

# Jewellery sector rebounds as gold demand recovers from Covid-induced losses

According to the latest *Gold Demand Trends Report* from the World Gold Council, demand for gold reached 1,147t in Q4 2021, its highest quarterly level since Q2 2019 and an increase of almost 50% year-on-year. The report reveals that annual demand (excluding OTC markets) has recovered many of the Covid-induced losses from 2020 to reach 4,021t for the full year in 2021.



Source: [www.unsplash.com](https://www.unsplash.com)

Gold bar and coin demand rose 31% to an eight-year high of 1,180t as retail investors sought a safe haven against the backdrop of rising inflation and ongoing economic uncertainty caused by the coronavirus pandemic.

Meanwhile, the World Gold Council's data series reported outflows of 173t in 2021 from gold-backed exchange traded funds (ETFs) as some more tactical investors reduced hedges early in the year amid Covid vaccine rollouts, while rising interest rates made holding gold more expensive.

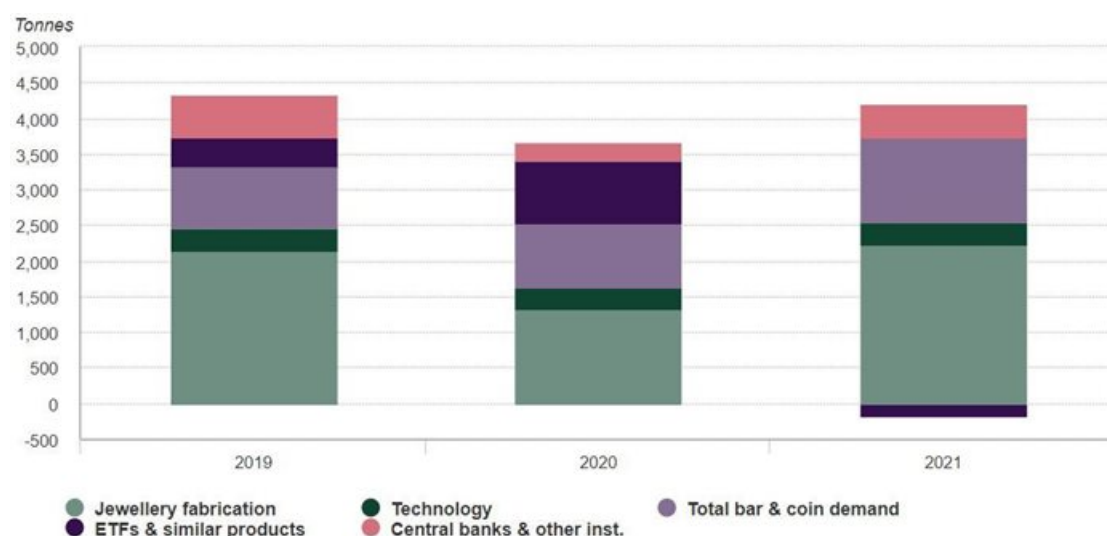
Nevertheless, these outflows represent only a fraction of the 2,200t that gold ETFs have accumulated over the preceding five years, demonstrating the continuing importance investors place on including gold in their portfolio.

## Jewellery sector rebounds

Turning to annual consumer demand, the jewellery sector rebounded to match 2019's pre-pandemic total of 2,124t. This was aided by a strong Q4 when demand reached its highest level since Q2 2013 – a quarter where the price of gold was 25% lower than the average comparative price in 2021, further highlighting the strength of demand in the most recent quarter.

For the 12th consecutive year, central banks were net purchasers of gold, adding 463t to their holdings, which was 82% higher than 2020. A diverse group of central banks from both emerging and developed markets added to their gold reserves, lifting the global total to a near 30-year high.

The use of gold in the technology sector in 2021 increased 9% to reach a three-year high of 330t. While technology demand is comparatively smaller than other sectors, its uses are far reaching and prevalent in a variety of electronics, from mobile devices to the sophisticated James Webb telescope recently put in orbit.



Source: Metals Focus, World Gold Council

## Similar market dynamics expected in 2022

Gold is expected to face similar dynamics in 2022 to those seen last year, with competing forces supporting and curtailing its performance. Near term, the gold price will likely react to real rates, which in turn will respond to the speed at which global central banks tighten monetary policy and their effectiveness in controlling inflation.

Historically, these market dynamics have created headwinds for gold. However, the elevated inflation seen at the start of this year and the possibility of market pullbacks will likely sustain demand for gold as a hedge. In addition, gold may continue to find support from consumer and central bank demand.



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30 Nov 2021



## Key markets regained economic vibrancy

Louise Street, senior analyst EMEA at the World Gold Council, commented: "Gold's performance this year truly underscored the value of its unique dual nature and the diverse demand drivers. On the investment side, the tug-of-war

between persistent inflation and rising rates created a mixed picture for demand. Increasing rates fuelled a risk on appetite among some investors, reflected in ETF outflows. On the other hand, a search for safe haven assets led to a rise in gold bar and coin purchases, buoyed by central bank buying. Declines in ETFs were offset by demand growth in other sectors. Jewellery reached its highest level in nearly a decade as key markets like China and India regained economic vibrancy.

“We expect similar dynamics to influence gold’s performance in 2022 with demand drivers fluctuating according to the relative dominance of key economic variables. How central banks deal with persistent high levels of inflation will be a key factor for institutional and retail demand in 2022. Meanwhile, the jewellery market’s current strength could be hampered if new Covid variants restrict consumer access again or continue if the economic recovery endures.”

The Gold Demand Trends Q4 and FY 2021 report, which includes comprehensive data provided by Metals Focus, can be viewed [here](#).

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