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GOLD DEMAND HITS SECOND-HIGHEST QUARTERLY VALUE ON RECORD IN Q1 2008 – BUT RECORD PRICES LEAD TO VOLUME DECLINE

With financial markets still reeling from the global credit squeeze, and growing inflationary pressures dollar demand for gold reached US $20.9bn in the first quarter of 2008, a 20% increase over the same period in 2007 and more than double the level of four years earlier.

However, tonnage demand for gold at 701 tonnes was down 16% on the same period last year and represents the lowest quarterly figure for five years, according to Gold Demand Trends, which is released today by World Gold Council (WGC). This fall was caused primarily by the sharp rise and unusually high volatility in the gold price, which briefly touched record levels above $1,000/oz in mid-March.

The data, compiled independently for WGC by GFMS Ltd, show that the impact of these factors hit home particularly hard in the "physical buying" markets of gold jewellery and coins and bars. Jewellery demand declined 21% year-on-year to 445.4 tonnes, the lowest quarterly level since the early 1990s. Net retail investment demand dropped by 35% to 72.7 tonnes in Q1.

There was a stark contrast in the gold exchange traded fund (ETF) market, however, where a combination of continuing instability in the equities markets, ongoing fears over the dollar and rising inflation, and increased understanding of gold's investment attributes helped spur demand. Demand for gold ETFs was up 100% on Q1 2007 at 73 tonnes for the quarter - representing $2.2 billion in dollar terms.

Positive news also came from two of the world's biggest emerging economies with overall demand for gold in China and Russia up 15% and 9% respectively on the same period last year, driven by increasing consumer wealth and ease of access to attractive jewellery and retail investment products.

India, the largest market for gold and also the most price-sensitive, continued to suffer from the impact of high and volatile prices. Jewellery and investment demand, at 71 tonnes and 31 tonnes respectively, were both half the levels of Q1 2007. Against a worsening economic background for consumers in the US market, overall demand for gold fell 15% to 48 tonnes.

Industrial and dental demand declined by 5% on year earlier levels to 110.3 tonnes, primarily in response to the deteriorating US economy, and a slowing in demand for consumer electronics. In value terms, demand was equivalent to $3.2bn, a rise of 35%.

James Burton, CEO of World Gold Council, said:

"The first quarter of 2008 started as the previous year finished with high and volatile prices. This has created tough trading conditions for large parts of the gold market, but I am pleased to see how well gold has fought for, and won, share of consumers' discretionary spending.

"Early indications are that jewellery demand is likely to remain muted during the second quarter, although there has been positive news from the Indian *Akshaya Thritiya* festival and the Indian and Middle East wedding seasons, which are expected to generate additional purchasing.

"Investment demand in the first few weeks of the second quarter has been mixed with retail investors in traditional bars and coins encouraged by the pullback in price, while ETFs have witnessed an outflow. However, I am confident that the general investment environment remains positive."

The supply of gold was 6% higher in Q1 2008 than a year earlier, primarily driven by increased scrap supply which in turn was a reaction to the rising gold price. Mine output remained constrained, little changed from Q1 2007 levels at 593 tonnes, while net official sector (central banks) sales were 8% higher than in Q1 2007. As usual the main sellers were Central Bank Gold Agreement (CBGA) signatories.

Gold Demand Trends figures are compiled independently for World Gold Council by GFMS Limited. The full Q1 2008 report can be viewed at:
http://www.research.gold.org/gold_demand_trends/

ENDS

For further information and to receive country reports or the full Gold Demand Trends:

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Notes to Editors:

World Gold Council
The World Gold Council (WGC), a commercially-driven marketing organisation, is funded by the world's leading gold mining companies. A global advocate for gold, the WGC aims to promote the demand for gold in all its forms through marketing activities in major international markets. For further information visit www.gold.org.

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