

Gold

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1997 mine production: \$2.5 billion
 World rank: Fourth
 Exports: \$3.5 billion
 (includes exports from
 Bank of Canada gold sales)

Canada	1997	1998 ^e	1999 ^f
	(000 tonnes)		
Production	168	165	160

^e Estimated; ^f Forecast.

Gold is valued for its rarity, lustrous beauty, ductility, high resistance to corrosion, and conductivity. It has been treasured for its decorative and monetary value for at least 8000 years. Gold has a high density, its weight being equal to 19.3 times an equivalent volume of water. The main industrial uses for gold are in jewellery (85%) and electronics (6%). Gold bullion coins, such as the Maple Leaf coin, are also important products.

ANNUAL AVERAGE PRICES, LONDON BULLION MARKET ASSOCIATION

1994	1995	1996	1997	1998 ^e
(US\$/oz)				
383	384	388	331	295

^e Estimated.

CANADIAN OVERVIEW

- Royal Oak Mines Inc. commissioned the Kemess South project (6.6 t/y) in British Columbia in 1998.
- In Manitoba, the Bissett Gold mine (2.6 t/y) was re-opened in August 1998 by Harmony Gold.
- Claude Resources re-opened the old Madsen mine (1.5 t/y) in the Red Lake region.
- The Casa Berardi mine in Quebec was purchased by Aurizon Mines. Once the exploration program is completed, Aurizon will conduct a feasibility study to determine if the mine should be re-opened.

WORLD OVERVIEW

- The world's production of gold over the next two years is expected to remain stable.
- By the year 2000, total production from the world's top five gold producers is likely to show a 100-t decrease. South Africa's production is expected to decrease by 20 t to 470 t/y, while the combined gold production of the United States, Australia and Canada will likely show an 80-t decrease. China's gold production should remain stable.
- Through to the end of the decade, important production increases are expected to come from emerging producing countries such as Indonesia, Peru, Papua New Guinea and Chile.

MARKET OUTLOOK

Total world fabrication demand for gold in 1998 is expected to fall by around 5% to 3150 t. World gold fabrication is particularly affected by the poor demand in Asian countries, notably the Republic of Korea, China, Taiwan and Japan.

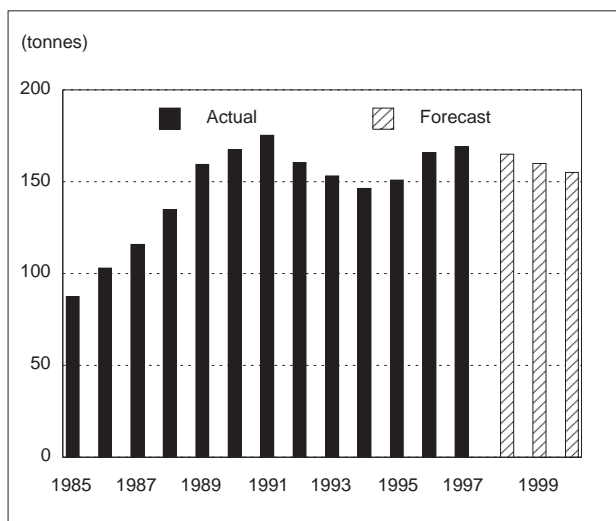
However, the downward trend in world fabrication demand in 1998 was dampened by the consumption increase in India. India, which was the world's largest gold consumer in 1997 with 737 t, is expected to have its consumption rate grow by around 20% in 1998.

Finally, the possibility that the Swiss National Bank may start selling 1200 t of gold by the year 2000, and the uncertainty surrounding the role of gold in view of the newly created European Central Bank, continue to generate a negative sentiment for the gold market.

CANADIAN PRODUCTION OUTLOOK

Canadian gold production peaked at 176.6 t in 1991, declined to 145.5 t in 1994, and then increased to 168 t in 1997. As a result of several gold mine closures due to the depletion of ore reserves or the low gold price, Canadian gold production is expected to decrease to around 155 t/y by the year 2000.

Figure 1
Canadian Gold Production, 1985-2000

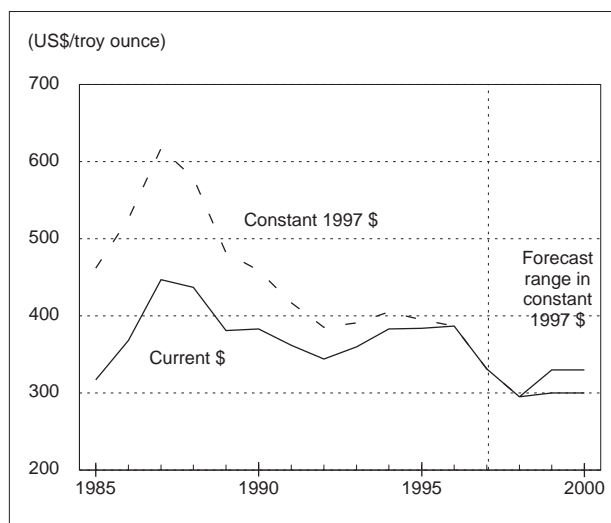


Source: Natural Resources Canada.

PRICE OUTLOOK

In 1998, an average gold price of US\$295/troy oz is forecast, compared to \$331/oz in 1997 and \$388/oz in 1996. In the medium term, the increased demand for gold products, particularly in the jewellery sector, along with a stabilization of world gold production, should result in some strengthening in the price of gold. Until the end of the decade, an annual average gold price of between US\$300 and \$330/oz (in constant 1997 dollars) is forecast.

Figure 2
Gold Prices, Annual Average, 1985-2000



Source: Natural Resources Canada.