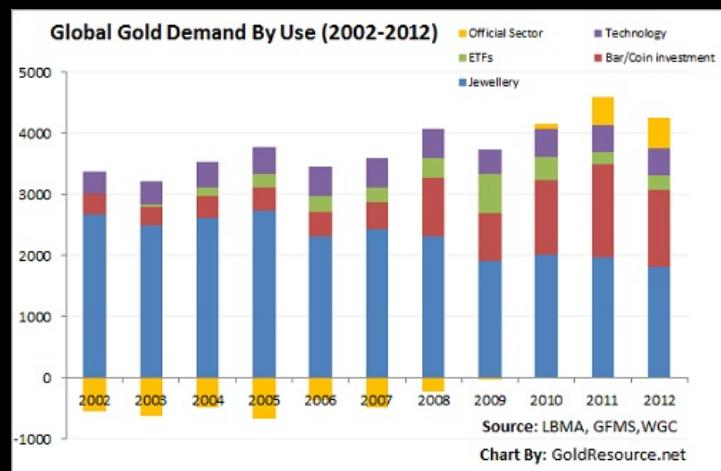


GOLD DEMAND v1

Accurate gold demand figures are hard to come by with many big players not officially reporting their transactions, but in an area that already lacks proper fundamentals to be used in analysis, gold demand still remains a big data point to take into consideration. The best data source for gold demand comes from the [World Gold Council](#), and much of the charts below were prepared using their data, but be informed that they are far from perfect (especially in the case of China). It's also important to keep in mind that higher or lower demand doesn't necessarily translate to a higher or lower price, as the numbers reported here are pure quantities and without taking into consideration the external factors (such as the gold price at the time, interest rates, possible import duties, geopolitical factors etc.), we could be led into the wrong conclusions.

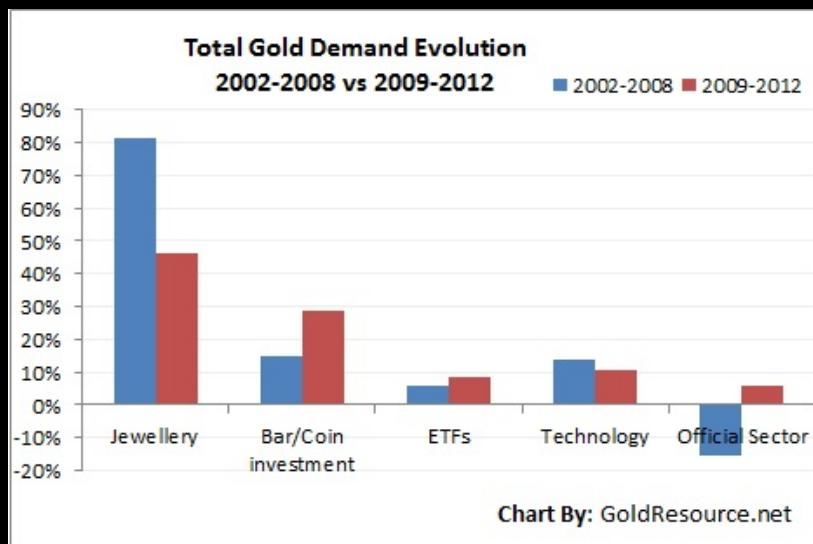
Gold Demand By Sector

Global yearly gold demand increased from 2,825 tons in 2002 to 4,586 tons in 2011, an increase of 63% over this 10 year period. Jewellery demand decreases over the past decade has been offset and more than compensated for by the rise of gold's use as an investment instrument.



GOLD DEMAND v1

Individuals have started to see gold as more than just pretty jewelry as investment use is now *the* primary function of gold since the past 2 years (2011 and 2012). To get a better sense of the evolution of gold demand trends, have a look at the total proportion of gold by sector comparing the 7 years before the financial crisis with the 4 years following the 2008 crash.



Just in this past decade, ETFs (electronically traded funds) have sprung into existence to provide gold in an easy to own/trade manner, bar/coin investment has quadrupled, while the official sector has done a complete 180° as central banks around the world have gone from sellers to net buyers once more. This all becomes more impressive when you consider that the growth presented here is in tonnage and as we know gold price has risen more than 5 folds over this stretch meaning the growth in Dollar terms is even bigger.



