

# European IPMI Budapest November 2018

Gold in 2018

# Gold Production in 2017 where from

- North America 537.2 tons
- Cent. & Sth America 552.3 tons
- Europe 26.0 tons
- Africa 680.5 tons
- CIS 459.1 tons
- Asia 673.9 tons
- Oceania 362.9 tons

# Gold Mining Total Productions

- 2013            3075.2 tons
- 2014            3149.8 tons
- 2015            3218.0 tons
- 2016            3274.9 tons
- 2017            3291.8 tons
- 2018            3294.0 tons ( expected )

# Global Gold Recycling

- Europe 225.3 tons
- CIS 39.8 tons
- N.America 118.0 tons
- C & S « 43.5 tons
- Middle East 260.0 tons
- Indian S.Cont. 109.9 tons
- East Asia 304.7 tons
- Africa 63.4 tons
- Oceania 2.0 tons
- Total 1166.6 tons in 2017

# Refining capacity

- As much as I recall when entering my activity in the precious metals there has always been a tremendous overcapacity in Gold Refining.
- Today the capacity has further increased in spite of some refineries having shut down.
- India has now 32 refineries and imports mainly doré bars versus fine gold up to recent years.
- Has a consolidation started ? The Japanese Asahi and Tanaka bought foreign gold refineries. Will this trend continue ? There were talks that Valcambi and it's Indian partner may buy Republic Metals in the USA.

# London Gold Good Delivery Refineries

- The present Good Delivery List for Gold consists of 69 Gold Refiners.
- Ten new Good Delivery Gold Refiners have been added to this list in the course of the last ten years. Some did shut down ( Handy Harmann, Degussa, JM, others delisted Elemetal or Fidelity Printer or abandoned the Certification : Cendres & Métaux ).

# Present physical markets

- The present physical activity varies a lot according to the geographical area of the markets as well as the evolution of local currencies or stock markets.
- The following are some of the trends reported to me by professionals from many different countries :
- **UK** : more aggressive terms for coins by Mints
- Some customers looking for safety of legal tender coins

# Gold demand

- Still in UK Sharps Pixley is expecting to double it's sales of kilobars this year
- In India sales are affected by weakness of INR that is making gold more expensive but the trend remains solid and due to grow further due to cultural factors
- In Turkey coin sales are at record high but the global gold demand is down due to the depreciation of the TL, imports of gold are down by 40 %. Exports of jewellery down 20 % and fine gold price up significantly in TL has led to a big increase in exports of gold bars since the local market was not able to absorb the gold.



# Gold demand

- **In Lebanon** due to political unrest and the depreciation of the currency consumers are changing their liquidities in US \$ and in Gold
- Traders believe in end of year surge due to the combination of New year and Christmas celebrations. Jewellery demand for the middle east is decreasing due to the combination of weaker currencies and change of behavior of consumers.

# Gold Demand

- **In Japan** : High tax on Gold sales ( 8 % ) bound to raise to 10 % in October 2019 has affected the market in combination with a big inflow of smuggled gold bars bought in foreign markets without tax. The result is lower sales and a trend for Japanese buyers to look for Japanese bars.
- **In Middle East** : Dubai and Saudi Arabia affected by 5% VAT Tax and Jewelry import tax. sales are lower. Pamp is dominating in the sale of gold wafers.
- Qatar is doing well, Egyptian market has recovered since financial crisis of 2016 due to stabilisation of the Egyptian £
- **In Iran** : Market has shrunk due to collapse of currency and a 7 % sales tax on Jewelry, only exception local gold coins since they are exempt of taxes and have legal value

# Gold Demand

- In Germany :
- During H1 demand was quiet with demand 30% lower than 2017 which was already lower than the years before.
- Investment demand rebounded during summer due to lower gold prices and really surged in September and October, plus 50% in comparison with 2017.
- In North America :
- One counterpart declared a lower demand than in 2017 during H1 with however a small rebound for kilobars and Gold coins end of H2. The activity was particularly stronger in Ag coins and 100 ozs bars. The 2<sup>nd</sup> party saw flows of mining doré unaffected by US import taxes and more demand from the jewellery sector of recycled gold or of accepted mining counterparts for control of the origin of gold. Overall sales of gold were decreasing.

# Gold Demand

- **In China :**
- Most of the Gold consumption in China is in the form of Jewelry, more than 60 % of total volume and is further growing.
- Investment represents 30 % mainly in small bars via traders and Jewelers. Kilobars sale via banks has been decreasing but is expected to rebound.
- Industrial sector represents 7 % of consumption
- **In Hong Kong** a Jeweller is very successful with the introduction of 22 Kt gold Jewelry in Mainland China

# Gold Demand

- In Switzerland : The market of Luxury gold watches has seen a significant growth in 2018 versus 2017, approximatively 25 to 30 %. Luxury Brands are looking before all for gold that will comply as regard traceability with RJC COC or with Fairtrade and alternatively with Fairmined. CSR programs ( Corporate Social Responsibility ) in also more and more a trend.
- Major investment demand in the form of 4x9 kilobars has come from China and Asia

# Central Bank buyings

- 2018 has seen Central Bank buying of gold raise for the first time since 2014 ! They will probably amount to approx. 450 tons this year, versus 357 tons in 2017. Record buyings happened in 2013 646 tons.
- Buyers were at different levels of quantity and included Russia, Poland, Mongolia, Thailand, Philippines, Turkey, Kazakhstan and Hungary.
- China has not added reserves to the Central Bank official position since 2016. Where has all the gold produced in China gone ? China is the world leader in mining gold production, 429 Tons in 2017.

## The following counterparts are to be thanked for their contribution to this presentation

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- Bogold Precious Metals – Lebanon
- Degussa Goldhandel – Germany
- RSBL – India
- Metalor Technologies – Switzerland
- ICBC Standard Bank & Nihon Materials – Japan
- ABC Refinery – Australia
- Two counterparts in North America