Gold

Major Australian gold deposits (tonnes)

- Deposit
- Operating mine
- <20
- 21–70
- 71–185
- 186–473
- 474–1,027
- >1,028

Global uses of gold

- 48% Jewellery
- 20% Coins and bars
- 15% Central bank reserves
- 9% Global backed exchange traded funds
- 8% Electronics, industrial, dental and medical

Gold

Aprox 187,200 tonnes of gold mined since the beginning of civilisation

The US Federal Reserve holds 6,700 tonnes of gold

Gold makes up 3 parts per billion of the Earth's outer layer

Australia's gold

- World's no. 1 producer of gold forecast for 2021
- World's largest economic demonstrated resource of gold
- World record holder for largest gold nugget 72kg
10.1 Summary

- Due to the COVID-19 pandemic and its impacts, the gold price is forecast to reach an 8-year high, averaging about US$1,630 an ounce in 2020. An expected global economic rebound is projected to see the price slide to around US$1,510 an ounce in 2022.
- Australia’s gold mine production is forecast to reach a peak of 381 tonnes in 2021–22, as high prices encourage an expansion in production.
- The value of Australia’s gold exports is forecast to reach a record $32 billion in 2020–21, driven by higher prices and export volumes, before declining to $30 billion in 2021–22, as gold prices ease back.

10.2 Prices

Gold prices rose strongly in the first half of 2020

The London Bullion Market Association (LBMA) gold price has risen by 14 per cent so far in 2020, to US$1,727 an ounce on 17 June 2020 — well above the average of US$1,479 an ounce in the second half of 2019. The US dollar gold price reached a seven and a half year high of US$1,748 an ounce on 20 May 2020, benefitting from its status as a safe haven asset during the COVID-19 pandemic.

Emergency interest rate cuts and massive quantitative easing measures taken by the US Federal Reserve in recent months have driven the real US Treasury bond yields lower. Lower real bond yields have encouraged institutional investment into gold, boosting gold prices (Figure 10.1). The COVID-19 pandemic has also pushed the Australian dollar lower, with the currency falling by 1.9 per cent in 2020, to US$0.688 on 17 June.

Propelled by a lower Australian dollar and a higher US dollar gold price, the Australian dollar gold price has risen 15 per cent so far in 2020, to A$2,493 an ounce on 17 June 2020. Gold prices are expected to continue to benefit from a surge to safe haven assets over the remainder of 2020, as the COVID-19 pandemic plays out.

The LBMA gold price is estimated to average US$1,630 an ounce in 2020, an increase of 17 per cent on 2019 (Figure 10.2).

Gold prices expected to fall in 2021 and 2022

As the global economy recovers, gold prices are forecast to fall by around 3.7 per cent between 2021 and 2022, to average US$1,510 an ounce in 2022 (Figure 10.2). The global economic recovery is expected to undermine some of gold’s appeal to institutional investors: funds are expected to move out of safe haven assets like gold and into riskier assets. The pace of central bank gold buying is expected to decrease at an annual rate of 4.0 per cent over the outlook period, amidst a modestly diminished appetite for gold for reserves.

The lower US dollar gold price, in combination with the higher Australian dollar, is expected to push the Australian dollar gold price lower over the outlook period, to average A$2,099 an ounce in 2022.
10.3 Consumption

World gold consumption increased in the March quarter 2020

World gold demand increased by 1.2 per cent year-on-year in the March quarter 2020, to 1,084 tonnes, driven by inflows into gold-backed exchange traded funds (ETFs), which added 298 tonnes (or net inflows of US$23 billion) — the largest quarterly value ever — driven by large inflows into ETFs in Asia and Europe. The global COVID-19 pandemic, which raised the level of volatility in financial markets, has driven demand for gold backed ETFs.

Over this period, official sector gold buying — that is, from central banks and other government financial institutions — fell by 7.6 per cent year-on-year to 145 tonnes. The need for more liquid assets during the COVID-19 pandemic appears to have been the main catalyst for central banks’ diminished appetite for gold. According to the World Gold Council, six central banks increased their gold reserves by at least a tonne in the March quarter 2020, compared to ten central banks a year before.

