Changes in Central Bank

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MAJOR CHANGES IN CENTRAL BANK REPORTED RESERVES 1990-2009

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INTRODUCTION

According to the International Monetary Fund, official gold reserves (including those of the IMF and the BIS) amounted to around 35,580 tonnes at the end of 1990. By mid-2009 this had reduced to around 29,630 tonnes, a seventeen per cent fall. The majority of the 5,950 tonne reduction between 1990 and 2009 was due to sales by European central banks, most of which took place under two successive central bank gold agreements (CBGA1 and CBGA 2). Over the period the majority of other central banks kept their gold reserves more or less stable. Some reduced their reported reserves and others increased them.

It should be noted that certain central banks and other official or quasi-official bodies hold gold that is not included in their reported reserves.

Changes in reported reserves do not always imply a purchase or a sale. They can also be the result of other factors such as accounting changes, a switch between reported and unreported holdings or gold swaps. Central banks differ as to whether gold out on swap is or is not included in reported reserves. The IMF's Standard Data Dissemination Standard is not entirely clear on this issue but most central banks following it include such gold. In other cases gold swaps can cause changes in the reported level. A few central banks do not include gold held abroad in their reported holdings.

Small increases in reserves can be due to factors such as the central bank lending its gold and receiving the interest in gold rather than currency. Another common reason is where the central bank is ready to purchase gold from members of the public who wish to sell. Small reductions in reserves may occur when the central bank supplies gold to the official mint for gold coins.

Major changes in reported reserves during 1990 to mid- 2009 are outlined below, looking first at changes outside CBGA holders and then at changes related to CBGA countries including those associated with the introduction of the euro in 1999. The text covers any information the World Gold Council has on the reasons for changes. Other information on central bank gold holdings can be accessed via http://www.research.gold.org/reserve_asset/

NON-CBGA HOLDERS

Algeria Gold reserves rose 14 tonnes from to 174 tonnes in 1991, reversing previous fall.

Argentina Argentina introduced currency-board style exchange rate arrangements in 1991 under which the peso was pegged firmly to the US dollar and the monetary base (notes and coins in circulation plus commercial bank deposits with the central bank) had to be fully backed by US dollars or dollar-related securities held by the central bank. Under these circumstances gold holdings introduced a risk for the central bank in case the dollar price of gold fell. To manage this risk the central bank took out put options which were exercised in 1997 and 2000, reducing holdings to under one tonne consisting of a limited number of coins of historical interest. The ending of the currency board arrangements in 2001 made it appropriate for the central bank to re-introduce some diversification into their reserves and this included the purchase of 55 tonnes of gold in 2004.

Australia 166 tonnes sold in 1997, reducing reserves to 80 tonnes.

Bank for International Settlements (BIS) Sold 12 tonnes in its financial year 2004/05 (ends March 31) reducing its holdings to 180 tonnes, and a further 15 tonnes in its financial year 2005/06. Sales of 15 tonnes in 2006/07 reduced holdings to 150 tonnes, followed by sales of 25 tonnes in 2007/08 and 5 tonnes in 2008/09. (Note: BIS reported data include elements related to gold deposited by other central banks. The 17 tonnes acquired from France – see note relating to France – does not appear to have been added to reported reserves.)

Belarus Reserves grew from 0.7 tonnes at end 1999 to 20 tonnes at end-2006 although swaps (both inward and outward) as well as acquisitions can cause changes in the reported levels. Gold holdings reported in IMF data are lower than those reported by the WGC, which are based on national statistics, since IMF data exclude some gold on deposit with foreign banks.

Brazil Between 1990 and 1998 Brazil's reported gold reserves fluctuated between 63 and 143 tonnes. However, in addition to buying and selling, an active swaps programme disguised the true level prior to 2001, after which the bank adhered to SDDS and included gold out on swap in reported reserves. From 1997 the bank started a sales programme reducing reserves to 34 tonnes by end-2001. (Note: prior to early 2008 gold holdings were sometimes reported as 14 tonnes. Until then gold reported to the IMF for statistical, as distinct from SDDS, purposes excluded gold held abroad.)

Bulgaria 8-tonne increase in 1997 bringing reserves to 40 tonnes.

Canada Gradual selling of holdings from 1980. Reserves fell from 459 tonnes at end 1990 to 3 tonnes at end 2003, after which they remained stable.

Chile Reduced holdings by 20 tonnes in 1998, by 36 tonnes in 2000 and 2 tonnes in 2003 to leave holdings at less than one tonne.

China 105 tonne increase at end-2001 and further 100 tonne increase at end-2002 to take reported reserves to 600 tonnes. In April 2009 it was announced that gold reserves had increased by 454 tonnes since 2003, taking holdings to 1,054 tonnes.

Colombia Reported holdings rose from 8 tonnes in 1996 to 10-11 tonnes in 1997, subsequently falling to 7 tonnes in 2006.

Czech Republic 30 tonnes sold in 1997 and 23 tonnes in 1998 reducing reserves to 9 tonnes. Holdings rose to 13 tonnes in 1999 following settlement of disputed gold with Slovakia, since when they have gradually decreased to 13 tonnes by end-July 2009.

Ecuador Increase of 13 tonnes in 1998 to 26 tonnes due to unofficial holdings being taken into formal reserves.

