30 years
of Gold Demand Trends

WORLD GOLD COUNCIL

GDT 30

About the World Gold Council

We're the global experts on gold.

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

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

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

For more information

Research:

Jeremy De Pessemier, CFA
jeremy.depessemier@gold.org
+44 20 7826 4789

Johan Palmberg
johan.palmberg@gold.org
+44 20 7826 4786

Krishan Gopaul
krishan.gopaul@gold.org
+44 20 7826 4704

Juan Carlos Artigas
Global Head of Research
juancarlos.artigas@gold.org
+1 212 317 382

Louise Street
louise.street@gold.org
+44 20 7826 4765

Mukesh Kumar
mukesh.kumar@gold.org
+91 22 6157 9131

Ray Jia
ray.jia@gold.org
+86 21 2226 1107

Market Strategy:

Joseph Cavatoni
Chief Market Strategist, North America
joseph.cavatoni@gold.org
+1 212 317 3844

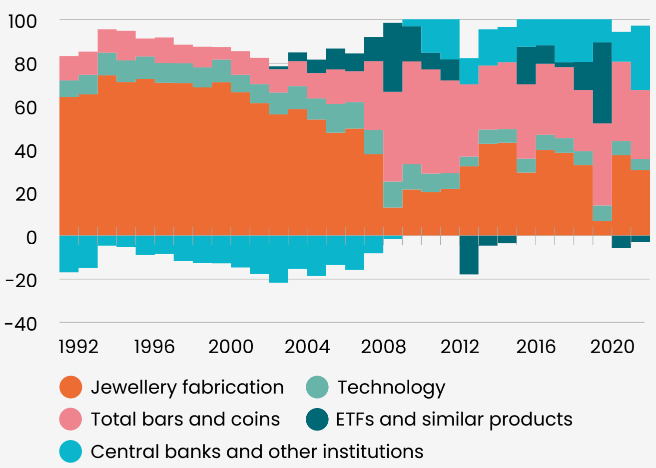
John Reade
Chief Market Strategist, EMEA and APAC
john.reade@gold.org
+44 20 7826 4760

Gold market insights over the past 30 years

Over the past three decades the gold market has undergone extraordinary change. The structure and dynamics of demand and supply are vastly different from those of thirty years ago. Yet amid this transformation, our quarterly report – Gold Demand Trends (GDT) – has been a constant.

Since its introduction in late 1992 GDT has been an insightful and reliable source of the most comprehensive data and analysis available on the global gold market.[1] To mark the report's thirtieth anniversary, we look back at some of the significant events that have come to define the modern gold market and helped cement the integral role that gold plays as a strategic investment.

Chart 1: The changing structure of the gold market since 1992*



*Data as at 31 December 2022.

A more diverse – and robust – market

Over the past thirty years the gold market has materially evolved, becoming more diverse both from demand and supply perspectives (**Chart 1**).

Back in the early 1990s gold was predominantly driven by consumers. Net fabrication demand – jewellery and technology – accounted for the vast majority of gold demand from 1992-2002.[2] In contrast, during the past decade net fabrication has made up a healthy but smaller 44% of annual average gold demand, reflecting developments within the gold industry, the macroeconomic backdrop, and changes in the gold price. Jewellery and technology demand also now play an important balancing counterpart to investment and central bank demand. Combined, gold's role as a consumer good and investment asset underpin its unique dual nature and effective role as a diversifier.

The geographical spread of demand has also changed over the past thirty years. When the first GDT was published Asian demand made up 45% of the world total. Today, the region makes up almost 60%, led by transformational economic growth, especially in India and China. This is a clear illustration of wealth expansion as one of the most important drivers of gold demand over the long run.

Supply has evolved too. Annual gold mine production has grown from 2,270 tonnes (t) in 1992 to 3,612t at the end of 2022 – just below the growth rate that demand has experienced over that period. And, at the same time, the geographic dispersion of mine production has widened. Not only is mine production more diverse than ever, but it is evenly split along regional lines (**Chart 2**). This is a key strength of the gold market and one reason that it maintains low volatility.

