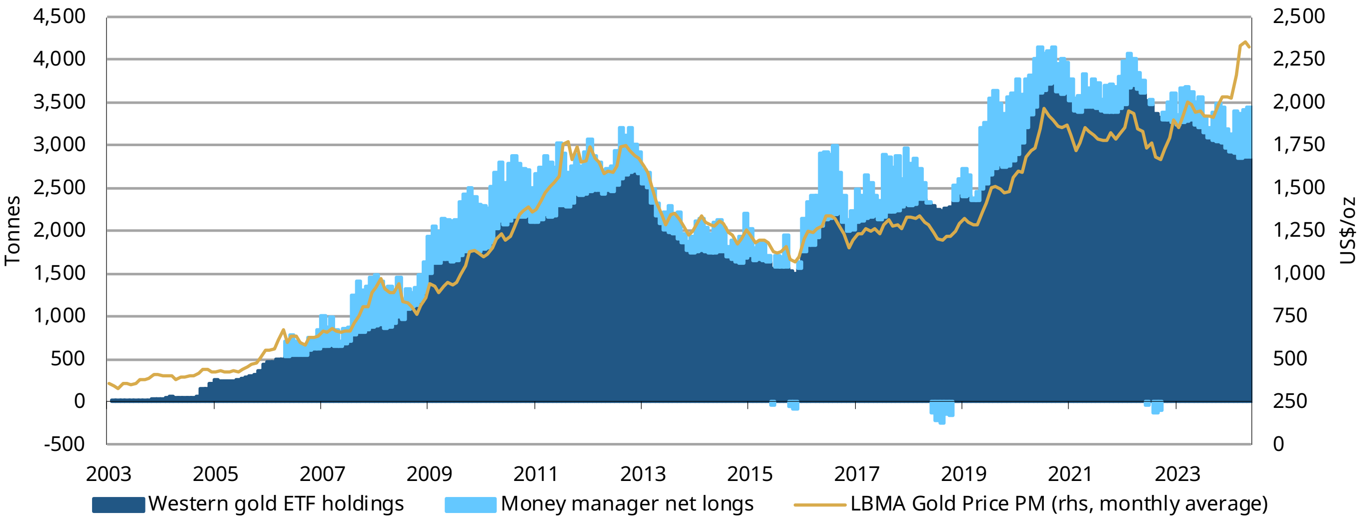
We remain cautiously optimistic on bar and coin demand in general as supportive underlying conditions are unlikely to change materially.

Fabrication demand

Jewellery's weakness in Q2 did not come as a surprise. Prices were eventually going to bite. Chinese jewellery demand was, in some cases, reportedly worse than during COVID, and domestic consumer confidence at an all-time low in June didn't help. Indian jewellery fared marginally better, although prices were largely prohibitive. Prospects for this market are much improved following the sharp duty cut announced in the July budget, although a continued rise in local prices would keep jewellery demand on the back foot.

Chart 3: Western gold ETFs remain under-owned – but the tide seems to be turning with recent inflows

Holdings of North American- and European-listed gold ETFs and money manager net long positioning on COMEX, tonnes*



*Data as of 30 June 2024.
Source: Bloomberg, Company Filings, COMEX, ICE Benchmark Administration, U.S. Commodity Futures Trading Commission, World Gold Council

Our aggregate jewellery models suggest that although consumers are price sensitive, they partially adjust to higher prices with a one period lag. This feature is present both at the annual and quarterly level.

Technology demand for gold maintained its post-COVID recovery trend as AI fervour continued to support demand for high-end chips. The outlook for H2 is for a continuation of this trend, although it is worth noting that persistent high gold prices would, in the longer term, put pressure on manufacturers to thrift where possible.

Central banks

Our full year projection for central banks remains unchanged from last quarter as we foresee no material shifts in the underlying drivers in H2… and this is supported by our Central Bank survey results. A small upward revision to Q1 buying offset a slightly lower figure than we had anticipated in Q2, keeping our expectation for full year buying around 150t lower than 2023. Two cited drivers of select emerging market central buying: sanctions and sovereign risk remain elevated.

Supply

Mine production is still poised to surpass its previous high as the output from several regions – led by Africa – benefits from ramp-ups and expansions, as well as higher grades. Record all-in sustaining cost (AISC) margins are also supportive, but the downward revision to Q1 output makes that target a touch more uncertain than in our previous outlook.

Recycling was less significant in Q2 than we had anticipated due to a decline in India, where gold-for-gold exchange and gold loans were more prominent, leading us to marginally revise down our forecast for the rest of the year given a possible flat H2 for price.

While India will contribute less to recycling in H2, Europe's recycling response to high prices and economic uncertainty in H1 elevates the risk of further selling back of old jewellery stock in the second half of the year.

Jewellery

Record prices curb gold jewellery volumes in markets across the globe, with few exceptions

- Global gold jewellery consumption was down 19% y/y at 391t
- Combined with relatively resilient Q1 demand, the H1 total amounted to 870t (-10% y/y)
- China recorded the largest decline, due to the combination of the weaker domestic economic picture and record gold prices.

Tonnes	Q2'23	Q2'24		Year-on-year % change
World total	479.4	390.6	▼	-19
India	128.6	106.5	▼	-17
China, P.R.: Mainland	132.1	86.3	▼	-35

Source: Metals Focus, World Gold Council

During an extraordinary quarter in which the gold price set a series of successive record highs, jewellery demand responded – unsurprisingly – with a sharp drop: global jewellery consumption fell 19% y/y to 391t. This was the weakest second quarter since 2020, when jewellery demand felt the worst impact of the pandemic. For the first half year, global jewellery demand is looking at a 10% decline to 870t after a relatively resilient Q1 performance.

In value, Q2 jewellery demand measured US$29bn. That was 4% lower y/y as the sharp rise in the gold price did not quite compensate for the decline in volumes. H1 demand, in value terms, was 2% above H1 last year at US$61bn – and the highest H1 since 2013 when Q2 demand spiked to a record volume of 834t.

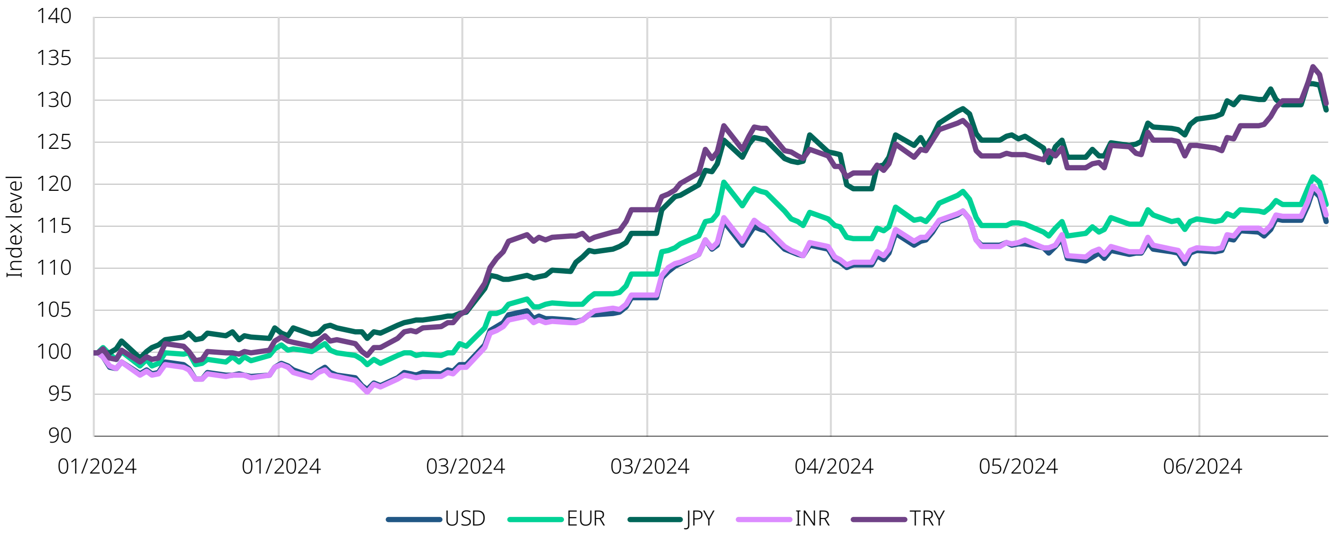
China

China's gold jewellery demand totalled 86t in Q2, a 35% decline y/y. Having dropped 46% below the ten-year average, demand was the weakest for a Q2 since 2009 as the rising gold price and slowing economic growth weighed on consumer sentiment. The second quarter brought total gold jewellery demand in H1 to 271t, 17% weaker y/y and the lowest since H1 2020.

