

Crunch led to a 64% rise in demand for gold in '08

While demand for gold from industry and for jewellery was capped by the global downturn, the demand for gold as an investment stormed 64% in 2008.

As shares on stock markets around the world lost an estimated \$14 trillion in value, identifiable investment demand for gold, which incorporates exchange traded funds (ETFs) and bars and coins, was 64% higher in 2008 than in 2007, equivalent to an additional inflow of \$15 billion.



The most striking trend across the year was the reawakening of investor interest in the holding of physical gold. Demand for bars and coins rose 87% over the year with shortages reported across many parts of the globe.

'Whilst current market conditions have impacted consumer spending on jewellery, purchasers in many of the key gold markets understand gold's intrinsic investment value and continue to buy,' said Aram Shishmanian, the new CEO of World Gold Council.



'The economic downturn and uncertainty in the global markets, that has affected us all, is unlikely to abate in the short term. Consequently, I anticipate that gold, as a unique asset class, will continue to play a vital role in providing stability to both household and professional investors around the world,' he added.

Demand for the safe haven asset rose 29% to \$102 billion in dollar terms and 4% in tonnage terms, according to World Gold Council's ("WGC") Gold Demand Trends report.

Jewellery demand rose 11% in dollar terms but slipped 11% in tonnage terms to 2,138 tonnes and industrial demand fell 7% to 430 tonnes as reduced consumer spending on items such as laptops and mobile phones had a knock-on effect on gold demand.

Total demand remained very strong in the fourth quarter of 2008, up 26% on the same period last year at 1036 tonnes or \$26.5bn in value terms. The biggest source of growth in demand for gold in the fourth quarter was investment as investment demand reached 399 tonnes, up from 141 tonnes in fourth quarter 2007 - a rise of 182%. The main source of this increase was net retail investment, which recorded a 396% increase. The most dramatic surge was in Europe.

ETF holdings broke new records during the quarter. Although the net quarterly inflow was down on the levels of the previous quarter, the growth rate on Q4 2007 was a strong 18%.

Total demand in India, the world's largest gold market, in the fourth quarter was up 84% in tonnage terms, led by a very strong 107% rise in jewellery demand, underpinned by investment attributes of gold. This phenomenon has to be set against a very weak Q4 2007, however.