

# **China's Annual Gold Demand Tops 700 Metric Tons! 23.5.2011**

**Some members commented on my report issued on 20<sup>th</sup> of May featuring China. I mentioned again in this report that China's gold demand was increasing. Well for those interested read below;**

China's total annual gold demand topped 700 metric tons for the first time ever last year and is expected to keep rising over the next decade, said the World Gold Council on Thursday.

The report said China is the second-largest gold-consuming market in the world.

The WGC, a market-development organization for the gold industry, included a separate section on China in the quarterly supply/demand trends report. Data was compiled by the consultancy GFMS.

In the spring of 2010, the World Gold Council put out a report saying it anticipated Chinese gold demand could double in the next decade.

"With the sustained momentum in Chinese demand, this target will probably be achieved in a shorter time scale," said Eily Ong, investment research manager with the WGC, in an interview in conjunction with release of the report.

In 2010, gold demand grew by 32% despite a concurrent 25% rise in the annual average local currency gold price, the report said. "For the first time, annual gold demand (jewelry, investment and technology combined) surpassed the 700-ton mark."

RIO's research clearly shows that China's gold demand has grown by an average of 14% per annum since deregulation of the market by Chinese authorities in 2011.

I would say that much of the demand is due to concerns about inflation, as reflected by a series of monetary-tightening measures undertaken by Chinese authorities. Despite these efforts the country's April Consumer Price Index rose 5.3%.

A study of the gold report issued shows that Jewelry is by far the most dominant category of the Chinese market, accounting for almost 64% of all gold demand in the country in 2010. Twenty-seven percent came from investment and the remaining 9% from technology.

I also noted that Chinese gold-jewelry demand has more than doubled in the last seven years to 451.8 tons in 2010 from 224.1 tons in 2004. More importantly I noted that for the first quarter of 2011, China's demand jumped 21% year on year to a quarterly record of 142.9 metric tons according to the

Near-term inflationary expectations and rising income levels are likely to support the investment case for gold as an asset class. I would further point out that given that the Chinese investment consumer's criteria clearly indicate that they are seeking to invest in gold to protect their wealth.

**This is why we see more and more member's drawn to invest in RIO Professional investor's fund which trades gold and has outperformed the main markets year to date.**

The WGC characterized the longer-term picture for Chinese gold demand as "compelling," given the increasing incomes in the world's most populous country.

**William Gray**

**The RIO Club**