The surging gold price and decelerating domestic economic growth were the two major reasons for sluggish gold jewellery demand in H1. Having gained 10% in March, capping Q1 consumption, the local gold price continued to rise in April and May, reaching fresh record highs during Q2.[2] Combined with a slowdown in China's economy – both GDP and disposable income growth decelerated in the quarter – this created affordability constraints on consumers, which dented jewellery demand. This was reflected in disappointing sales during the five-day Labour Day holiday in May – traditionally a peak buying occasion.

Chart 4: Q2 saw record high gold prices...which have largely been surpassed in July

Daily gold price in key currencies, indexed to 1 January 2024*



*Data as of 19 July 2024.
Source: Bloomberg, ICE Benchmark Administration, World Gold Council

2. Au9999

Housing market woes, relatively weak local equity market performance and the uncertain economic outlook contributed to the cautious consumer environment, which was reflected in the continued high levels of willingness to save. As a result, consumers dialled back on recreational and discretionary spending – a trend also identified in Mckinsey's 2024 Chinese consumption research.

In such an environment, our regional jewellery market visits confirmed that the trend for light-weight products with affordable unit prices continued to gain traction. Sales of 24K hard pure products outperformed all other categories during the first half and, in general, smaller pieces with lower costs were welcomed by consumers, a trend we observed in our 2023 Chinese gold jewellery market insights.

As a result, the gold jewellery industry in China is facing major consolidation, particularly after the rapid expansion of the retail network in recent years. Narrowing retail margins have encouraged many jewellers to promote higher-margin products with intricate designs and various gem inlays, in order to shore up profits. While these products perform relatively well at the high-end, the mass market is more focused on lower cost items.

Looking ahead, the second half of the year holds limited prospects for an uptick gold jewellery demand. While seasonal strength in Q4 should provide support, consumer sentiment is likely to remain fragile until clear signs of economic improvement emerge. And the price environment remains critical, with any further strength likely to keep demand subdued.

India

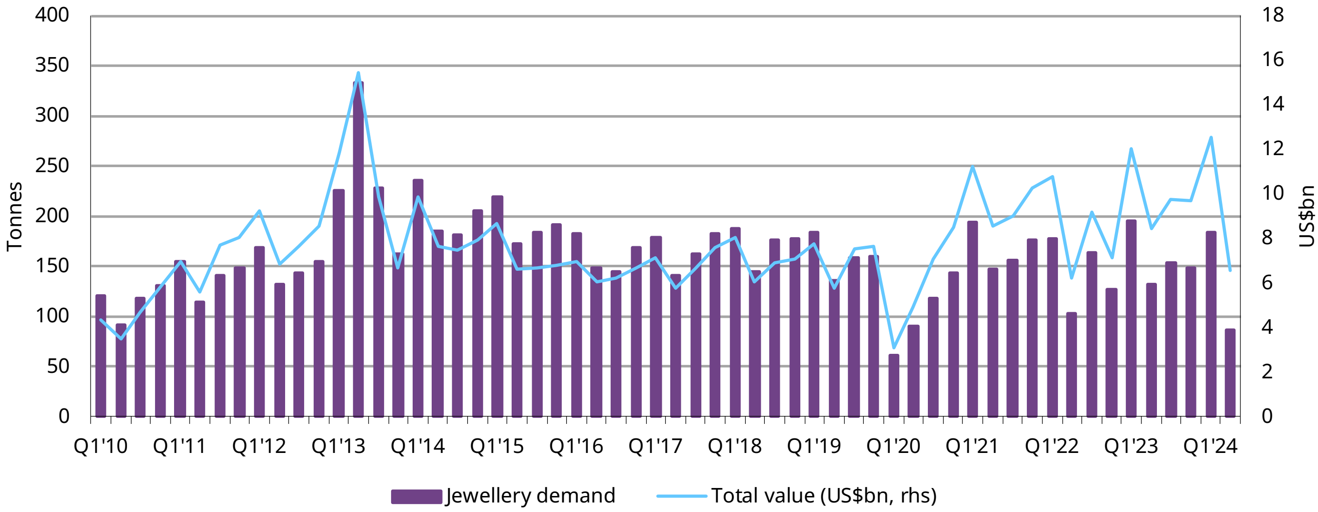
Record gold prices weighed heavily on Indian gold jewellery demand in Q2: it fell 17% y/y to 107t – the weakest second quarter since the COVID-stricken Q2 2021. H1 demand of 202t is the lowest since 2020. Despite the sharp decline in demand, the domestic economic environment remains healthy: GDP growth is forecast at 7% and increased sales of two-wheelers and FMCG seem to point towards recovery in the important rural sector.[3]

Although gold prices retreated in June from their May peak, they held above the psychologically significant threshold of Rs70,000/g and this kept demand subdued – as reflected in the persistent discount in the local price during the quarter. Along with the record gold price, several other factors contributed to the relatively weak Q2. The national elections from mid-April to early June proved disruptive to gold jewellery consumption, as did the severe heatwave that saw record temperatures in Delhi at the end of May.

The Akshaya Tritiya festival – considered one of the most important gold-buying occasions in India – prompted a resurgence in demand in mid-May. Anecdotal evidence suggests that demand exceeded expectations, with strong activity observed in both urban and rural areas. However, this boost was short-lived and demand tapered off fairly sharply.

Chart 5: Record prices and fragile economic growth weighed on Chinese demand

Quarterly Chinese gold jewellery consumption, tonnes and value, US$bn*



*Data as of 30 June 2024.

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

3. World Economic Outlook Update, July 2024: The Global Economy in a Sticky Spot (imf.org)

Encouragingly, there have been few signs of distress selling of gold jewellery by Indian consumers. Recycling activity has been dominated by gold-for-gold exchange, rather than outright sales. More notably, there has been growth in gold loans using jewellery as collateral: such activity was reportedly up 30% y/y by the end of May.[4]

In more recent developments, the government's 2024-25 budget (presented on 23 July) slashed the import duty on gold and other metals. Finance Minister Nirmala Sitharaman announced a cut in total import duty on gold bars from 15% to just 6%, and on gold dorè from 14.35% to 5.35%. The change takes effect from 24 July and is likely to prompt a revival in gold jewellery demand in Q3 as the lower price of imported gold feeds through to consumers at the retail level before seasonal festive buying begins.

A healthy monsoon so far should add to the positive momentum in domestic economic growth and further support demand in Q3. However, any further sharp rises in the gold price would likely mitigate the positive effects of the cut in customs duty – at least temporarily – until consumers become accustomed to new, higher levels.

Middle East and Turkey

Turkish jewellery demand registered its first y/y decline since Q1 2022: down 19% to 8t. The q/q decline was steeper still at 26%, although this is largely due to the base effect of a very strong Q1. The combined total for H1 is largely unchanged at 20t, with a value of TL43bn – a half-yearly record and 76% higher y/y.

The fall in demand was almost entirely due to the gold prices rising to new highs, although given that this high-carat market is also driven by investment motives, reactions to monetary policy developments – which pushed up interest rates and enhanced the appeal of savings accounts – also played their part.

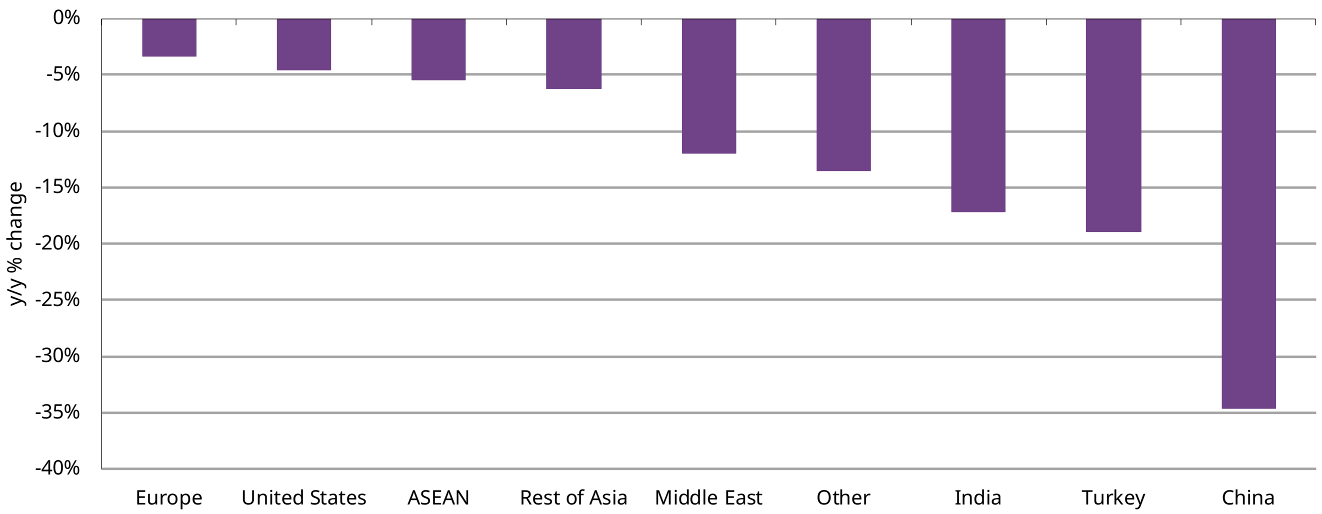
Declines in Q2 jewellery demand were almost universal across the Middle East: regional demand dropped below 40t for the first time since Q2'21. Egypt was the sole exception: demand held firm (+2%) as the IMF bailout package buoyed sentiment, helping to generate a notable boost to demand at Ed-ul-Adah. Weak economic activity and stagnant real wages in Iran contributed to a 6% y/y decline in jewellery demand. And demand in the UAE posted its sixth consecutive y/y decline (-13%) thanks to high gold prices and the interruption to consumption caused by the heavy storms that hit the country in April.

