

# Bloomberg

Central Banks to Continue Purchasing Gold, World Council Says  
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Oct. 26 (Bloomberg) -- Central banks will continue to be net purchasers of gold for the next few years as the metal rallies to a record and countries diversify their reserves, according to the World Gold Council.

This year, net purchases by central banks totaled 220 metric tons, according to data available at the end of September, compared with 74 tons in all of 2010, said Natalie Dempster, the managing director of government affairs at the producer-funded council. Emerging economies including Russia, India and China will continue to be big buyers, she said.

Central banks are expanding reserves for the second straight year as prices head for an 11th consecutive annual gain. Futures in New York reached a record \$1,923.70 an ounce on Sept. 6 as faltering economies and financial turmoil boosted the appeal of the precious metal as a haven asset.

"The central banks in emerging markets have seen a sharp increase because of the financial crisis and rebalancing of their assets," Dempster said yesterday in a telephone interview. "European central banks have tightened their sales after having been very large sellers."

About 1.1 tons of gold were sold by European central banks in the year to Sept. 26, and the International Monetary Fund sold 52.2 tons, according to the council. The total is 61 percent less than in the previous year. Central banks in Europe are limited to sales of 400 tons each year through September 2014 under an annual agreement with the IMF.

## Adding to Reserves

Thailand, Bolivia and Tajikistan added a combined 18.2 tons of gold to reserves in August, while Russia's bank Rossii said on Sept. 20 that it raised gold holdings to 27.2 million ounces (771.1 tons) in August, up from 27 million ounces at the end of July.

Yesterday, gold futures for December delivery gained 2.9 percent to \$1,700.40 on the Comex in New York, touching \$1,710.70, the highest for a most-active contract since Sept.

23. Prices have advanced 20 percent this year.

"Both investors and banks are buying gold because it is deeply liquid," Dempster said. "Policies of quantitative easing increased relative attractiveness of gold as you cannot print gold."

All the gold ever mined totaled about 166,600 tons by 2010 and would fit inside a cube measuring about 69 feet (21 meters) on a side, according to the World Gold Council. Private investment in the metal reached about 31,100 tons by the end of last year, according to the council.