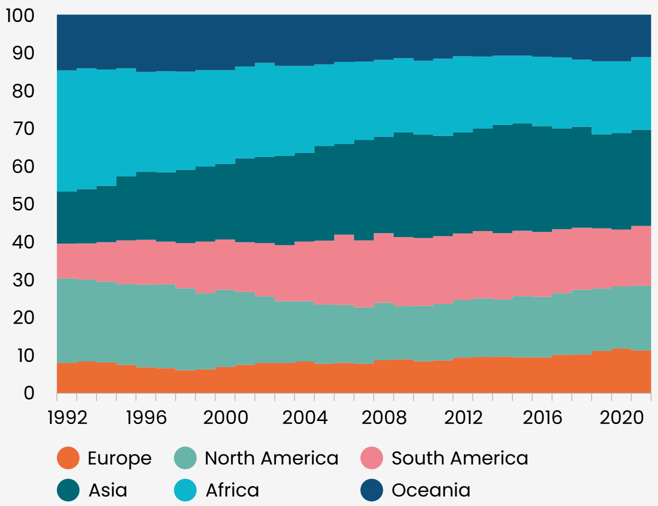
1 The first issue of Gold Demand Trends covered Q3 1992 and was published around November of that same year.

2 Jewellery and technology demand net of recycling.

Dispersion allows for more stability in primary supply and reduces the risk of supply shocks, a feature already supported by gold's abundant above-ground stock.

This is not the only change we've seen in relation to mine production. Over the last three decades the industry has made a greater socio-economic impact in the areas in which it operates. And in recent years the industry has made great strides in its efforts to decarbonise.

Chart 2: Global gold production has become more geographically diverse in the last 30 years*



*Data as of 31 December 2021.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

New sources of demand

Gold investment itself has also become more diverse. The advent of gold ETFs in 2003 opened up a significant source of gold demand and, over the course of almost 20 years, they have amassed 3,473 tonnes of gold holdings worth US$203bn. What was initially a largely regional phenomenon now boasts more than 100 physically-backed gold ETFs available across the globe, giving investors liquid alternatives to add gold to their portfolios.

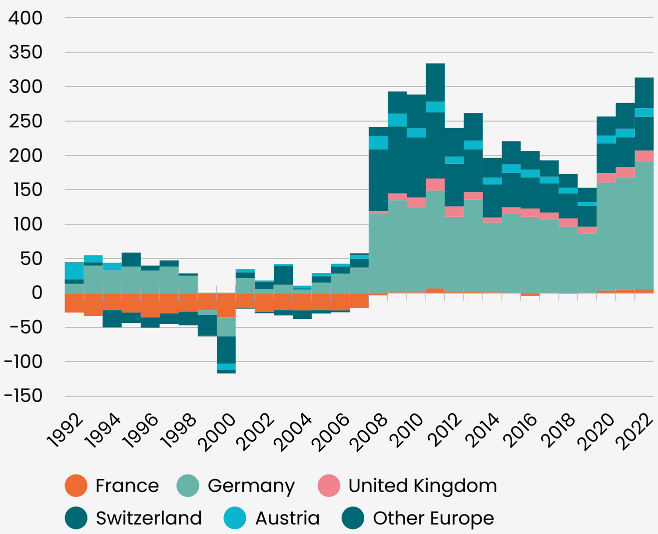
Bar and coin investment has also remained popular worldwide. But most notably Europe is now one of the biggest regional gold investment markets in the world, accounting for around 20% of annual global bar and coin demand in 2022.

European investors often highlight gold's role as a store of wealth and its inflation hedging properties as key reasons they value it so highly. In some markets, such as Germany, historic episodes of hyperinflation and currency extinction mean that the need for financial diversification is deeply ingrained, often spanning generations.

This stands in stark contrast to the size of European investment demand prior to the Global Financial Crisis (GFC). Before 2008 the region had been a net seller of gold, with average annual investment demand totalling -9t between 1992 and 2007.

The advent of the GFC, and the subsequent Sovereign Debt Crisis that engulfed Europe, brought to prominence assets such as gold with which investors could protect their wealth. As a result, European investment demand jumped over 500% y-o-y reaching 238t in 2008 as the true scale of the crisis came to light (**Chart 3**). And this reaction has been no short-lived phenomenon: European investment demand has averaged 242t per year since 2008 (inclusive).