US and Europe

Gold jewellery demand in the US weakened by 5% y/y to 33t, the ninth consecutive y/y decline as demand continues its trend of normalisation. Demand was bumped up notably in 2021/22 as consumers under lockdown restrictions and federal income support directed some of their excess savings to gold jewellery. As those excess savings dwindled and spending on travel and entertainment resumed, gold jewellery demand began to taper. That downtrend accelerated during Q2, thanks to deteriorating consumer confidence and an environment of record gold prices and continued cost of living pressures.

Chart 6: Widespread weakness in jewellery demand prompted by record prices

Change in Q2 gold jewellery demand, y/y %*



*Data as of 30 June 2024.
Source: Metals Focus, World Gold Council

4. Reserve Bank of India - Press Releases (rbi.org.in)

In a longer-term context, however, demand remains healthy: in the five years prior to the pandemic average Q2 jewellery demand in the US was 27t.

European markets also witnessed a weaker Q2: regional demand was 3% lower at 15t. The chief driver of the fall is said to be poor consumer sentiment and economic gloom (especially in Germany). Sales in both France and the UK were reportedly impacted in June by uncertainty linked to elections. Some markets also saw weak demand for engagement rings and/or a price-led shift to platinum.

ASEAN markets

Vietnam and Indonesia saw weaker demand in Q2; Thailand bucked the trend despite the record gold price environment.

Demand in Thailand rebounded in Q2, rising 12% y/y to 2t as consumers reacted to the price correction mid-quarter, using it as an opportunity to buy before the price resumed its uptrend. Investment motives may also have helped to support demand for gold jewellery in this typically high-carat market. H1 demand was flat compared with H1'23 at 4t.

Vietnamese gold jewellery demand in Q2 fell 15% y/y to just 3t. The decline was primarily price-driven, although slowing GDP growth also impacted sentiment. H1 demand sank to just above 7t, the lowest H1since 2020.

High gold prices, amid persistent broader inflation, drove the 8% y/y decline in Indonesian demand in Q2. The trend for lower-carat jewellery continued, given affordability constraints imposed by the high gold price. H1 demand of 10t was 10% down on H1 2023.

Rest of Asia

Gold jewellery demand in Japan declined 5% y/y to just under 4t. Thanks to a strong Q1, total H1 demand held firm at 7t. Quasi-investment demand for plain gold Kihei chains remained strong (in line with healthy bar and coin demand) while other areas of the market suffered thanks to the record gold price environment.

High prices drove the 8% y/y decline in South Korean gold jewellery demand to 3t. This more than reversed the increase in Q1 and saw the market resume its long-term downtrend from the highs seen in 2016.

Australia

Gold jewellery demand in Australia slumped 32% to 2t. The environment remained challenging, with consumers feeling the pinch from tighter financial conditions.

Investment

Global gold investment was resilient in Q2, concealing some regional variations

- Q2 investment demand for gold – bars, coins and gold ETFs – was marginally firmer y/y at 254t
- A 5% y/y decrease in bar and coin investment was wholly due to a 38% drop in demand for gold coins; gold bar investment was 12% higher y/y
- Outflows from global gold ETFs tapered off during the second quarter: holdings declined by just 7t compared with 21t during Q2'23 and represented a marked slowdown from the 113t of outflows seen in Q1.

Tonnes	Q2'23	Q2'24		Year-on-year % change
Investment	252.6	253.9	▲	1
Bar & Coin	273.7	261.0	▼	-5
India	29.5	43.1	▲	46
China, P.R.: Mainland	49.3	80.0	▲	62
Gold-backed ETFs	-21.1	-7.2	-	-

Source: Metals Focus, World Gold Council

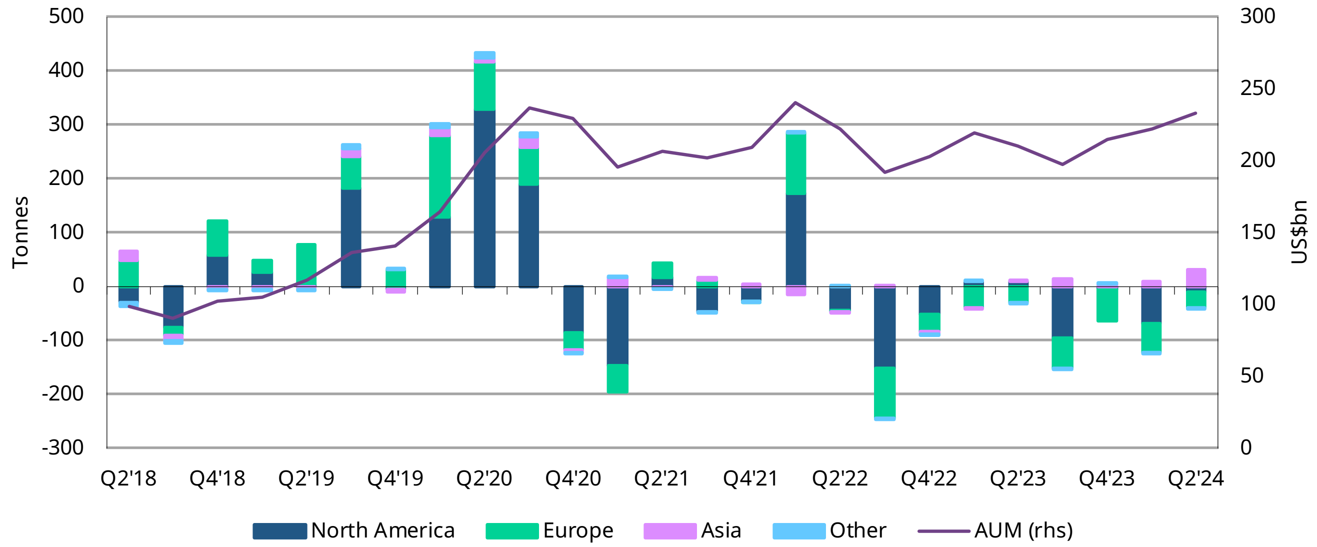
So-called 'retail investment' (individuals' purchases of small bars and coins) was slightly softer y/y at 261t, although just 4% below its five-year quarterly average of 271t. Bar and coin buying strengthened across Asia as investors were attracted by the high price and, in many cases, currency depreciation highlighted gold's wealth protection role. This strong Asian retail investment was counterbalanced by far lower levels of net demand in Western markets, where profit-taking/liquidation surged – notably in Europe.

The pace of outflows from gold ETFs slowed sharply in Q2: global holdings declined by just 7t during the quarter, thanks to two consecutive months of inflows in May and June, offsetting April's losses. In US dollar terms, global assets under management (AUM) grew to US$233bn, reflecting the continued strong gold price performance. Regionally, Western-listed ETFs saw outflows, while funds listed in Asia saw further growth.

The investment picture for gold is incomplete without a review of the 'OTC investment and Other' component of demand. This element captures investment flows that take place in the over-the-counter market (separate from central bank OTC transactions).[5] Estimating and attributing this investment buying is difficult due to its opaque nature, but field research strongly supports the data available that puts this at 329t – the strongest quarter since Q4'20. Demand from this sector has been in response to concern over the US debt burden, geopolitical risks and attraction to the strong price rise.

Chart 7: Sentiment turns more positive on global gold ETFs

Regional gold-backed ETF quarterly changes, tonnes, and AUM, US$bn*



*Data as of 30 June 2024.
Source: Bloomberg, Company Filings, ICE Benchmark Administration, World Gold Council

5. OTC investment and stock flows: 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.

While OTC demand is not directly observable, the positioning of speculative investors in the US futures market can be indicative of it: net long positions held by money managers increased again in Q2, reaching levels not seen since April 2020 at 575t. The trend of gold demand among high net worth individuals across global markets was reportedly a continued contributor to OTC investment in Q2.

ETFs

Total holdings of global gold-backed ETFs ended the quarter 7t lower at 3,105t. Combined May and June inflows of 26t largely offset April's 33t outflow. Regionally, declines were seen in Europe and North America, while Asia continued to grow – led by China, where record inflows took AUM and holdings to new highs. The small Q2 decline generated H1 losses of 120t – the largest since H1 2013.