The COVID-19 pandemic and higher gold prices impacted global gold jewellery demand in the March quarter 2020. Jewellery demand dropped by 39 per cent year-on-year, to 326 tonnes, led by a 65 per cent (or nearly 120 tonnes) fall in demand from China — the world’s largest gold jewellery consuming country. Reduced incomes, due to physical distancing lockdowns, deterred Chinese consumers from spending on necessities such as jewellery. In India — the world’s second largest gold jewellery consuming country — jewellery demand fell by 41 per cent year-on-year in the March quarter 2020, due to higher domestic gold prices and the COVID-19 lockdown. In the US and Europe, jewellery demand fell by 3.7 and 15 per cent year-on-year to 23 and 11 tonnes, respectively, triggered by COVID-19 lockdowns.

Gold demand is forecast to fall by 18 per cent to 3,588 tonnes in 2020, as the COVID-19 pandemic reduces incomes and deters gold jewellery consumption in many parts of the world (Figure 10.3). Gold is expected to continue to attract institutional investors.

Russia’s central bank — the world’s largest gold buyer for the last 14 consecutive years — suspended gold buying for its reserves on 1 April 2020, citing low oil prices and budgetary requirements to deal with the COVID-19 pandemic. The absence of Russia from the world gold markets will likely prove to be a significant negative factor in 2020. Offsetting the fall in gold demand from Russia, the central bank of Kazakhstan — the world’s fourth largest gold buyer — is planning to increase its 2020 gold purchases, after buying 57 tonnes in 2019.

Gold consumption expected to rise in 2021 and 2022

World gold consumption is forecast to grow at an average annual rate of 4.2 per cent in 2021 and 2022, to 3,892 tonnes in 2022 (Figure 10.3). The growth is expected to be largely driven by jewellery consumption, rising by 13 per cent a year in 2021 and 2022 to 2,008 tonnes. Innovation in gold jewellery production — which has resulted in a wider product offering — is providing consumers with greater choices and driving higher demand for gold.
Demand from China is expected to rise at double-digit rates in 2021, following a steep fall in 2020. In India, softer demand growth is expected, as the COVID-19 pandemic reshapes the gold retail business: physical stores are likely to expand at a slower pace than online trading. In the US and Europe, jewellery demand is unlikely to recover to pre-COVID-19 levels, as the COVID-19 pandemic slows economic growth. Higher unemployment and income losses are expected to hinder any rises in demand for discretionary goods such as jewellery.

Retail investment is expected to help global gold consumption, with demand for gold bars and coins forecast to rise at an average annual rate of 9.0 per cent between 2021 and 2022, to 868 tonnes by 2022. This is supported by a forecast pull-back in gold prices (see Section 10.2 prices).

The official sector is expected to remain a net buyer over the outlook period, but at a slower pace. Central banks’ gold buying is forecast to fall at an average annual rate of 2.0 per cent in 2021 and 2022, to 422 tonnes in 2022. Many central banks are expected to shift their focus from reserves diversification amid the COVID-19 pandemic. The Central Bank of Russia is unlikely to return to buying gold while oil prices stay low.

Gold backed ETFs are expected to remain strong, with an average inflow of about 270 tonnes a year in 2021 and 2022. With record low interest rates in much of the world, the opportunity cost of holding gold is low.

10.4 Production

World gold supply decreased in the March quarter 2020

World gold supply fell by 3.8 per cent year-on-year in the March quarter 2020, to 1,066 tonnes, due to a 2.6 per cent decline in gold mine production. A decline in net producer hedging in the March quarter — to minus 10 tonnes — contributed to the fall in gold supply.

Around 36 tonnes (or 1.1 per cent) of world gold mine production has been affected by the COVID-19 related lockdowns. Production losses have been recorded in many gold producing countries, including Mexico (nearly 11 tonnes), Canada (over 10 tonnes), South Africa (5.4 tonnes), Peru (5.0 tonnes) and Argentina (2.4 tonnes) (Figure 10.4).