Chart 3: European bar and coin demand surged following the Global Financial Crisis*



*Data to 31 December 2022.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

India and China rise as super consumers

When we first published GDT, India and China accounted for less than 20% of total annual consumer demand combined. Today these two countries make up nearly 50% (**Chart 4**).[3]

The Indian gold revolution started earlier, in the early to mid 1990s when policy changes allowed the market to flourish, growing from 340t in 1992 to 774t by the end of 2022.[4] Gold's cultural significance in India is deep and ingrained, closely linked to its history, culture and religion. Gold jewellery plays an important part in festivals and weddings but it is prominent in India's investment landscape too, where both rural and urban consumers view it as a store of value. Most recently, mandatory hallmarking for gold jewellery was introduced in 2021, followed by launch of International Bullion Exchange in 2022. These latest developments should help maintain India's status as one of the leading consumer and trading hubs for gold.

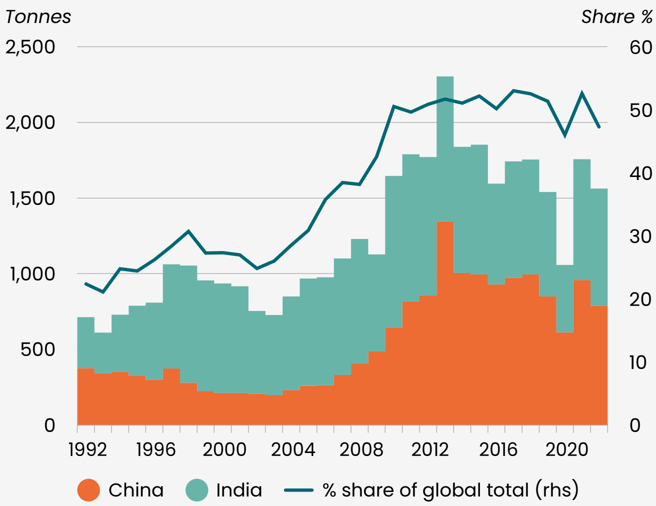
China's role in today's global gold market is almost unrecognisable from that of thirty years ago. Gold has long played a culturally important role in China. But for half of the last century individuals were banned from buying and trading gold. Gradual easing of restrictions during the 1990s culminated in the Shanghai Gold Exchange being set up in 2002, with full market liberalisation complete in 2004. The nation's gold consumers responded swiftly: demand for gold jewellery, bars, and coins ballooned.

China's annual gold consumption has risen five-fold – from a little over 375t in the early 1990s to a record high of 1,347t in 2013. Since then, China has been the world's largest gold consuming country.

Not only that, but it has also become the largest single producer and its central bank has added significant volumes of gold to its official reserves.

This surge in demand was not just an expression of exuberance by Chinese investors free to buy gold. It was also driven by explosive economic growth, rapid urbanisation and the desire for a simple alternative to the limited range of investments available domestically. The industry, acknowledging this desire for gold investment products, responded with innovation and speed.

Chart 4: China and India have become the dominant gold markets*



*Data as of 31 December 2022. Note: consumer demand comprises jewellery and bar and coin demand.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

3 As of 31 December 2022.

4 Demand measure comprises jewellery, bar and coin, and ETF demand.

Gold's long-established role as a central bank reserve asset

In the first two decades of GDT's publication central banks were net sellers of gold (**Chart 5**). During the 1990s and 2000s these institutions – particularly in Western markets – looked to reduce their substantial gold holdings after the collapse of the gold standard and Bretton Woods systems. The Central Bank Gold Agreement was first introduced in 1999 as means to regulate these sales.[5]

