24 August 2016

# MENA gold demand slumps

1 mins read


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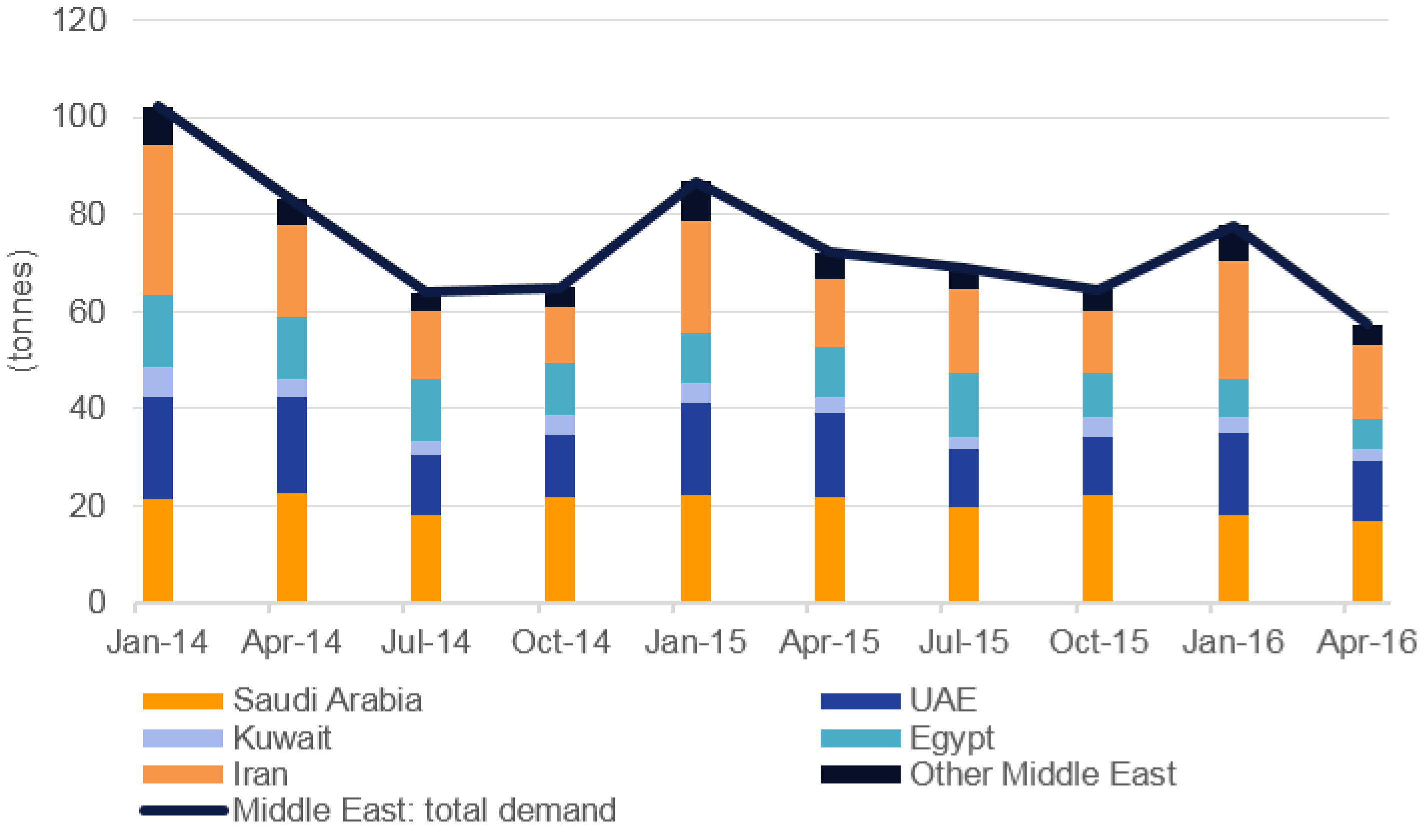
The latest data from the World Gold Council show gold demand was up by 15% year on year in Q2 2016, entirely driven by investment demand. Physical demand—comprised of jewellery, bar and coin investment, technology and central bank reserve building or draws—fell nearly 13% over the same period. The high prices seen in H1 2016 prompted a large increase in gold recycling, helping to push gold supply up 9.9% in Q2.

High prices in the first six months of the year may have been good for investor interest but appear to have shaken demand in several key physical markets. Consumer demand in India fell heavily (-30%) in H1 as higher prices put the metal out of reach. Imports have trended steadily downward since the start of the year. Meanwhile, consumer uncertainty in China dragged on gold demand there, down 13% in H1.

# MENA underperforming on gold consumption

Gold demand remains very soft in MENA markets. Overall, total demand was down more than 26% qoq in Q2. Consumption in the UAE dropped 19% yoy in H1 matching our assessments of softer year on year performance in the wider economy. We are in the middle of the seasonal low for demand in the UAE so the country is on track for a soft performance overall in 2016. Demand in Saudi Arabia was even more depressed as the non-oil economy there is still highly exposed to low oil prices. The only standout in the region remains Iran where despite a significant drop qoq, gold demand still managed to expand by nearly 6% yoy in H1.

## MENA gold consumption continues to sink




*Source: World Gold Council, Emirates NBD.*