

**PRESS RELEASE****RECORD DOLLAR DEMAND FOR GOLD IN 2006**

- **2006 demand for gold hits record of US\$65bn, despite fall in tonnage and reduced supply**
- **Industrial demand highest ever at 458 tonnes**
- **Jewellery sales at all time record in US\$ terms at \$44bn**
- **Investment demand 7% higher than 2005 in tonnage terms and 45% higher in dollar terms**
- **Supply fell 13% in tonnage terms including a sharp reduction in net selling by central banks.**

Consumers and investors pushed demand for gold to a record level of \$65.3billion in 2006, according to figures published today by the World Gold Council (WGC), with positive tonnage growth in the investment and industrial segments and double-digit dollar growth in the jewellery sector. The record dollar values for overall demand and jewellery demand occurred despite a fall in supply, reducing the quantity of gold purchased.

The 2006 figures, compiled independently for the World Gold Council by GFMS Limited, reveal that identifiable investment demand in 2006 was 7% higher than in 2005 in tonnage terms, (637t vs 596t) and 45% higher in dollar terms, spurred by a 27% year on year tonnage increase in holdings of gold Exchange Traded Funds and similar products. The fourth quarter was particularly strong with a 19% rise in tonnage terms and a 51% increase in dollar terms. Jewellery demand rose 14% in dollar terms in 2006 as a whole, but fell back by 16% in tonnage terms due to a volatile gold price in the first half of the year. In the industrial sector, demand rose by 7% in tonnage terms and 45% in dollar terms to set a new annual record.

James Burton, Chief Executive of the World Gold Council, commented today:

“We are very encouraged by the record value of gold demand in 2006, showing that consumers are spending more on gold as jewellery and as an investment. However, we must recognise that although we have seen a steep rise in the dollar value of gold demand, there was also a decline in tonnage demand as extreme price volatility impacted consumers’ jewellery purchases. The first half of the year proved a difficult one for the gold jewellery market as high price volatility deterred consumers from buying. However, more stable prices towards the end of the year resulted in a very satisfactory level of demand.

“I am particularly pleased to see the continued growth in demand for gold in industry. Gold’s unique properties make it ideal for use in the development of medical applications, pollution control, air bags, mobile telephones, laptop computers, and many other things that we consider indispensable in today’s society.”

**Outlook for 2007**

This year has begun with brisk demand in most jewellery markets in January, while investor interest has also remained positive. Market research findings show that sentiment towards gold jewellery in key markets remains strong. Prospects for both jewellery and investment demand in the first half of the year are good, although any return of excessive price volatility could hinder jewellery purchases.

**DETAILED ANALYSIS**

**Investment Demand**

Investment demand (tonnes)

	2004	2005	2006	% ch 2006 vs 2005	Q4'05	Q1'06	Q2'06	Q3'06	Q4'06 <sup>2</sup>	% ch Q4'06 vs Q4'05
<b>Identifiable Investment</b>	473.2	595.9	636.7	7	155.4	194.0	139.8	117.8	185.1	19
<b>Net retail investment</b>	340.5	387.8	371.7	-4	71.8	81.1	90.9	98.5	101.1	41
Bar Hoarding	256.6	262.7	214.5	-18	39.9	38.3	47.2	63.0	66.1	65
Official Coin	114.5	112.0	129.0	15	20.0	33.3	43.0	29.7	23.1	15
Medals/Imitation Coin	26.3	37.0	56.4	53	8.8	11.7	11.0	15.5	18.3	108
Other identified retail invest. <sup>2</sup>	-56.8	-23.9	-28.3	...	3.0	-2.2	-10.2	-9.7	-6.3	...
<b>ETFs &amp; similar products<sup>3</sup></b>	132.6	208.1	265.0	27	83.6	112.9	48.9	19.2	84.0	1
<b>"Inferred investment"<sup>4</sup></b>	-134.1	255.0	89.8	-65	316.0	-11.7	107.1	10.3	-15.8	...
<b>"Total" investment</b>	339.1	850.9	726.5	-15	471.4	182.2	246.9	128.0	169.3	-64
<b>"Total investment, \$m</b>	4,461	12,159	14,103	16	7,338	3,247	4,982	2,559	3,339	-54

Source: GFMS Ltd. 1. Provisional. 2. "Other retail" excludes bar and primary coin offtake; it represents mainly activity in North America and Western Europe. 3. Exchange Traded Funds and similar products including: LyxOR Gold Bullion Securities, Gold Bullion Securities (Australia), streetTRACKS Gold Shares, NewGold Gold Debentures, iShares Comex Gold Trust, Zürcher Kantonalbank Gold ETF, Istanbul Gold ETF, Central Fund of Canada and Central Gold Trust. 4. This is derived as the residual from combining other elements in the supply and demand balance. It represents primarily net institutional investment outside ETFs but also includes stockbuilding and certain other elements as well as any residual error.

