China Seen Surpassing India as Top Gold Market

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China, the largest producer of gold, may overtake India as the biggest market on an annual basis this year as demand grows for jewelry and a store of wealth.

Demand for bullion in China jumped 20 percent to 769.8 metric tons in 2011, while consumption in India declined 7 percent to 933.4 tons, according to a report from the World Gold Council, a producer-funded organization. Jewelry demand in China increased every quarter in 2011 and was the biggest such market worldwide in the second half, it said.

“It is likely that China will emerge as the largest gold market in the world for the first time in 2012,” Marcus Grubb, managing director of investment, said in a statement.

On a quarterly basis, China was already the biggest consumer in the three months to Dec. 31, with demand at 190.9 tons compared with India’s 173 tons, the council said.

“There’s a lot of pent-up demand,” said Jeremy Friesen, Hong Kong-based commodity strategist at Societe Generale SA. “India and China have grown both in population and in wealth.”

Chinese investors bought 258.9 tons of gold bars and coins last year, 38 percent more than a year earlier, the council said. Gold jewelry demand gained 13 percent to 510.9 tons, it said.

While bullion for immediate delivery advanced 10 percent in 2011 for an 11th year of gains, the price fell 3.7 percent in the fourth quarter. The metal dropped 0.4 percent to $1,720.93 an ounce by 1:37 p.m. Shanghai time.

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