Production in China — the world’s largest gold producing country — was largely unaffected by the COVID-19 pandemic, with only one mine reporting a 60-day shutdown, resulting in an estimated production loss of 0.4 tonnes of gold.

Production in Australia — the world’s second largest gold producing country — was unaffected by COVID-19 measures. However, output from several large Australian gold mines was reduced, due to planned maintenance (see Section 10.5 Australia’s exports and production).

The movement restrictions during the COVID-19 pandemic have discouraged gold recycling activities. Jewellery store closures and lockdowns reduced the physical exchange of gold for cash. Over the year to March, gold scrap supply decreased by 4.4 per cent year-on-year to 280 tonnes.
For 2020, world gold supply is estimated to fall by 1.3 per cent to 4,751 tonnes (Figure 10.5), reflecting the impacts of the COVID-19 pandemic on Russian and Brazilian gold mine output, as these nations have recently encountered a surge in COVID-19 cases.

In China, gold mines have returned to normal operations following suspensions in January and February 2020. In Australia, Newcrest’s Cadia and Telfer gold mines, that were on planned maintenance of concentrators and planned reduction of mining in the March quarter, are expected to resume normal operations in the June quarter.

Following the easing of COVID-19-related restrictions, Newmont — the world’s largest gold mining company — has ramped up production at its operations: the Penasquito gold mine in Mexico, the Cerro Negro gold mine in Argentina, the Eleonore gold mine in Canada and the Yanacocha gold mine in Peru.

Gold recycling supply is not expected to return to the pre-COVID-19 levels over the remainder of 2020: physical distancing restrictions and some reluctance of sellers to visit retail outlets are likely to impact on supply.

World mine production is forecast to increase by 8.0 per cent (to 3,706 tonnes) in 2021 and by 2.0 per cent (to 3,781 tonnes) in 2022. A solid pipeline of projects in Australia, Russia and Canada should contribute to higher world mine output, with miners focusing on expansions and extending the life of existing mines.

Gold scrap supply is forecast to rise by 2.0 per cent in 2021, to 1,345 tonnes, due to an expected rise in gold selling activity. In 2021, unemployment is likely to remain high, causing hardship in many households, and some people may be forced to sell their gold jewellery for income to use on daily living expenses.

In 2022, lower gold prices and improving economic situations of many households are likely to discourage future sale of gold jewellery, thus gold scrap supply is forecast to fall by 5.0 per cent in 2022, to 1,278 tonnes.
10.5 Australia's exports and production

Export values increased in the March quarter 2020

Australia’s refined and unrefined gold exports were $5.8 billion in the March quarter 2020, up 7.0 per cent on the March quarter 2019. Exports were driven by a lower exchange rate (down 3.7 per cent quarter-on-quarter) and the higher US dollar gold price (see Section 10.2 prices).

Analysing monthly moves, Australian gold exports fell to a 36-month low in February 2020, to just above $1 billion, as gold exports to China (including Hong Kong) declined by 98 per cent at the peak of that nation’s COVID-19 outbreak. However, with a massive rise in gold exports to the United Kingdom (up 682 per cent year-on-year) in March 2020, Australian gold exports set a monthly record $3.3 billion (Figure 10.6).

Australia’s gold exports are estimated to have increased by 46 per cent to $27 billion in 2019–20, driven by higher gold prices (see Section 10.2 Prices) and increased export volumes (Figure 10.7). Export volumes are estimated to have risen by 11 per cent in 2019–20, reaching 362 tonnes.

Rising export volumes are estimated to have been driven by rising mine production, up 4.3 per cent to 335 tonnes.

Positive outlook for Australian gold exports in 2020–21

Australia’s gold export earnings are forecast to rise by 15 per cent in 2020–21, to a peak of nearly $32 billion (Figure 10.7). Contributing factors include strong gold prices, higher production (up 11 per cent) and export volumes (up 15 per cent). Export values are forecast to decline after 2020–21, falling to around $30 billion in 2021–22 (Figure 10.7). The decline is expected to be driven by lower US and Australian dollar gold prices (see Section 10.2 prices).