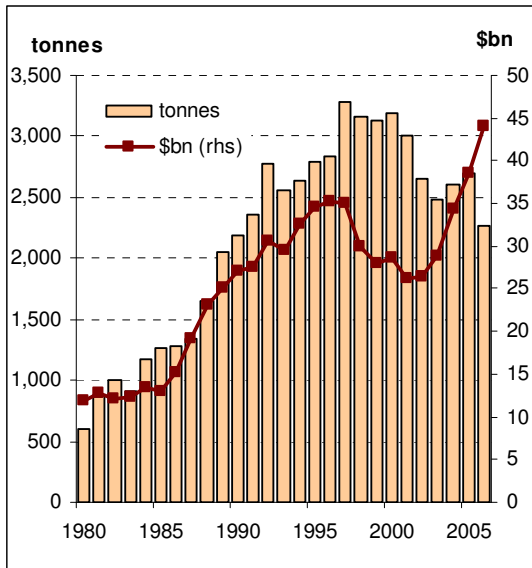
Identifiable investment in 2006 was 7% higher than 2005 in tonnage terms and 45% higher in dollar terms. The fourth quarter was particularly strong with a 19% rise in tonnage terms and a 51% increase in dollar terms.

Inflows into Exchange Traded Funds (ETFs) and similar products, at 265 tonnes, were 27% higher than in 2005 (up 73% in dollar terms). The increase is particularly significant since 2005 had benefited from the latter stages of the initial surge of investment into the largest fund, streetTRACKS Gold Shares, following its launch in November 2004, and from the initial investment surge into the third largest fund, the iShares Comex Gold Trust. By way of comparison, 2006 saw the launch of Zürcher Kantonal Gold ETF in Switzerland and GOLDIST issued by Finans Portfoy in Turkey; in addition streetTRACKS Gold Shares was cross-listed on the Mexican and Singapore exchanges.

Investment into the ETFs varied throughout the year but they continued to attract "buy and hold" investors, thus suffering only very limited attrition at times when other gold instruments were seeing disinvestment. By the end of 2006 the gold held by ETF and similar funds amounted to 652.5 tonnes, worth \$13.3bn.

Aside from ETFs and similar investment products, net retail investment displayed a steadily improving trend throughout the year. In Q1 and Q2 tonnage was 33% and 18% respectively below year-earlier levels; in Q3 and Q4 tonnage was 16% and 41% higher.

**Jewellery Demand**



Source: GFMS, WGC calculations based on GFMS data

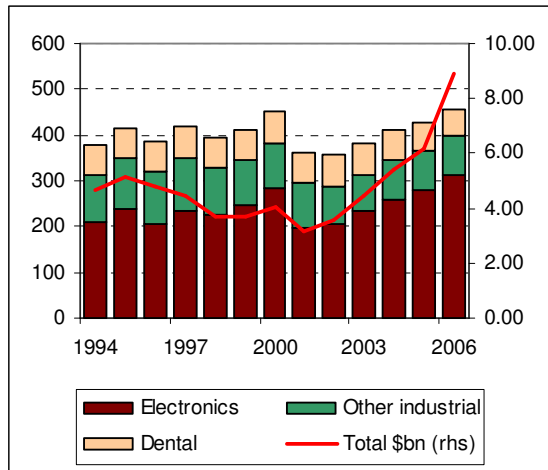
For the year as a whole, demand rose 14% to a new annual record of \$44bn. Q4 was also a record in dollar terms at \$13.5bn. However, at 2,267 tonnes, tonnage was 16% lower than a year earlier, mainly due to declines in the first eight months of the year, when price movements were a deterrent to jewellery purchases, especially in Asia and the Middle East.

As price volatility subsided from late August, conditions became better for jewellery demand. It then surged from mid-September to late-October when the price fell below \$600 and remained, until the very end of October, in a \$570-\$600 range. This period also saw the run-up to both Diwali in India and the Eid al Fitr at the end of Ramadan, both of which occurred almost simultaneously in late-October, and which are both strong gold buying occasions. While demand was lower in November, a fall-back of the price in December, coupled with Christmas and the Eid al Adha at the end of the year, helped demand recover.

In summary, jewellery demand in Q4 was stronger than in the earlier part of the year. In the first half year it was 28% lower than a year earlier in tonnage terms and effectively unchanged in dollar terms. In Q3 it was 9% lower than a year earlier in tonnage terms but 29% higher in dollar terms. In Q4 it was 2% higher than in Q4 2005 and 29% higher in dollar terms.