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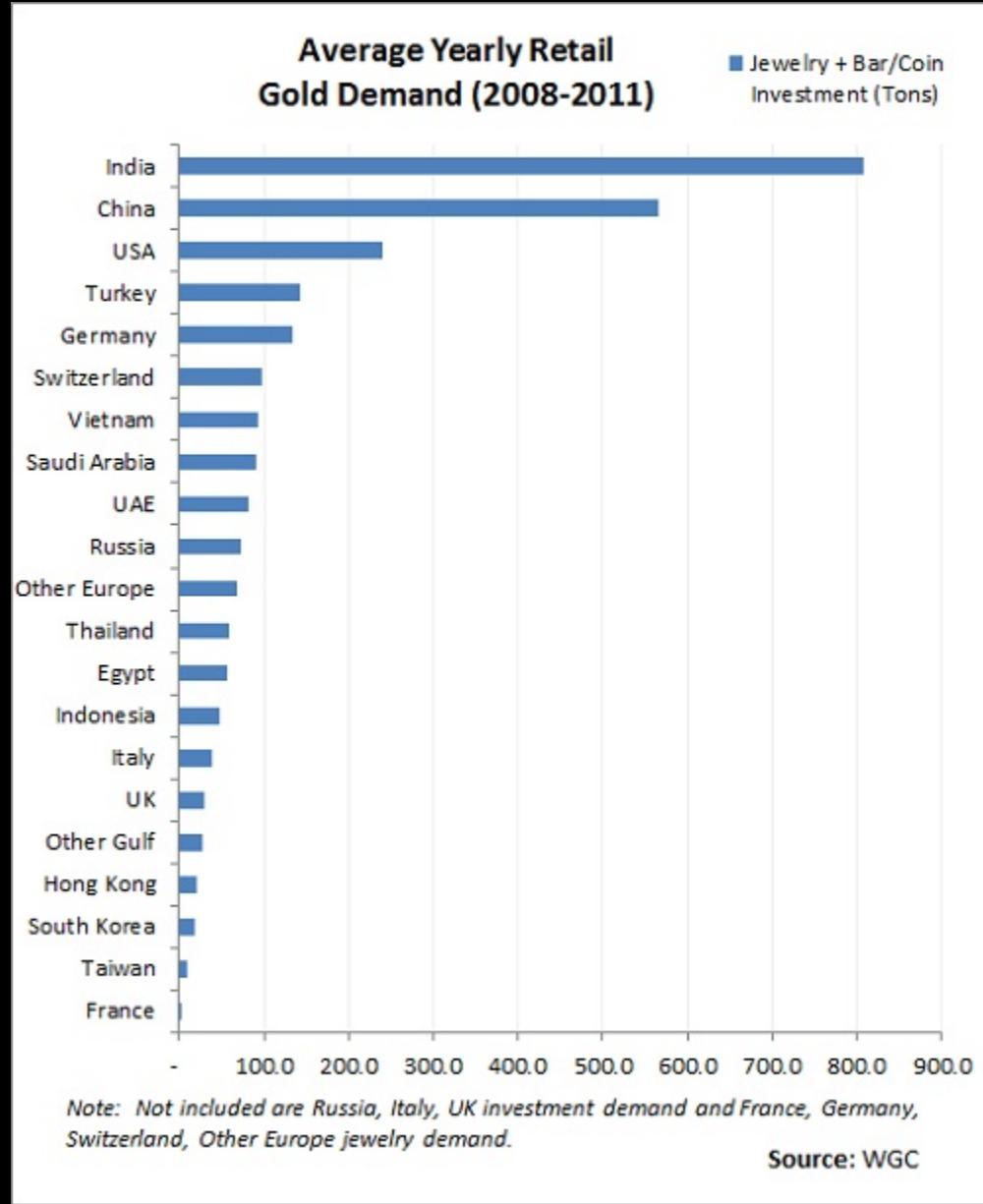
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GOLD DEMAND v1

Gold Demand By Country

Looking at the distribution of gold from a geographical standpoint, we can see that a handful of countries are dominating the gold demand. If we focus on the retail standpoint (looking at gold jewelry and gold bar/coin demand) we can see that India (25.5%), China (17.8%), and the USA (7.6%) account for over half of global retail demand looking at the past several years (2008-2011). Here is a chart showing the disparity with other large gold consuming countries included:

GOLD DEMAND v1



Sovereign holdings of gold remains the sketchiest area to get a good grasp of, as gold has moved from vault to vault throughout recent history and many nations don't even have direct access to their gold. Such inconveniences hasn't mattered much in times of prosperous trade between nations, but certainly could be a cause of concern if a major



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GOLD DEMAND v1

financial crisis were to occur. Germany has recently requested its gold stored on U.S. shores to be repatriated, and this signals a clear demand by nations to have physical gold within their reach, and a possible foreshadowing of dark times ahead. It was reported recently that China imported 834.5 tons of gold from Hong Kong in 2012 – an increase of 94% from the previous year. China continues to quietly accumulate gold and bring its total reserves in line with other developed countries, and it makes sense for them to do it in quiet matter so the dollar they still have on hand doesn't lose value too rapidly and gold prices stay cheap for them in the acquisition phase.

So we can see that gold demand across the world is changing quite a bit – in terms of tonnage, in dollar value, in its purposes, and in terms of the key players involved. The inescapable takeaway is that the growth in gold demand has in recent years been in the investment side of gold, and this trend only seems to be in its early stages. The current economic climate and currency wars should result in these recent gold demand trends only escalating in magnitude as we can expect to see central banks around the world increasingly replacing a debasing dollar with gold, while individual investors continue to flounder towards gold in the face of inflationary measures taken by their governments. It's not that gold jewelry has gone out of style, it's just that gold as an investment becomes more accepted everyday, and that's certainly bullish for gold and its future price prospects.