Figure 10.6: Australia’s gold exports, monthly

Figure 10.7: Australia’s gold exports by financial year

Australian gold mine production increased in the March quarter 2020

Australia’s gold production rose by 2.0 per cent year-on-year to reach 80 tonnes in the March quarter 2020. Output was driven by improved production from several large gold mines in Victoria and South Australia. Production at Kirkland Lake Gold’s Fosterville gold mine in Victoria...
increased by 24 per cent year-on-year in the March quarter 2020, to nearly 5.0 tonnes, driven by increased mill throughput and higher ore grades. Production at Oz Minerals’ Prominent Hill gold mine in South Australia rose by 49 per cent year-on-year in the March quarter 2020, to 1.5 tonnes, propelled by higher throughput.

However, production at Newcrest’s Cadia mine in New South Wales (NSW) and Telfer mine in Western Australia (WA) decreased by 11 and 20 per cent year-on-year in the March quarter 2020, to 6.1 and 3.0 tonnes, respectively, due to planned maintenance and decreased mill throughput. Over this period, production at AngloGold Ashanti and Independence Group’s joint-venture Tropicana gold mine in Western Australia fell by 7.1 per cent year-on-year, to 3.2 tonnes, due to lower grades. Production at Newmont’s Boddington gold mine in WA and Tanami gold mine in the Northern Territory decreased by 8.4 and 11 per cent in the March quarter 2020, to 4.4 and 3.6 tonnes, respectively, due to lower ore grades.

During the peak of the COVID-19 outbreak in Australia, some state jurisdictions — Western Australia and Queensland — banned interstate fly-in fly-out (FIFO) mining workers. The FIFO movement restrictions had different impacts on different gold companies or mines — depending on the base of their workforce. Evolution Mining has only one gold mine in Queensland (Cracow) and a FIFO workforce, of which 97 per cent are based within the state. In contrast, the FIFO movement restrictions may have had an impact on Newcrest’s workforce mobility, affecting the Cadia gold mine in NSW and the Telfer gold mine in Western Australia.

Despite some concerns about the impacts of the COVID-19 pandemic on gold operations, Australian gold production is estimated to have grown by 4.3 per cent in 2019–20 to 335 tonnes (Figure 10.8), encouraged by higher Australian dollar gold prices.

Higher production in the short term

Australian gold mine production is forecast to rise at an average annual rate of 6.9 per cent between 2020–21 and 2021–22. Production of 381 tonnes by 2021–22 (Figure 10.8) will be propelled by both production from new mines and existing mine expansions.

Newmont has confirmed that 90 per cent of its planned 2020 gold production, including Boddington and Tanami mines in Australia, remains in operation.

Kirkland Lake has withdrawn its three-year production guidance to assess the impacts of COVID-19 on its Fosterville’s operation. The company has also suspended its exploration activities at the Cosmo mine in the Northern Territory.

Regis Resources’ 6 tonnes per year McPhillamys gold mine in NSW is expected to begin production in 2021, and Capricorn Metals’ Karlawinda gold mine project (annual production of 4 tonnes) is expected to be commissioned in 2021. St Barbara’s Gwalia extension project in WA is expected to begin operation in early July 2020, adding about 3 tonnes of new output per year to the operation. Ausmex Mining and Activex are working to commission the 0.9 tonne a year Mt Freda gold mine in Queensland by the end of 2020 — the mine previously ceased operating in 1991.

Figure 10.8: Australia’s gold production

Source: Department of Industry, Science, Energy and Resources (2020)
Low oil prices are expected to assist Australian gold producers, in the form of reduced energy costs. With improved margins and cash flows, gold producers are likely to invest in growth projects and/or extend the life of existing mines. Newcrest has announced that it will use additional funds from its recent share placement to develop the Havieron gold project in WA, and to extend the life of the Telfer mine.