**Industrial Demand**

Industrial demand in tonnes and \$bn



Source: GFMS, WGC calculations based on GFMS data

Industrial and dental demand reached a new record in both tonnage and dollar terms in 2006. Tonnage figures, up 7% on 2005 at 458 tonnes, just outstripped the previous record in 2000. This was due to vibrant demand from the electronics sector, which also established new annual records, rising 11% in tonnage terms to 312 tonnes. In dollar terms the year on year increases were 45% for the category as a whole and 51% for electronics.

The growth in electronics was primarily due to heavy demand from a range of consumer goods containing electronic circuitry, supported by strong global GDP growth. This was caused both as a result of newer goods, such as MP3 players or flat screen televisions, establishing themselves in the market place, or by greater use for gold in traditional goods such as automobiles as a result of improved quality and efficiency of components using gold. These gains primarily took place in East Asia, including Japan, and to a lesser extent the United States.

A wide range of new industrial and medical uses for gold, many using nanotechnology, are being developed, ranging from gold-based mercury traps to remove mercury from coal-fired power station emissions, through fuel cell system catalysts to medical diagnostic and cancer treatments. Most of these are still in the late-research, or at best, very early production phases, and the contribution they will make to demand will not become evident for a few more years.

**Supply**

Gold supply was tight in 2006, falling 13% from 2005 levels to 3,451 tonnes, due to a sharp reduction in net central bank selling, and to a sharp increase in producer de-hedging. These factors reduced overall supply by 657 tonnes. Mine output contributed a further 56 tonne reduction. In 2006 as a whole de-hedging amounted to 403 tonnes compared to just 86 tonnes in 2005. Total mine supply (mine output less net de-hedging) was therefore 15% lower in 2006 than in 2005.

Net central bank sales amounted to just 319 tonnes in 2006, less than half the 659 tonnes recorded for 2005. Signatories to the Central Bank Gold Agreement (CBGA) sold just 395.75 tonnes during the second Agreement year (27 September 2005 to 26 September 2006), over 100 tonnes below the 500 tonne limit. During the calendar year 2006 their net sales amounted to 341 tonnes, with non-CBGA signatories accounting for 22 tonnes of net purchases.

Scrap supply, the only element of supply which is responsive to price movements in the short-term, rose by 180 tonnes, or 20%, but this was not sufficient to counter the 23% fall in the other three elements combined.

**Table 1: Identifiable gold demand (tonnes)<sup>1</sup>**

	2004	2005	2006	% ch 2006 vs 2005	Q4'05	Q1'06	Q2'06	Q3'06	Q4'06 <sup>2</sup>	% ch Q4'06 vs Q4'05
<b>Jewellery consumption</b>	2,610.9	2,704.1	2,266.8	-16	672.4	494.3	526.8	559.4	686.3	2
<b>Industrial &amp; dental</b>	411.0	429.4	458.1	7	105.8	111.8	115.0	116.2	115.1	9
Electronics	260.4	281.4	312.2	11	70.7	75.9	78.9	79.6	77.9	10
Other Industrial	83.1	85.6	86.2	1	19.5	20.7	21.1	22.0	22.4	15
Dentistry	67.6	62.4	59.8	-4	15.7	15.1	15.1	14.7	14.9	-5
<b>Identifiable Investment</b>	473.2	595.9	636.7	7	155.4	194.0	139.8	117.8	185.1	19
<b>Net retail investment</b>	340.5	387.8	371.7	-4	71.8	81.1	90.9	98.5	101.1	41
Bar Hoarding	256.6	262.7	214.5	-18	39.9	38.3	47.2	63.0	66.1	65
Official Coin	114.5	112.0	129.0	15	20.0	33.3	43.0	29.7	23.1	15
Medals/Imitation Coin	26.3	37.0	56.4	53	8.8	11.7	11.0	15.5	18.3	108
Other identified retail invest. <sup>3</sup>	-56.8	-23.9	-28.3	...	3.0	-2.2	-10.2	-9.7	-6.3	...
<b>ETFs &amp; similar products<sup>4</sup></b>	132.6	208.1	265.0	27	83.6	112.9	48.9	19.2	84.0	1
<b>Total identifiable demand</b>	3,495.1	3,729.3	3,361.6	-10	933.6	800.0	781.6	793.4	986.6	6
<b>London pm fix, \$/oz</b>	409.17	444.45	603.77	36	484.201	554.066	627.708	621.67	613.21	27

Source: GFMS Ltd. 1. Identifiable end-use consumption excluding central banks. 2. Provisional. 3. "Other retail" excludes bar and primary coin offtake; it represents mainly activity in North America and Western Europe. 4. Exchange Traded Funds and similar products including: LyxOR Gold Bullion Securities, Gold Bullion Securities (Australia), streetTRACKS Gold Shares, NewGold Gold Debentures, iShares Comex Gold Trust, Zürcher Kantonalbank Gold ETF, Istanbul Gold ETF, Central Fund of Canada and Central Gold Trust.

