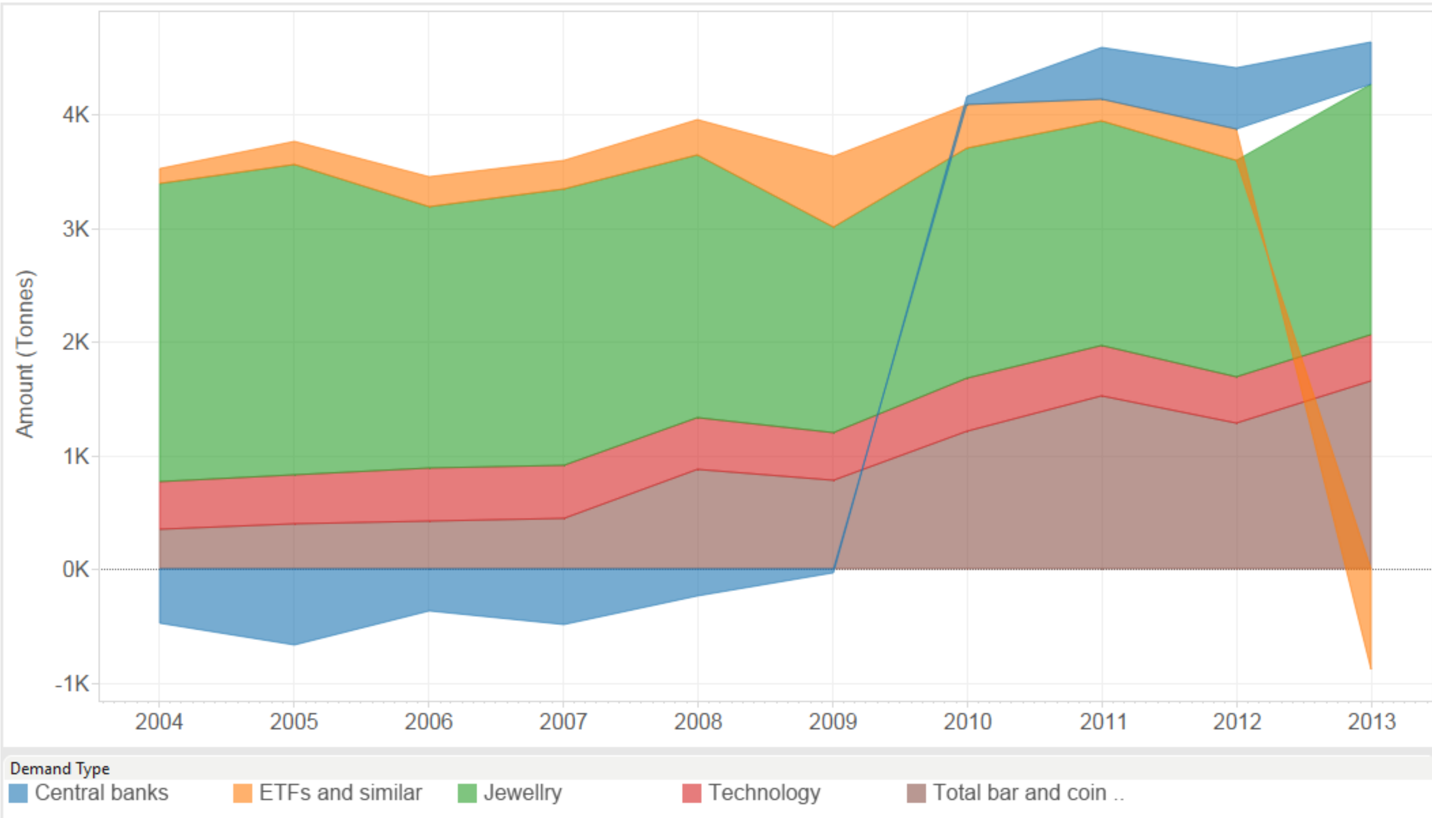
## IS 2013 GOLD DEMAND INDICATIVE OF 2014?

Sunday, February 23, 2014

The World Gold Council is out with their annual estimates of world gold demand by sector.

On top of the list is jewelry demand at 2,209 tonnes, or 59%.  In second is bar and coin investment at 44%, followed by technology (10%) and central bank demand (9%).

The sole decline in demand stemmed from ETFs, going from an estimated demand of 229 tonnes in 2012 to -881 in 2013.




Caption
*Source: World Gold Council*

Interestingly, sector demand was more volatile in 2013 than in previous years, on both the upside and the downside.

ETFs and similar investment types exhibited the largest volatility, down 1,160 tonnes.

The next most volatile demand component was bar and coin investment, up 365 tonnes.

Not far behind bar and coin investment was jewelry at 313 tonnes.

The least volatile demand component was central banks, down 175 tonnes from 2012.