Gold ETFs listed in North America saw Q2 modest outflows (-9t), as minor inflows in April gave way to small outflows for the remainder of the quarter. Investors seemed to be caught between positive and negative drivers: geopolitical flare-ups and financial market volatilities encouraged sporadic inflows, while continued strength in the US dollar and the equity market drew investor attention away from gold.

European funds saw disinvestment of 29t in Q2 as May and June inflows partially reversed April's hefty outflows (-52t). Sentiment early in the quarter was likely driven by investors paring their expectations for early rate cuts from the Bank of England and the European Central Bank, which pushed up yields on both bunds and gilts. Profit-taking inspired by the gold price strength may also have been a contributing factor.

However, interest turned positive in May, putting a stop to the region's 12-month losing streak, on resurgent expectations of an imminent ECB rate cut. The run of positive inflows extended into June as falling equities and political turbulence stirred up by early elections in the UK and France further encouraged interest in gold.

Asian gold ETFs notched up their largest quarterly inflow on record: holdings increased by 31t in Q2, largely reflecting investment in China. The bulk of these (19t) came in April, although flows were consistently positive throughout the quarter. China was again the driving force of growth, adding 26t (RMB14bn; US$2bn) in Q2 – a fourth consecutive quarterly inflow and the strongest in history.

A strong gold price performance, combined with a sluggish equity market, depreciating RMB and increased promotional efforts by ETF providers, all contributed to the increase. Japan also saw healthy inflows amid attractive local gold price gains, magnified by a weaker yen.

India also witnessed a strong quarter: net inflows of 2t took holdings to 47t – a 24% y/y increase. This positive ETF demand can in large part be attributed to a surge of inflows into multi-asset funds. Gold ETFs have benefited from these inflows, given that multi-asset funds are mandated to allocate at least 10% of their portfolio to each of three asset classes – namely equities, debt and commodities – and the strong gold price performance attracted particular attention in the latter category.

Asia registered inflows of US$3.1bn in H1, significantly outpacing all other markets and the only region witnessing positive flows. This represents the strongest ever H1 for Asian funds, mainly driven by record-level inflows in both China and Japan. Supported by record-breaking inflows and a higher gold price, the total AUM of Asian funds reached US$14bn, the highest ever, while collective holdings increased by 41t.

The opening weeks of Q3 have seen a continuation of modest inflows in both North American- and European-listed funds, while Asian-listed funds have seen a trickle of outflows.

Bar and coin

Q2 saw a 5% y/y drop in global demand for gold bars and coins to 261t. This took the H1 total to 574t, fractionally lower compared to last year. There were, however, divergences within the sector in Q2: bar investment rose 12% y/y to 184t – the highest for a second quarter since 2013 – while demand for gold coins sank 38% to 53t – the lowest quarterly total since Q2 2020. The difference can be explained by the slump in net demand in Western markets (where gold coins are more popular) contrasting with strong investment demand in markets across Asia.

It is important to note that, similar to last quarter, Western investors have continued to show strong interest in gold bars and coins, but this has been countered by equal – if not greater – selling interest as the price reached record levels, resulting in far lower net levels of demand.

China

Bar and coin demand in China had another robust quarter, surging 62% y/y to 80t. Despite a 28% seasonal q/q fall from a strong Q1, it was the best Q2 for bar and coin investment since 2013 and lifted the H1 total 65% to 190t.

During the quarter, we observed strong positive correlation between gold investment demand and the gold price: as the price soared between March and May, investors poured into bars and coins in anticipation of further gains. And as the price stabilised somewhat in June, investors waited on the sidelines for a clearer trend to emerge.

But the strong price performance was not the sole driver of robust investment demand. The wobbly economic environment is keeping investor hopes of interest rate cuts alive, particularly after the PBoC cuts earlier this year. The depreciating currency remains another driving factor as domestic investors look to gold for value preservation. Add in equity market weakness and the ongoing turmoil in the property market – once considered a reliable safe-haven – and conditions remain ripe for investors to focus on gold.

It is also worth mentioning that gold accumulation plans (GAP) – where investors can buy and sell physical gold via bank accounts – gained popularity in H1. We believe the ability to easily accumulate and sell physical gold attracted relatively shorter-term and more tactical gold investors.

We are cautiously optimistic on China's retail gold investment demand in H2. After a disappointing Q2, continued economic volatility could lead to further rate cuts (the PBoC surprised the market with a cut in late July to help bolster the economy).

Gold investment should benefit in this scenario from lower opportunity costs and the need for currency hedging. Meanwhile, structural weakness in the housing market also continues to benefit gold as a preferred alternative safe-haven asset. However, should the gold price remain stable in the second half, the investment motive could be diminished for some, given that the positive price trend was a key driver of bar and coin investment in H1.

India

Indian bar and coin investment in Q2 saw a repeat of the strong Q1, with demand of 43t (+46% y/y). Demand in H1 jumped 37% to 87t – the highest first half since 2014.

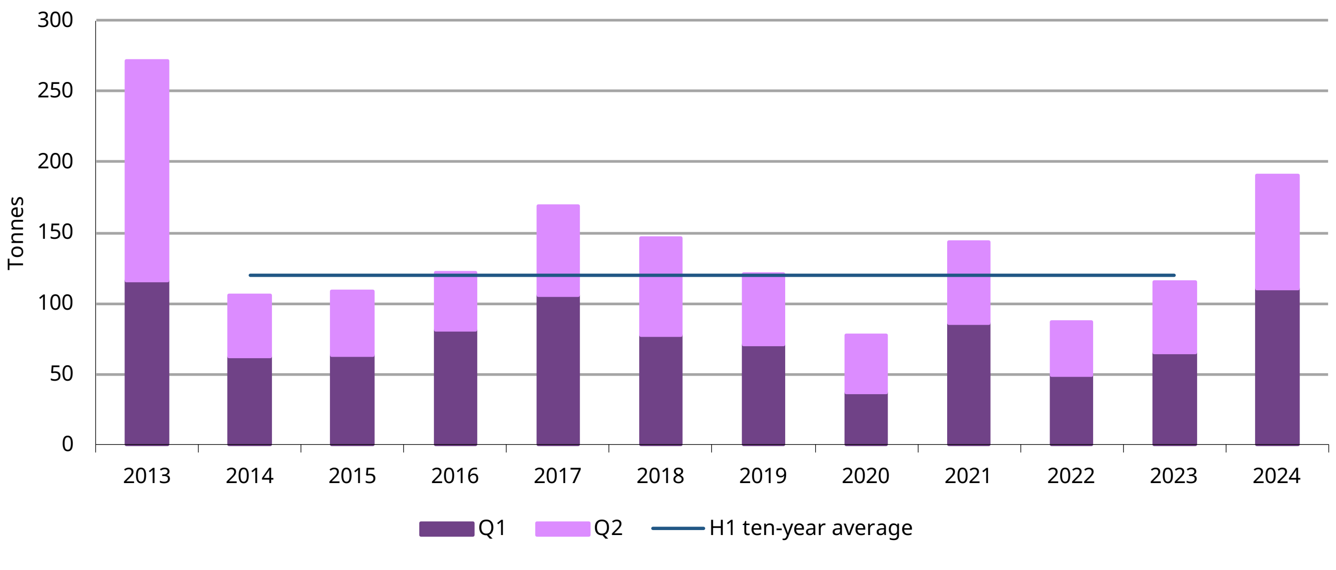
The auspicious Akshaya Tritiya festival in May boosted demand for gold investment products, as did bullish price expectations, with investors anticipating a resumption of the upward price trend following a period of correction/consolidation in late May and June.

Investment demand should remain supported as expectations are for further price rallies, with an added boost from the reduced import duty on gold. The healthy monsoon rainfall – so far – will further support demand through its positive effect on rural incomes. That outlook is tempered, however, by the likelihood of profit-taking – or at the least a notable lull in investment – should any gold price sharp rises materialise.

Middle East and Turkey

Bar and coin investment in Turkey remained very healthy at 29t, although y/y comparisons show a sharp decline (-29%) due to the high Q2'23 base. Although the pace of demand slowed considerably in Q2, it remained above the five-year quarterly average of 25t.

Chart 8: Strongest first half year for retail investment in China in over a decade
Chinese gold bar and coin investment, tonnes*



*Data as of 30 June 2024.
Source: Metals Focus, Refinitiv GFMS, World Gold Council

Consumer inflation is still exceptionally high, and remains a driving force of gold investment demand. But its effect was mitigated during the quarter as policy rates were raised to 50%, increasing the opportunity cost of holding gold and the appeal of savings accounts. Added to which, the rate rises reined in the lira depreciation and curbed the rise in local gold prices. Local premiums narrowed during the quarter as a result.

Gold investment is likely to remain robust by historical standards, but continued price strength may impose affordability constraints, while ongoing efforts by the central bank to curb inflation will likely also weigh on demand.