**Table 2: Identifiable gold demand (\$m)<sup>1</sup>**

	2004	2005	2006	% ch 2006 vs 2005	Q4'05	Q1'06	Q2'06	Q3'06	Q4'06 <sup>2</sup>	% ch Q4'06 vs Q4'05
<b>Jewellery consumption</b>	34,346	38,640	44,002	14	10,468	8,805	10,632	11,180	13,531	29
<b>Industrial &amp; dental</b>	5,407	6,135	8,893	45	1,647	1,991	2,321	2,323	2,270	38
Electronics	3,425	4,021	6,060	51	1,100	1,352	1,592	1,590	1,535	40
Other Industrial	1,093	1,223	1,673	37	303	370	425	440	441	46
Dentistry	889	892	1,160	30	244	270	304	293	294	20
<b>Identifiable Investment</b>	6,225	8,515	12,360	45	2,419	3,456	2,821	2,354	3,650	51
<b>Net retail investment</b>	4,480	5,542	7,215	30	1,117	1,444	1,835	1,970	1,994	78
Bar Hoarding	3,375	3,754	4,164	11	622	682	952	1,260	1,302	109
Official Coin	1,507	1,600	2,505	57	312	593	867	594	455	46
Medals/Imitation Coin	345	528	1,095	107	137	209	221	309	360	164
Other identified retail invest.	-748	-341	-550	...	47	-39	-205	-193	-124	...
<b>ETFs &amp; similar products</b>	1,745	2,973	5,145	73	1,301	2,011	986	384	1,656	27
<b>Total identifiable demand</b>	45,979	53,290	65,255	22	14,534	14,251	15,774	15,858	19,451	34

Source: GFMS Ltd. 1. See notes to Table 1. 2. Provisional.

**Table 3: Gold supply and demand (WGC presentation)**

	2004	2005	2006	% ch 2006 vs 2005	Q4'05	Q1'06	Q2'06	Q3'06	Q4'06 <sup>2</sup>	% ch Q4'06 vs Q4'05
<b>Supply</b>										
Mine production	2,469	2,522	2,467	-2	678	576	599	644	647	-5
Net producer hedging	-427	-86	-403	...	29	-156	-139	-65	-43	...
Total mine supply	2,042	2,436	2,063	-15	707	420	460	579	604	-15
Official sector sales <sup>2</sup>	470	659	319	-52	162	99	116	63	41	-74
Old gold scrap	849	889	1,069	20	276	297	319	216	238	-14
Total Supply	3,361	3,984	3,451	-13	1,145	815	895	858	883	-23
<b>Demand</b>										
<b>Fabrication</b>										
Jewellery	2,611	2,704	2,267	-16	568	521	533	614	599	5
Industrial & dental	411	429	458	7	106	112	115	116	115	9
Sub-total above fabrication	3,022	3,133	2,725	-13	674	633	648	730	714	6
Bar & coin retail investment <sup>3</sup>	397	412	400	-3	69	83	101	108	107	56
Other retail investment	-57	-24	-28	...	3	-2	-10	-10	-6	...
ETFs & similar	133	208	265	27	84	113	49	19	84	1
Total Demand	3,495	3,729	3,362	-10	829	827	788	848	899	8
<b>"Inferred investment"<sup>4</sup></b>	-134	255	90	-65	316	-12	107	10	-16	...
London PM fix (US\$/oz)	409.17	444.45	603.77	36	484.20	554.07	627.71	621.67	613.21	27

Source: GFMS Ltd. Data in this table are consistent with those published by GFMS but adapted to the WGC's presentation and take account of the additional demand data now available. The "balance" figure differs from the "implied net (dis)investment" figure in GFMS' supply and demand table as it excludes "ETFs and similar" and "other retail investment". Note that jewellery data refer to fabrication and quarterly data differ from those for consumption in tables 1 and 2. 1. Provisional. 2. Excluding any delta hedging of central bank options. 3. Equal to the sum of the first three rows in Table 1. 4. This is the residual from combining all the other data in the table. It includes institutional investment other than ETFs & similar, stock movements and other elements as well as any residual error.