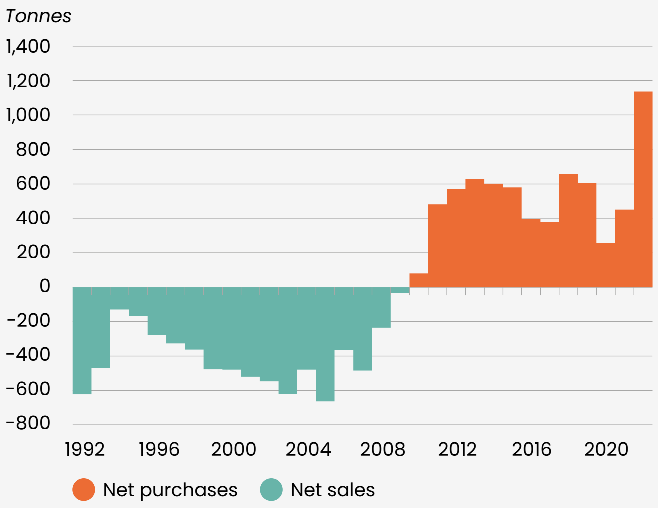
But the GFC served as a catalyst to change reserve managers' mindsets towards gold. By 2010 central banks had become net buyers of gold on an annual basis, as slowing sales from Western markets and increased buying from emerging markets eventually tipped the scales. Since then, central banks – particularly those in emerging markets – have added 6,815t of gold between 2010-2022 with the pace of purchasing accelerating in recent years. Towards the end of 2022 official global gold reserves stood at over 35,000t, representing almost a fifth of the above-ground stock. And our most recent central bank survey shows that this appetite for gold continues; gold's performance in times of crisis, its characteristic as a store of value over the long term and its high liquidity were all key reasons for central banks to hold gold.

Investors have benefitted from gold's evolution

Changes within the gold market have a much greater significance than merely historical fact: they contribute to its price performance, relatively low volatility and effectiveness as a diversifier.

Over the past thirty years the gold price has increased more than six-fold, from around US$330/oz when GDT was first published to US$1,814/oz by the end of 2022.[6] With a 5.8% annualised return over the period, gold has outperformed cash, bonds and commodities (**Chart 6**). Gold has also maintained a very low average correlation to stocks, even rising in times of turmoil and performing positively in five out of the past seven recessions, helping investors to reduce their portfolio losses.

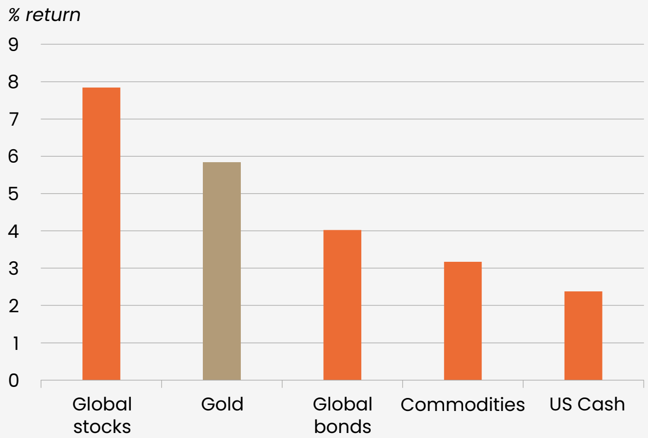
Chart 5: Central banks have switched from net sellers to net buyers*



*Data as of 31 December 2022.

Source: Metals Focus, Refinitiv GFMS, World Gold Council

Chart 6: Gold has outperformed many other mainstream assets over the past three decades*



*Returns from 31 December 1992 to 31 December 2022. Computations in US dollars for 'US cash': ICE BofA US 3-Month Treasury Bill Index; 'Global bonds': Bloomberg Barclays Global Bond Aggregate Index; 'Global equities': MSCI World Total Return Index; 'Commodities': Bloomberg Commodity Total Return Index; and 'Gold': LBMA Gold Price PM USD.

Source: Bloomberg, ICE Benchmark Administration, World Gold Council

5 The CBGA, initially called the Washington Agreement on Gold, was announced on 26 September 1999. The CBGA was renewed three more times, finally expiring in 2019 when it was no longer deemed necessary by its (mainly) European signatories.

6 Based on the LBMA Gold Price PM in USD.

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

T +44 20 7826 4700
F +44 20 7826 4799
W www.gold.org

Published: January 2023