Despite y/y declines, gold bar and coin demand across the Middle East was robust and held firmly above longer-term average levels: Q2 investment fell 13% y/y to 28t, with a matching decline in H1 demand to 53t.

Investment demand in Q2 in Iran remained elevated at 11t, albeit 11% down on the very high level seen in Q2'23 as mild currency appreciation slightly dented investor interest. Given the continued environment of high inflation, heightened geopolitical tension and a lack of alternative investment options, we expect gold investment to remain robust.

Local currency stability was also a reason for the 27% decline in gold investment in Egypt in Q2. Improved currency stability since the March IMF bailout has boosted consumer sentiment and undermined the currency-hedge motive for investing in gold.

Saudi Arabia was the region's outlier, with a 20% y/y increase in Q2 demand to 4t. This was largely a response to positive price expectations, although the VAT exemption of high-purity gold products may have worked in its favour, too.

The West

Investment in Western markets remained healthy, but this was countered by a sharp increase in selling-back, resulting in a sharp drop in overall quarterly bar and coin demand.

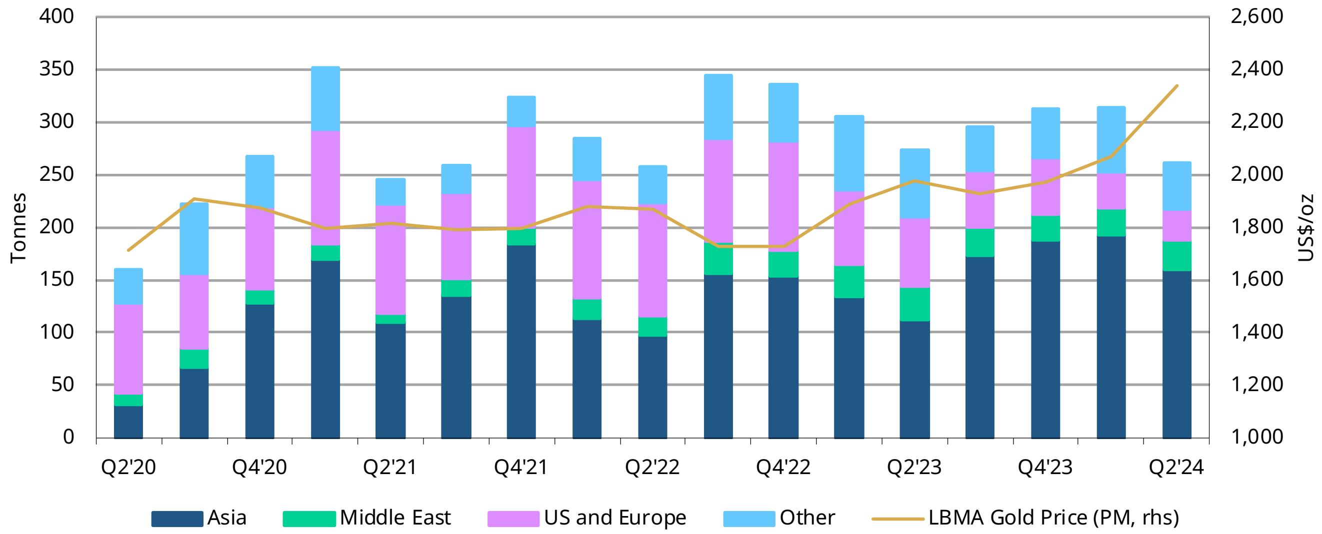
US investment was very robust at 18t – but nonetheless sharply lower y/y (-48%) due to the comparison with a very strong Q2'23. Healthy buying interest was fuelled by a combination of the high gold price – garnering headlines and attracting investor attention – as well as the environment of elevated geopolitical risk.

But liquidations ramped up, driven by a combination of distress selling (among lower income groups) and profit-taking prompted by gold's impressive price performance. Premiums on gold investment products continue to feel the squeeze from the softer demand environment.

Demand in Europe was weaker still, although again the net number here disguises a healthy level of fresh buying. Regional demand slumped 65% y/y to 11t, the lowest quarter since Q2'08, before the Global Financial Crisis hit.

Chart 9: Modest y/y decline in investment conceals diverging West and East trends

Regional quarterly gold bar and coin investment, tonnes, and the average quarterly gold price, US*



*Data as of 30 June 2024.
Source: ICE Benchmark Administration, Metals Focus, World Gold Council

German-speaking countries drove much of the decline, but Germany itself was most notable for the fact that investment was net negative (i.e. selling back outweighed fresh buying) to the tune of 2t. The last time this market saw negative investment demand was Q2'04. The profit-taking partly reflects liquidation of gold investments that have been accumulated over a long period, and the trend tapered off following the June pull back in the gold price.

Fresh demand was also restrained by high interest rates and very high gold prices creating affordability challenges amid a cost of living crisis.

ASEAN markets

Gold demand among the ASEAN countries that we monitor individually in Gold Demand Trends remained positive: all saw y/y gains, fuelled in part by currency depreciation.

Investors in Vietnam continued to seek refuge in gold to combat rising inflation, a weaker local currency and the poor performance of the local equity and real estate markets. Bar and coin demand jumped 30% y/y to 12t as a result. Total demand for H1 of 26t was the highest since 2014.

Bar and coin investment in Thailand saw 22% y/y growth to 7t. Investors continued to seek refuge in gold amid continued weakness in the local currency and concerns over economic and political stability. Online platforms for gold investment have gained in popularity, although so far, they have not had a material impact in terms of cannibalising bar and coin demand.

Investment demand in Indonesia rose by 20% y/y to 4t, with investors attracted by the higher price.

The continued erosion of value in the rupiah further encouraged investors to seek protection against currency devaluation.

Rest of Asia

Remarkably, Japanese bar and coin investment was positive in Q2, despite the stellar price performance. Demand of 1.9t during the quarter more than outweighed the 1t of net disinvestment seen in Q1. The y/y comparison was negative, however, as Q2'23 saw a strong positive response to the local price, reaching record highs at that time.

South Korean investors generated another strong quarter of growth in bar and coin demand, up 14% to 4t. That generated an H1 total of 9t, the highest since 2021 as the record price encouraged expectations of further strength.

Australia

Gold bar and coin investment in Australia dropped by 19% to 3t in Q2. Total H1 demand was 36% lower at 5t. Local currency strength inhibited the rise in the local gold price, and this may have curbed momentum-buying into a strong rising trend.

Central Banks

Central bank demand remained healthy in Q2, but lower than recent quarters

- Central bank gold demand totalled 183t in Q2, 39% lower q/q and 6% higher y/y[6]
- Net buying in H1 amounted to 483t, 5% above the previous record of 460t in H1 2023
- The results of our 2024 Central Bank Gold Reserves Survey corroborate continued strong gold demand in this sector.

Tonnes	Q2'23	Q2'24		Year-on-year % change
Central banks and other institutions	173.6	183.4	▲	6

Source: Metals Focus, World Gold Council

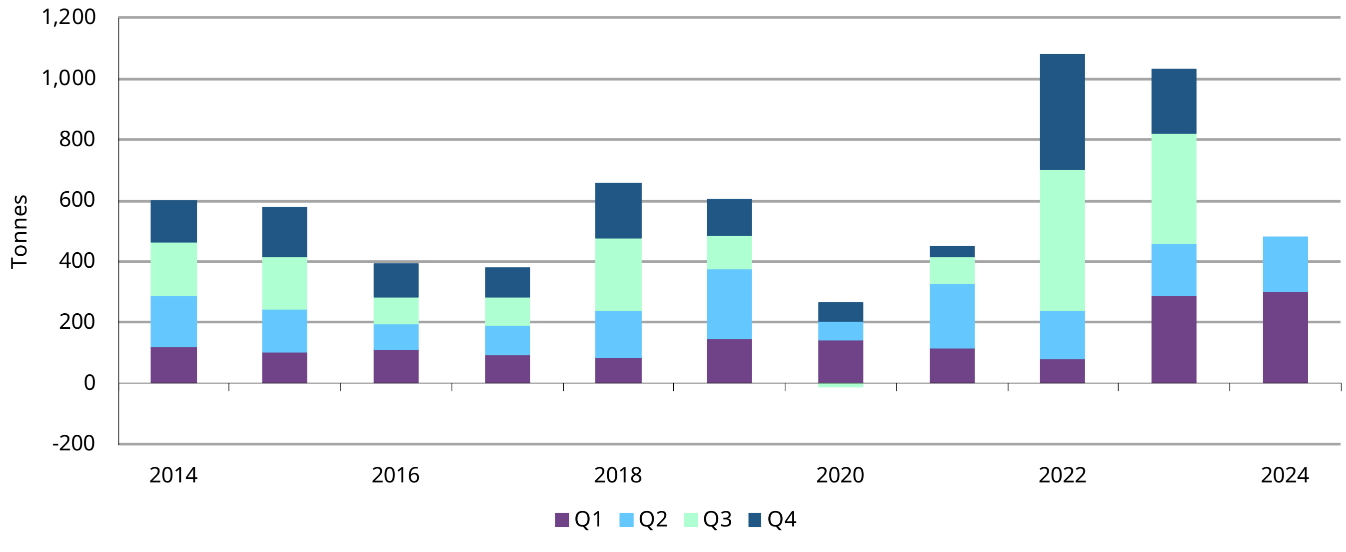
Following a record-breaking start to the year, central bank gold buying slowed sharply during Q2, falling 39% q/q to183t. But this is still a very healthy level of buying, 3% above the five-year quarterly average of 179t. And it extends the long-term positive demand trend from this sector. Combined with Q1 net purchases, central bank gold demand in H1 totalled 483t, the highest first half year in our data series.[7]

While reported buying eased during the quarter, so too did sales. Activity remained firmly driven by emerging markets (EM), with the latest quarter seeing 14 EM central banks increasing or decreasing their gold reserves by a tonne or more.[8] By comparison, only a single developed market central bank added gold during Q2.