**Exploration expenditure continued to rise**

In the March quarter 2020, Australia’s gold exploration expenditure was $273 million, down 10 per cent from the December quarter 2019. However, the Australian gold industry spent more on exploration programs in the March quarter 2020 than the March quarter 2019. Exploration expenditure was up by nearly 39 per cent (or $50 million) year-on-year, driven by a seven and a half year high US dollar gold prices and record high Australian dollar gold prices. Gold exploration expenditure accounts for 45 per cent of Australia’s total minerals exploration expenditure. Western Australia remained the focus of gold exploration activity in Australia, accounting for 67 per cent (or $183 million) of total gold exploration expenditure (Figure 10.9).

**Revisions to the outlook**

The outlook for the US dollar gold prices in 2020 has been revised up by 11 per cent (or US$157 an ounce) from the March 2020 Resources and Energy Quarterly, reflecting a stronger than expected rise in gold prices (up 13 per cent) in the first half of 2020.

As a result, the forecast for Australian gold exports in 2020–21 has been revised up by $5.2 billion to nearly $32 billion. Export earnings in 2021–22 have been revised up to around $30 billion, up $3.2 billion from the forecast in the March 2020 Resources and Energy Quarterly.

**Figure 10.9: Australian gold exploration expenditure**

![Graph showing Australian gold exploration expenditure over time, with WA and Rest of Australia data points.](image-url)

Source: ABS (2020) Mineral and Petroleum Exploration, Australia, 8412.0
Table 10.1: Gold outlook

<table>
<thead>
<tr>
<th>World</th>
<th>Unit</th>
<th>2019</th>
<th>2020f</th>
<th>2021f</th>
<th>2022f</th>
<th>Annual percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2020f</td>
</tr>
<tr>
<td>Total demand</td>
<td>tonnes</td>
<td>4,368</td>
<td>3,588</td>
<td>3,789</td>
<td>3,892</td>
<td>-17.9</td>
</tr>
<tr>
<td>Fabrication consumptionb</td>
<td>tonnes</td>
<td>2,445</td>
<td>1,889</td>
<td>2,231</td>
<td>2,333</td>
<td>-22.7</td>
</tr>
<tr>
<td>Mine production</td>
<td>tonnes</td>
<td>3,480</td>
<td>3,432</td>
<td>3,706</td>
<td>3,781</td>
<td>-1.4</td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal</td>
<td>US$/oz</td>
<td>1,392</td>
<td>1,631</td>
<td>1,550</td>
<td>1,512</td>
<td>17.2</td>
</tr>
<tr>
<td>Reald</td>
<td>US$/oz</td>
<td>1,421</td>
<td>1,631</td>
<td>1,518</td>
<td>1,447</td>
<td>14.8</td>
</tr>
<tr>
<td>Australia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mine production</td>
<td>tonnes</td>
<td>321</td>
<td>335</td>
<td>372</td>
<td>381</td>
<td>4.3</td>
</tr>
<tr>
<td>Export volume</td>
<td>tonnes</td>
<td>326</td>
<td>362</td>
<td>418</td>
<td>427</td>
<td>11.2</td>
</tr>
<tr>
<td>Nominal value</td>
<td>A$m</td>
<td>18,722</td>
<td>27,436</td>
<td>31,574</td>
<td>29,567</td>
<td>46.5</td>
</tr>
<tr>
<td>Real valuee</td>
<td>A$m</td>
<td>19,074</td>
<td>27,436</td>
<td>30,962</td>
<td>28,384</td>
<td>43.8</td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nominal</td>
<td>A$/oz</td>
<td>1,768</td>
<td>2,332</td>
<td>2,352</td>
<td>2,154</td>
<td>31.9</td>
</tr>
<tr>
<td>Reale</td>
<td>A$/oz</td>
<td>1,801</td>
<td>2,332</td>
<td>2,306</td>
<td>2,068</td>
<td>29.5</td>
</tr>
</tbody>
</table>

Notes: b includes jewellery consumption and industrial applications; c London Bullion Market Association PM price; d In 2020 calendar year US dollars; e In 2019–20 financial year Australian dollars; s Estimate; f Forecast.