

Demand for gold soars on “colossal” central bank buying

The [price](#) of [gold](#) is soaring as demand for the precious metal from both central [banks](#) and small [investors](#) rockets.

Today the price of gold was at £1.548 an ounce, a rise of more than 16% on the year, as investors sought to protect themselves from runaway [inflation](#).

That’s a reflection of investor nerves about the future, with fears that major economies around the world are faltering.

Gold is seen as a safe haven investment that holds its value in the bad times.

The World Gold Council today says that annual gold demand increased 18% in 2022 at 4,741 tonnes.

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That’s the highest since 2011. This demand was driven by

“colossal” central bank buying and strong retail investment.

Demand for gold bars and coin in particular is high.

Louise Street, Senior Markets Analyst at the World Gold Council, said: “Last year we saw the highest level of annual gold demand in over a decade, driven in part by colossal central bank demand for the safe haven asset.”

As interest rates rise, gold’s allure ought to fade, however.

Street adds: “Gold’s diverse demand drivers played a balancing act as rising interest rates prompted some tactical ETF outflows, while elevated inflation spurred on gold bar and coin investment. In the end, overall investment demand was up 10% on the previous year.”

Some investors fear that many governments including the UK are over-borrowed with unsustainable levels of spending based on issuing new debt.

Neil Wilson at markets.com said: “Investors loaded up on gold as they sought shelter from soaring inflation and a major selloff in risk assets.”

He added: “Gold has recovered despite the rise in interest rates around the world in 2022. Fears of a recession and stagflation tend to be gold positive, while continued softening in the US dollar would act as a support. The risk lies in the Federal Reserve pushing nominal rates higher and keeping them there for longer, forcing down inflation expectations and driving up real rates and the dollar in the process.”

In the UK, the FTSE 100 has hovered near all-time highs as investors bet that large companies with overseas earnings would prosper in spite of a sluggish UK economy.

Today the FTSE was down 45 points to 7738 compared to the high

of 7903 hit in May 2018.

The World Gold Council says central bank buying of gold this year is “unlikely” to match 2022 levels. Until 2010, in the wake of the global financial crash, central banks had been net sellers of gold for two decades.

Krishan Gopaul, senior analyst at the WGC, said: “Since 2010 central banks have been net purchasers of gold following two decades of net sales. What we have seen recently in this environment is central banks have accelerated their purchases to a multi-year high