The National Bank of Poland (NBP) became the joint largest buyer in Q2. The bank's first purchase since Q4 2023 added a net 19t to its gold reserves and lifted its total gold holdings to 377t, accounting for 13% of total reserves. At a news conference in early June, Governor Adam Glapinski reiterated his plan to increase gold's share of total reserves to 20%.[9]

Chart 10: Central bank gold demand in H1 was the highest on record

Central bank gold demand by quarter*



*Data as of 30 June 2024.
Source: Metals Focus, World Gold Council

6. As reported at the time of writing. For purposes of Gold Demand Trends, central bank demand is defined as net purchases (i.e. purchases less sales) by central banks and other official sector institutions, including supra national entities such as the IMF and sovereign wealth funds where applicable. Our quarterly central bank demand data is sourced from Metals Focus, whose proprietary estimates of official sector activity incorporate various sources, including IMF IFS, international trade data, and others. As such, IMF IFS publicly reported data is a subset of the central bank gold demand reported in Gold Demand Trends. Both data sets are subject to revision as new information is made available and/or to accommodate late or updated data reported by official institutions.
7. Our quarterly data series extends back to 2000.
8. Country-level data correct at the time of writing. Due to lags in reporting and the timing of publication of Gold Demand Trends, not all country-level data will reflect the full quarter.
9. Poland to dramatically boost gold reserves | TVP World, 10 May 2024.

The Reserve Bank of India (RBI) continued its gold buying streak in Q2 – also adding 19t to its gold reserves. The RBI has added gold every month so far this year, with y-t-d net purchases totalling 37t – more than its annual net buying in both 2022 (33t) and 2023 (16t).

In April, Governor Shaktikanta Das stated:,"we are building up gold reserves, the data is released from time to time…".[10] Its gold reserves now sit at 841t, or 10% of total reserves.[11]

The Central Bank of Turkey added 15t to official gold reserves in Q2, taking its y-t-d net purchases to 45t, the largest of any central bank.[12] Unlike H1 last year, which saw heavy selling from the central bank (net sales of 102t) to relieve local market tightness, buying this year has been uninterrupted throughout the quarter. Total official gold reserves now stand at 585t (34% of total reserves).

The Central Bank of Uzbekistan (7t), Czech National Bank (6t), Central Bank of Qatar (4t), Central Bank of Russia (3t), Central Bank of Iraq (3t), Central Bank of Jordan (1t) and National Bank of the Kyrgyz Republic (1t) were the other buyers of note during Q2. The Monetary Authority of Singapore (4t) was the only developed market central bank to report an increase in gold reserves during the quarter.

The People's Bank of China (PBoC), reported a sharp slowdown in its gold buying during Q2. Following a 2t net purchase in April, no further changes to its gold reserves were reported in May or June. Between November 2022 and April 2024, the PBoC reported gold buying of 316t, taking its gold reserves to 2,264t. Owing to the rally in the gold price this year, gold now accounts for 5% of the PBoCs total reserves, the highest share since 1996.

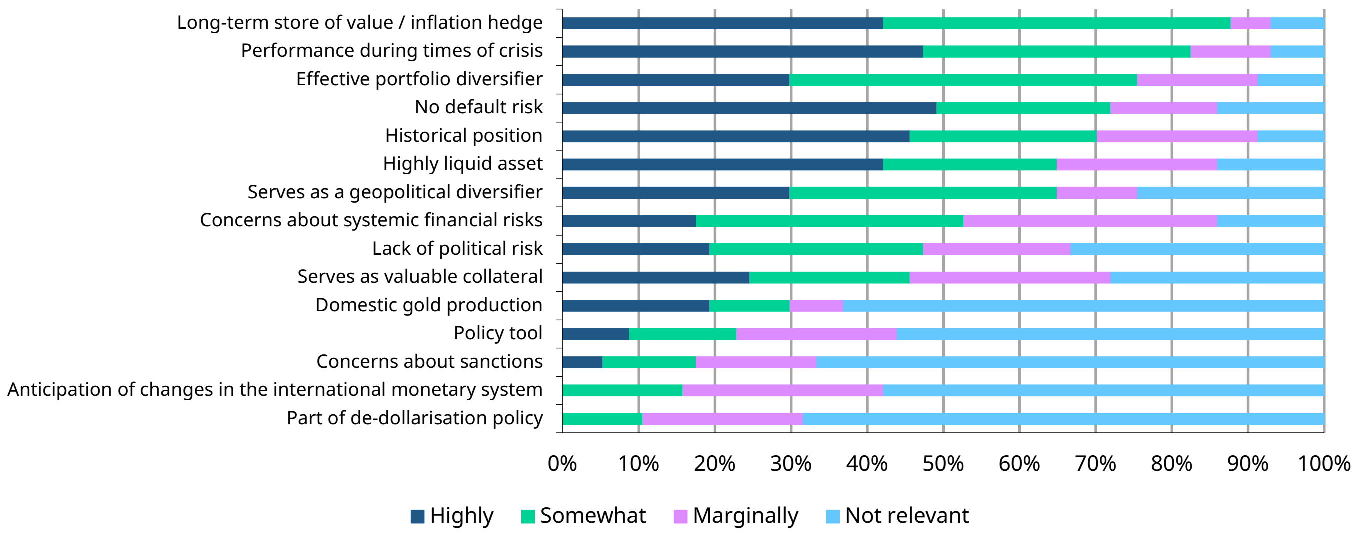
Some net sales also took place during the quarter, although they were modest in comparison to net buying. Only two central banks saw their gold reserves decline by a tonne or more: the Central Bank of the Philippines (12t) and the National Bank of Kazakhstan (12t).

Similar to previous quarters, the unreported component of demand was significant in Q2. This element of our official sector demand estimate accounted for 67% of the total.

During Q2, both the Reserve Bank of India and the Central Bank of Nigeria were reported to have repatriated gold from the UK and US respectively.[13,14] Such activity represents a change only in location - not ownership - of gold, and therefore has no impact on our demand estimates. It does, however, highlight the fact that some banks place importance on domestic storage of gold.

Chart 11: Gold's role as a hedge and diversifier are front and centre for central banks

How relevant are the following factors in your organisation's decision to hold gold?*



*Base: All central banks that hold gold (57); advanced economy (18); EMDE (39). Ranked by "highly relevant" plus "somewhat relevant".
Source: YouGov, World Gold Council

10. Transcript of the Reserve Bank of India's Post-Monetary Policy Press Conference: 5 April, 2004.
11. Our central bank gold reserve rankings can be found here: Central Banks Gold Reserves by Country | World Gold Council.
12. 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.
13. RBI sources explain why India brought back 100 tonne of gold reserves from the UK | Latha Venkatesh, 1 June 2024.
14. Nigeria repatriates gold reserves amidst concerns over US economy | Mike Ikem, 22 April 2024

The outlook remains positive for central bank gold demand; a view supported by the findings of our recent central bank survey, in which 81% of respondents say they expect global central bank gold holdings to increase in the next 12 months and 29% expect their own institution's gold reserves to rise.

The survey also highlights the top reasons for central banks to hold gold, among which safety seems to be a primary motivation. Respondents indicated that its role as a long-term store of value/inflation hedge, performance during times of crisis, effectiveness as a portfolio diversifier, and lack of default risk remain key to gold's allure.

Based on the first half of the year, and the findings from our survey, we maintain our expectation that central banks will remain significant net purchasers throughout 2024. On current form, central banks appear on course for another sizeable annual total, but it remains to be seen whether this will match or exceed the volumes of the previous two years.

Technology

AI and high-performance computing applications drove Q2 ongoing gold demand recovery

- Gold used in industrial applications rose 11% y/y to 81t during the quarter, with a similar y/y increase in H1 demand to 162t
- This growth was driven by the electronics sector, which saw a 14% y/y increase in Q2 to 68t
- Gold used in other industrial applications was unchanged y/y at 11t, while dental demand continued its long-term decline, down 5% y/y to 2t.