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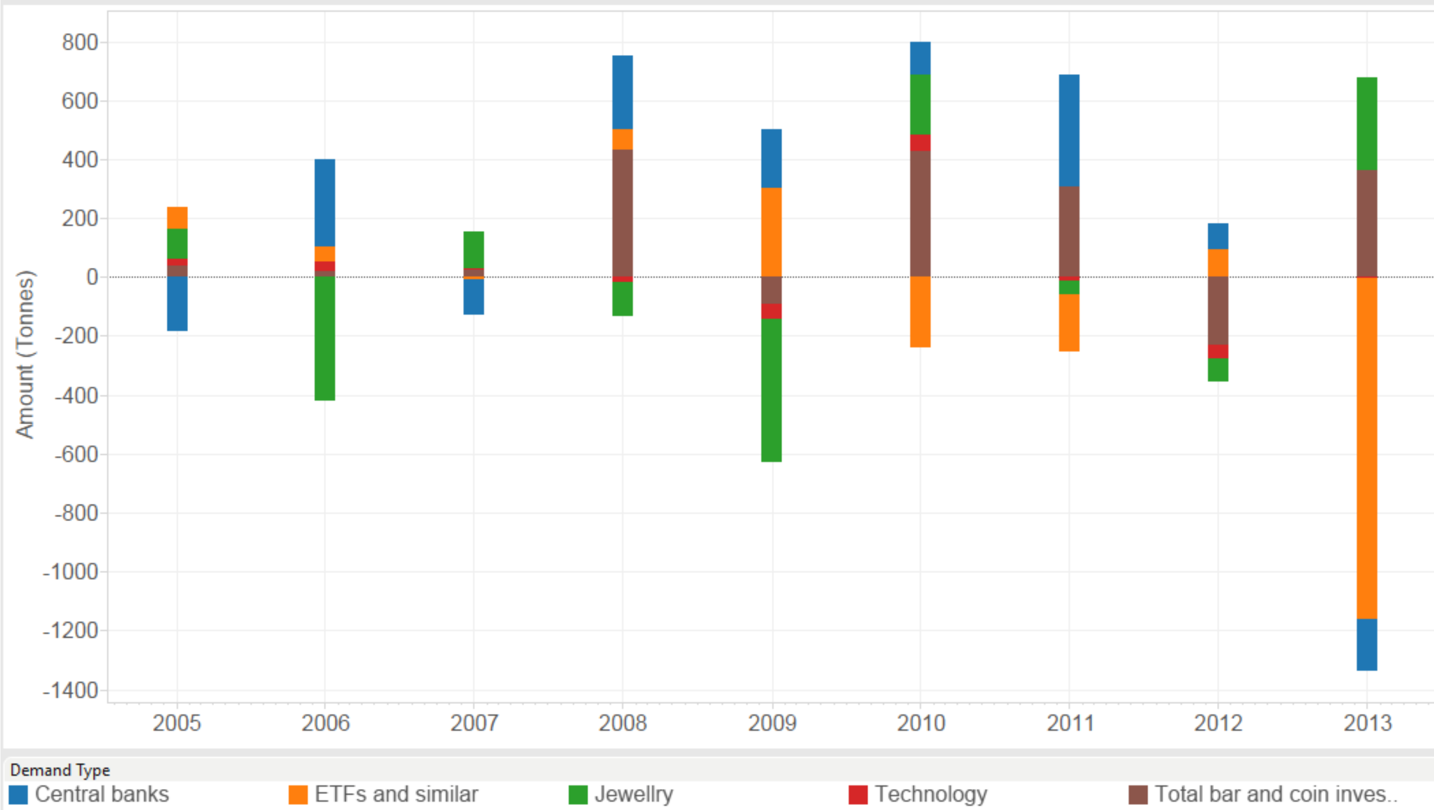


Caption

*Source: World Gold Council*

What does the 2013 experience mean for 2014?

Early indications on the two largest components of gold demand – jewelry and bar and coin demand – are quite good.

Analysts anticipate jewelry demand to grow by about 10% to 2,430 tonnes.

Although on a smaller base, analysts also anticipate strong growth from bar and coin demand, growing by 15% to 20% to around 1,985 tonnes.

With central bank demand flat and technology/industry demand anticipated to grow by 5%, total demand would be up almost 17% in 2014 if ETF and similar investment demand went completely flat.

The ETF and similar investment demand is the real crux. If ETF demand comes in at -200 tonnes, then total gold demand may only grow by 10%. Judging by early gold returns this year, the big ETF flip of 2013 is unlikely to repeat itself. Rather, ETFs will likely be small net buyers or sellers.

Overall, gold demand is set to strengthen in 2014 on the heels of strong demand from jewelry, bar and gold coins, and, to smaller extents, technology/industry, central banks, and maybe a small contribution from ETFs and similar investments.


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