



Media Release

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ANZ forecasts significant long term strengthening of gold price as Asian demand grows

A major new study of the gold market published today by ANZ estimates the price of gold could exceed USD2,400/oz by 2030, fuelled by the liberalisation of Asia's financial system and growing wealth of its populations.

The report '*East to El Dorado: Asia and the Future of Gold*' predicts long term growth in the key consumer markets of China and India, together with the development of professional money management across the region, could double annual gold demand in the Asia 10 countries* from 2,500 tonnes currently to 5,000 tonnes within fifteen years.

ANZ also expects continued accumulation of physical gold by Asian central banks, to support liberalisation of the region's financial system and floating of currencies. Emerging Asian central banks have been substantial accumulators of foreign exchange reserves in past decades, but their gold holdings remain comparatively low.

Although ANZ currently has a short term price target of USD1,100/oz, it sees the finite supply of gold underpinning a long term increase in its value back to new record highs.

ANZ Chief Economist Warren Hogan commented: "Asia's rise will have profound implications for the gold market. A growing middle class will buy more jewellery, a larger body of professional money managers will drive investment demand and regional central banks will purchase more gold to provide confidence in newly floated currencies. These factors will support a long term and significant increase in the gold price."

China is expected to play a bigger role in gold pricing, due to its increasing size and importance in the global gold market. ANZ forecasts that the Shanghai Gold Exchange (SGE) and Shanghai Futures Exchange will continue to build market share in gold trading and as the Renminbi further develops as an important currency in global trade.

"With China as both the world's largest producer and consumer of physical gold, there is no reason why Shanghai should not become a major centre for gold trading provided the appropriate institutional and legal reforms take place," added Mr Hogan.

ANZ's long term view of the gold market builds on last year's report '*Caged Tiger: The Transformation of the Asian Financial System*', which predicted that the Asian financial system is on track to be larger than the US and Europe combined by 2030 – with dramatic effects on regional capital and investment markets.

ANZ is one the world's largest distributors of physical gold, handling the equivalent of 12% of global primary production in 2014. ANZ China was among the first foreign banks to be granted a gold import license by the PBOC and the bank supplied over 20% of China's gold imports last year. ANZ China is a major market maker on the SGE and executed the first RMB gold forward, as well as the first RMB gold option with a local Chinese bank.

*China, India, Indonesia, Japan, South Korea, Malaysia, Philippines, Singapore, Thailand and Vietnam

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