Tonnes	Q2'23	Q2'24		Year-on-year % change
Technology	72.8	81.1	▲	11
Electronics	59.1	67.6	▲	14
Other Industrial	11.3	11.3	▼	0
Dentistry	2.4	2.3	▼	-5

Source: Metals Focus, World Gold Council

The continued recovery of demand in the technology sector in Q2 was primarily due to high-end chips used in growing application areas such as AI and high-performance computing. Q2 also saw further recovery in consumer electronics demand, albeit at a moderate pace – although this may accelerate in Q3 as major smartphone manufacturers launch new models.

Electronics

Gold used in the electronics industry saw the third successive quarter of double-digit y/y growth. Most major chip manufacturers have reported strong demand and results. SK Hynix and Micron, two of the world's largest memory chip manufacturers, have reported that their 2024 stock of high-end memory chips is already sold, with much of 2025's production also reserved.[15] Samsung is forecasting its Q2 revenue to rise by 23%, thanks to 'skyrocketing' AI chip demand.[16] More generally, the World Semiconductor Trade Statistics Group anticipates a robust 18 months; it is forecasting 16% growth across the semiconductor market in 2024.[17]

Gold used in Light Emitting Diodes (LEDs) experienced modest y/y growth during Q2. Demand for displays and flat panels has been strong thanks to major sporting events (in particular EURO 2024 and the Paris Olympics). In response, manufacturers moved production forward into H1 and this saw capacity utilisation rates increase. It is uncertain whether this level of growth will be maintained as display demand returns to normal over the remainder of the year. Other LED applications continue to be developed; examples include air and water purification and food preservation. As household devices increasingly adopt these types of features, orders are likely to grow. High-end infrared LEDs also continue to gain traction with increased use across a range of applications, including automotive, charging station infrastructure, advanced driver assistance systems and robotics.

Printed Circuit Board (PCB) demand also rose during the quarter. This was driven by growing shipments of high-end PCBs, which contain higher concentrations of gold, and strong demand for server and satellite applications. As reported in Q1, structural change continues in the sector with manufacturing capacity increasing in many South East Asian regions; Taiwan province of China, for example, has entered the market and is expanding into new applications.

Memory chip demand remained strong during Q2. This was driven by rapid growth in demand for AI and high-performance computing infrastructure, critically important applications in the sector. Recent quarters have seen significant growth in demand for High Bandwidth Memory (HBM)[18] chips to serve the high-performance computing sector, and all major manufacturers are ramping up production to meet these needs. The recovering consumer electronics sector also offered support, with heightened demand for PCs, smartphones and servers. This is expected to continue into H2, suggesting a strong year for memory chip manufacture overall.

The wireless sector continued its recovery with another strong quarter. Power amplifier demand was strong across the smartphone and WiFi infrastructure sectors in preparation for the peak Q3 season. Manufacturer utilisation rates increased in parallel. This was further bolstered by ongoing growth in demand from both the automotive sector and Low Earth Orbit Satellites (LEOs), which have seen a huge increase in launches; Starlink, for example, launched its 6,000th satellite into space earlier this year.[19] The outlook for wireless demand is strong thanks to ongoing integration of communication systems around the world, and the need for infrastructure to support that effort.

15. AI boom to keep supply of high-end memory chips tight this year, analysts warn, Sheila Chiang, 13 May 2024 | cnbc.com.
16. Samsung Expects Q2 Profits to Soar Near 1,500% Thanks to AI Chip Demand, John Lopez, 5 July 2024 | techtimes.com.
17. World Semiconductor Trade Statistics, 4 June 2024 | wsts.org.
18. What is HBM (High Bandwidth Memory)?, 5 February 2024 | simms.co.uk.
19. SpaceX launches 6,000th Starlink satellite on Friday night flight, Mike Wall, 16 March 2024 | space.com.

At an aggregate level, all major electronics fabrication hubs around the world recorded a y/y increase in gold demand during the quarter: Japan19t (+27%); South Korea 7t (+34%); US 17t (+4%), and China[20] 20t (+14%).

Other industrial and dentistry

Demand in other industrial applications was unchanged y/y at 11t during Q2. Italy saw lower accessory sales while Indian offtake fell due to the country's elections, fewer weddings and thrifting in *jari* (a gold thread used in saris). But this was largely offset by growing demand for gold-plated jewellery in China. Dental demand during the quarter slid by another 5% y/y to 2.3t due to ongoing structural losses.

20. Mainland China and Hong Kong SAR.

Supply

Total Q2 gold supply rose 4% y/y; mine production increased 2% to a H1 record

- Total gold supply increased 4% y/y in Q2, with mine production and recycling both contributing
- Total H1 supply was 1% higher y/y at 2,441t, driven by 2% growth in mine production to a record H1 level
- Recycled gold volumes in Q2 rose 4% y/y, lifting the H1 total to its highest level since 2012.

Tonnes	Q2'23	Q2'24		Year-on-year % change
Total supply	1,207.9	1,258.2	▲	4
Mine production	899.7	929.1	▲	3
Net producer hedging	-15.7	-6.3	-	-
Recycled gold	324.0	335.4	▲	4

Source: Metals Focus, World Gold Council

Total gold supply increased in Q2 by 4% y/y. This was driven by strong mine production of 929t – an all-time Q2 high in our data series, which dates back to 2000 – and a 4% y/y increase in recycling to 335t. Preliminary estimates also suggest the net producer hedge book decreased by 6t in Q2, although the timing of this publication makes net producer hedging estimates subject to potentially meaningful revisions once the majority of mining companies have released their quarterly reports.

Mine production

Early data for Q2 suggests that mine production increased 3% y/y to 929t, the strongest second quarter production level in our quarterly series going back to 2000, beating the previous 900t record set last year.

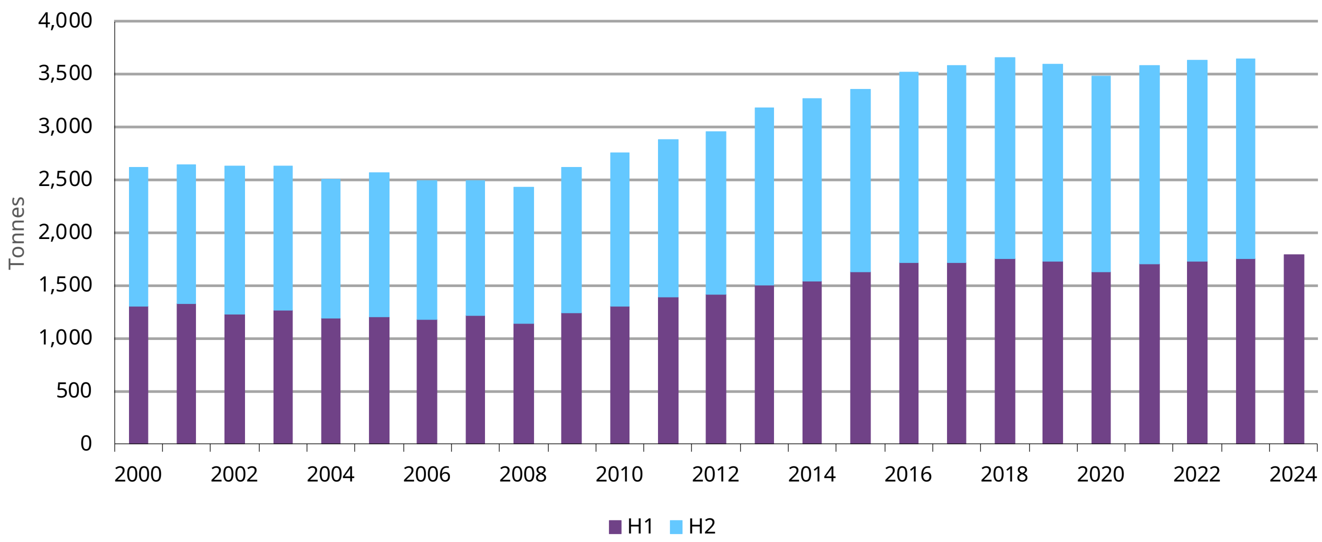
Combined with Q1 production of 859t – also a record for the time of year – this generated record H1 mine production of 1,788t – 2% more than the previous high set in H1 2023.

Note, however, that there is scope for revisions to the second quarter (and first half) mine production totals, due to the corporate reporting timetable and additional data on artisanal and small-scale gold mining (ASGM) becoming available in due course. As an example of how this data can change, our initial estimate for Q1 mine production of 893t – published in Gold Demand Trends Q1 2024 – has now been reduced to 859t to reflect updates from Metals Focus that accompanied this quarter's dataset. These changes mean that Q1 production increased only 1% y/y...nevertheless, a new first quarter record.