**Table 4: Consumer demand in selected countries: 2005 and 2006**

	2005			2006 <sup>1</sup>			% change 2006 vs 2005		
	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total
India	587.1	134.5	721.6	505.5	185.6	691.1	-14	38	-4
<b>Greater China</b>	277.7	14.8	292.5	275.4	19.1	294.5	-1	29	1
China	241.4	11.7	253.1	244.7	14.9	259.6	1	27	3
Hong Kong	14.0	0.6	14.6	13.1	0.4	13.5	-6	-41	-8
Taiwan	22.4	2.5	24.9	17.6	3.9	21.5	-21	54	-14
Japan	34.0	40.0	74.0	33.4	-42.7	-9.4	-2	...	...
Indonesia	78.0	3.0	81.0	58.0	-1.0	56.9	-26	...	-30
Vietnam	26.9	34.0	60.9	22.1	64.0	86.1	-18	88	41
<b>Middle East</b>	365.2	22.6	387.7	304.2	19.9	324.1	-17	-12	-16
Saudi Arabia	146.2	7.3	153.5	113.3	9.0	122.3	-23	23	-20
Egypt	75.3	0.9	76.2	60.2	0.4	60.5	-20	-61	-21
UAE	96.4	10.0	106.4	88.2	7.9	96.0	-9	-22	-10
Other Gulf	47.3	4.4	51.6	42.6	2.7	45.3	-10	-38	-12
Turkey	194.9	53.5	248.4	165.3	59.9	225.2	-15	12	-9
USA	349.0	28.3	377.3	308.7	27.4	336.1	-12	-3	-11
Italy <sup>2</sup>	71.0	...	71.0	64.0	...	64.0	-10	...	-10
UK <sup>2</sup>	59.4	...	59.4	49.9	...	49.9	-16	...	-16
Europe <sup>3</sup>	...	-13.9	-13.9	...	-11.5	-11.5	...	...	...
<b>Total above</b>	2,043.1	316.8	2,359.9	1,786.4	320.7	2,107.1	-13	1	-11
Other & stk ch	661.0	71.0	732.0	480.3	51.0	531.3	-27	-28	-27
<b>World Total</b>	2,704.1	387.8	3,091.9	2,266.8	371.7	2,638.4	-16	-4	-15

Source: GFMS Ltd 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

**Table 5: Consumer demand in selected countries: Q4 2006**

	Q4 2005			Q4 2006 <sup>1</sup>			% change Q4 2006 vs Q4 2005		
	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total
India	68.8	30.1	98.9	151.0	56.7	207.7	120	88	110
<b>Greater China</b>	72.1	5.0	77.1	73.9	6.2	80.1	2	25	4
China	63.4	4.8	68.2	65.5	5.0	70.5	3	5	3
Hong Kong	2.8	-0.2	2.6	3.7	0.2	3.9	30	...	48
Taiwan	5.9	0.4	6.3	4.7	1.0	5.7	-20	150	-10
Japan	8.7	6.0	14.7	8.7	-8.8	-0.1	0	...	...
Indonesia	15.4	0.2	15.6	13.7	0.2	13.9	-11	20	-11
Vietnam	7.0	1.0	8.0	6.4	21.0	27.4	-9	2000	242
<b>Middle East</b>	69.5	3.5	73.0	73.3	4.0	77.3	5	14	6
Saudi Arabia	25.2	1.4	26.6	28.6	1.9	30.5	13	35	15
Egypt	16.3	0.3	16.6	16.0	0.0	16.0	-2	-100	-3
UAE	16.6	1.0	17.6	17.8	1.3	19.1	7	25	8
Other Gulf	11.4	0.9	12.3	10.9	0.8	11.8	-5	-1	-4
Turkey	30.6	5.5	36.1	32.0	8.3	40.3	4	52	12
USA	148.4	9.3	157.7	126.4	3.7	130.1	-15	-60	-18
Italy <sup>2</sup>	34.1	...	34.1	31.1	...	31.1	-9	...	-9
UK <sup>2</sup>	32.5	...	32.5	26.7	...	26.7	-18	...	-18
Europe <sup>3</sup>	...	-0.7	-0.7	...	-2.9	-2.9	...	...	...
<b>Total above</b>	487.1	59.9	547.1	543.1	88.5	631.7	11	48	15
Other & stk ch	185.3	11.9	197.1	143.2	12.6	155.8	-23	6	-21
<b>World Total</b>	672.4	71.8	744.2	686.3	101.1	787.4	2	41	6

Source: GFMS Ltd 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

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

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**Notes to Editors:**

**World Gold Council**

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**GFMS Ltd**

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