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. Similarly, South Africa's gold mining industry is subject to reduced output during the long summer holidays over Christmas and the New Year.

Chart 12: Mine production hit an all-time H1 high in 2024

Mine production in tonnes*



*Data to 30 June 2024.
Source: Metals Focus, Refinitiv GFMS, World Gold Council

Four countries reported notable increases in mine production in Q2:

- The largest increase was in **Indonesia** (+25% y/y), where higher grade mining occurred as the Batu Hijau mine moved into its phase seven operations.
- Mine production increased 23% y/y in **Canada** as three new mines – Côté, Premier and Greenstone – entered production, and a further ramp up was seen from the Magino mine. Improved production is also expected at other operating mines.
- Production in **Côte d'Ivoire** is estimated to have jumped 22% y/y as the Abujar and Seguela mines continue to ramp up.
- A return to normal operating levels in Inner Mongolia following suspensions due to flooding, generated a production increase of 4% y/y in **China**.

In contrast, operations in some countries were hit by a mix of ore body depletion, lower grades and, in the case of Mali, permitting delays:

- In **Mexico**, production fell 24% y/y as La India ceased mining operations with a transition to residual leaching.
- **Australian** mine production is estimated to have fallen 9% y/y. Although Tropicana is expected to report higher production in Q2, this is likely to be outweighed by lower output from numerous operations, including Cadia Valley, Boddington and Fosterville.
- In **Mali** production declined at Fekola as the mine has not yet received a permit for the Fekola Regional area. Mine production is anticipated to have fallen 4% y/y.
- In **Russia** processing of lower grade ore at Olimpiada and Kupol is likely to have reduced gold output 2% y/y.

Regionally, Asia saw the most significant increase – up 8% y/y driven by higher output from Indonesia and China – followed by a 5% increase in South America. Lower Australian output resulted in Oceana posting the weakest regional result, with mine production down 6% y/y.

Despite higher production, mining costs continued to increase at the start of 2024. In Q1 – the latest quarter for which we have data – all-in sustaining costs (AISC) increased by 10% y/y to reach a record quarterly high of US$1,439/oz. Since 2020 industry costs 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, Metals Focus data suggests that mine production will hit a new all-time high in 2024, surpassing the prior record of 3,658t set in 2018.

Net producer hedging

Initial estimates suggest that the net hedging position of the gold mining industry declined in Q2, although at a much slower rate. Initial estimates suggest a reduction of 6t in the second quarter following a (much) revised contraction of 24t in Q1 (from a prior estimated of -5t). Almost all the reductions in hedged positions occurred through deliveries into maturing positions, not all of which were renewed.

The aggregate producer hedge book is estimated to have fallen by 31t over the first half of 2024. By comparison, additions of 23t were seen in H1'23 and 27t in H1'22.

At the end of Q2 the aggregate producer hedge book is estimated to stand at about 210t, the lowest for a year and a far cry from the total of more than 3,000t seen at the turn of the century.

Recycled gold

Second quarter gold recycling increased 4% y/y to 335t. This marks the highest second quarter volume since Q2'12, but recycling was lower compared to the previous quarter, down 4% q/q.

Record high gold prices (in all currencies) triggered a modest y/y increase in recycling supply, but a q/q fall. At first glance the quarterly decline may seem surprising, given the responsiveness of recycling to the gold price in some markets. The global total was supressed by a large decline in Indian recycled supply (discussed below), without which global recycling would have increased 9% y/y and would have been essentially flat q/q.

The largest contributor to growth in recycling supply was **Europe**, which, after relatively unexciting volumes over the past few quarters, saw a significant response in the Q2. The trigger appears to be price-related, with euro-denominated gold exceeding EUR70/g at the start of April. This sparked a lot of media headlines and, together with limited evidence of consumer distress in some markets, ignited a wave of selling back jewellery. Anecdotally, gold price stability in June saw European recycling flows slow, but a further jump in flows would likely be expected if local gold prices exceed psychologically important levels again.

In contrast to Europe, North America saw a more subdued increase in recycling activity: only Canada saw a marked increase in volumes, again likely related to the price breaking a 'big figure' level – in this case CAD3,000/oz – and generating headlines. With the US economy continuing to out-perform most countries there were fewer triggers for a material increase in recycling volumes.

Increased recycling activity in Turkey and the Middle East was largely currency-related. In Egypt, the long-awaited agreement with the IMF saw the Egyptian pound fall sharply and then stabilise at weaker levels. The subsequent increase in recycling supply demonstrated that gold holders had anticipated this reaction and when local gold prices surged, they took advantage of the higher price to liquidate old gold jewellery. Currency stability in Iran, although not triggered by an IMF deal, caused a similar response to higher gold prices. In Turkey, relative currency stability, after a long run of weakness in the Turkish lira, appears to have prompted a boost in recycling flows.

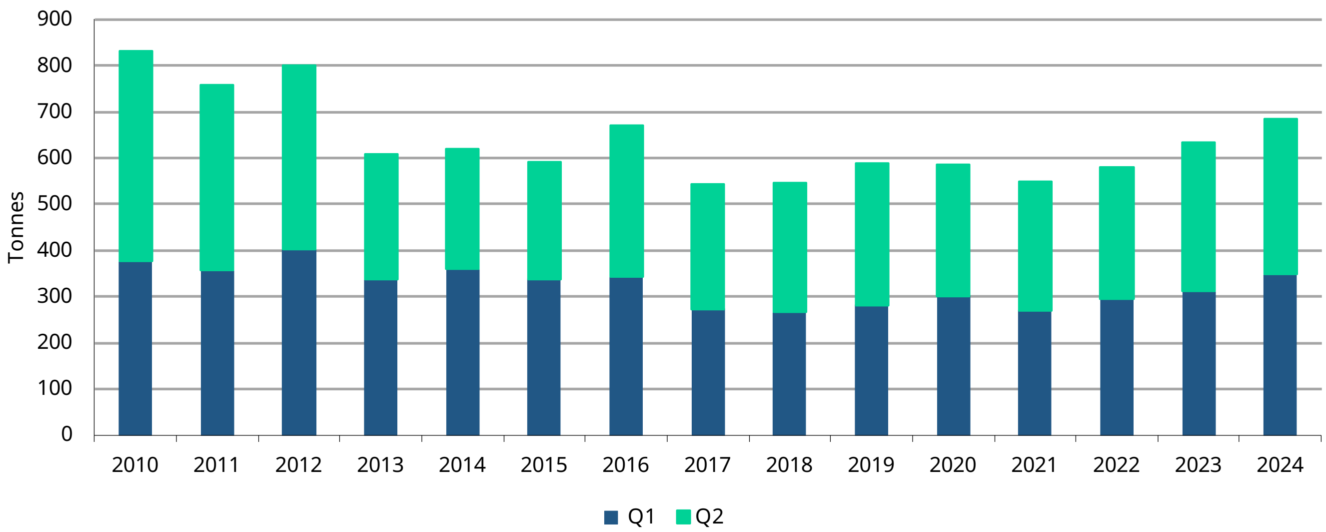
Higher prices and depressed consumer sentiment in China triggered an increase in recycling supply volumes, further enhanced by jewellery store closures and accompanying inventory liquidation. In marked contrast, the rest of the East Asian region saw a slump in recycling volumes (both y/y and q/q) due to both depleted near market stocks and expectations of further gold price gains.

Finally, the notable decline in recycling volumes in the South Asian region was driven entirely by behaviour in India. Other countries in the region performed much more in line with global trends. The lower recycling volumes in India reflected a surge in both gold loans against jewellery and the exchange of old gold jewellery for new. Our data methodology nets out 'gold-for-gold exchange', excluding it from both recycled supply and gold jewellery consumption. Adding this element into the gross total shows that scrap volumes increased by 5%. The contrast between sizable gold-for-gold exchange transactions and the rise in gold loans against relatively low outright sales of old gold jewellery suggests that consumer distress is not a driving factor and that perhaps holders of surplus, old jewellery are expecting further price increases.

The past few quarters have demonstrated that the prevailing gold price is only one motivating factor in the level of recycling supply. Expectations of further gains in gold – or weakness in local currencies – is important too, as well as domestic economic performance and overall consumer sentiment. Divergent performance of major economies will probably make the outlook for recycling supply as nuanced in coming quarters as has been the case recently, but it is worth reiterating that absolute levels of recycling supply, although recently increased, are far below the highs seen during the Global Financial Crisis and have yet to exceed levels reached during the pandemic.

Chart 13: Recycled gold volumes increased to 684t in H1, the highest first half since 2012

Rolling 4-quarter total of recycled gold in tonnes*



*Data to 30 June 2024.
Source: Metals Focus, Refinitiv GFMS, 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

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 https://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.

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 https://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: https://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: https://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 https://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.

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).

World Gold Council

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 trusted 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:

Data sets and methodology visit:
www.gold.org/goldhub/data/gold-supply-and-demand-statistics

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