El Salvador Reported holdings were reduced from 15 tonnes in 2003 to 7 tonnes by end-2006.

Hong Kong Reduction of 5 tonnes in 1993 reducing gold holdings to 2 tonnes.

India Reported reserves increased from 333 tonnes at end 1990 to 398 tonnes at end 1995, in part due to the acquisition of confiscated gold. There was a 39 tonne reduction in reserves, to 358 tonnes, in 1998 due to the repayment on maturity of gold-backed bonds issued in 1993.

Indonesia Fall in reported reserves of 23 tonnes in 2006 reducing holdings to 73 tonnes.

Israel Sold 13 tonnes in 1991 and a further 13 tonnes in 1992 reducing holdings effectively to zero.

Japan 12 tonne increase to 765 tonnes in 2000 through assimilating earlier returned gold coins to reserves.

Jordan Reported holdings gradually increased from 23 tonnes in 1990 to 26 tonnes by end-1998, then fell to 13 tonnes by end-2000 and have remained broadly stable ever since.

Kazakhstan Gradual build up of gold from 20 tonnes from end-1993 to 72 tonnes at mid-2009. The bank normally buys a certain amount from domestic producers each year. Reported gold holdings can fluctuate to a small extent.

Korea (South) Gold reserves were increased by 4 tonnes in 1998 to 14 tonnes. The gold in question was a small portion of that collected during the National Gold Collection Campaign which ran from December 1997 to April 1998 in response to the Asian economic crisis. To help meet the calls on Korea's foreign reserves at that time citizens were encouraged to sell their gold jewellery and bars to banks, in exchange for won. The overwhelming majority of the gold collected (around 250 tonnes worth over $2bn at that time) was sold by the banks to help meet the foreign exchange crisis but the remaining 4 tonnes of gold not immediately required was bought by the central bank and added to reserves.

Lao PDR Reported reserves rose from 0.5 tonnes at the end of 1998 to 8.8 tonnes by end 2008.

Libya Gold reported at 112 tonnes from 1989 to 1997 and then 144 tonnes from 1998 onwards. (No data available between 1992 and 1998.)

Macedonia Gold holdings rose to 7 tones at the end of 2005 following the allocation of gold from the former Yugoslavia.

Malaysia 36 tonnes sold in 1999 reducing reserves to 36 tonnes.

Mexico Gradual long-term sales programme, interrupted by periodic purchases, reducing holdings from 29 tonnes at end 1990 to 3 tonnes at end-2006. Subsequently, reported holdings increased to 8.0 tonnes by mid-2009.

Mongolia Holdings fluctuate as the central bank buys locally produced gold and periodically sells it.

Norway Sold its 37-tonne gold holding end 2003/early 2004.

Oman Gold holdings reduced from 9 tonnes to zero in 2002.

Pakistan 4-tonne increase between 1990 and 1999 increasing reserves to 65 tonnes.

Peru Gold holdings reduced from 69 tonnes at end-1990 to 35 tonnes by end-1994; stable thereafter.

Philippines Gradual build up of gold from 90 tonnes at end 1990 to 271 tonnes at end 2002, since when they have declined to 158 tonnes by end-July 2009. The central bank buys gold from local gold mining companies, some of which it sells and some which it retains. Until 2002 the general trend was for its gold reserves to increase but from then the bank became a net seller. The central bank also engages in swaps; prior to January 2000 (from when it adopted SDDS) the initiation and unwinding of these would have caused changes in reported reserves.

Poland Increase of 13 tonnes in 1997 and 75 tonnes in 1998 to reach 103 tonnes.

Qatar Gradually reduced reported holdings from 26 tonnes at end 1990 to less than one tonne by end-1999. However in early 2007 it started to buy gold with reserves reaching 12 tonnes by the end of the year, since when they have remained stable.

Romania Gradual increase in reserves from 69 tonnes in 1990 to 105 tonnes at end-2000, after which holdings have remained broadly stable, declining to 104 tonnes by end-July 2009.

Russia Reported reserves rose from 317 tonnes at end 1993 to 507 tonnes in 1997. The central bank then started to engage in swaps and did not, at least initially, include gold out on swap in its reported figures (although it adopted SDDS in 2006). It is thought to have both bought and sold gold since 1997. By mid-2009 reported reserves were 550 tonnes, up from 387 tonnes at the end of 2005. The bank's long-term aim is to increase its gold reserves.

Serbia Reserves fluctuated between 2000 and 2006, largely as a result of the redistribution of the holdings of the former Yugoslavia. Since then, they have been broadly stable around 13 tonnes.

South Africa South Africa borrowed 50 tonnes of gold to add to its reserves in 2000. This was repaid in 2003 returning holdings to 124 tonnes.

Turkey Gold holdings fluctuated at the start of the 1990s before falling from 125 tonnes at end-1993 to 117 tonnes in 1995. Holdings then gradually declined to 117 tonnes in 2001, since when they have remained stable.

Thailand Between 2000 and 2004 reserves grew by about 10 tonnes to the current level of 84 tonnes. This increase appears to have been due to the Luangtua Mahabua patriotic campaign. This was set up in July 1998 while the Asian crisis was still running its course and consisted of the collection of gold and dollars which were periodically donated to the central bank. The campaign ended in 2004, since when reported holdings have remained stable.

Ukraine Gradual increase in reported holdings from zero at end 1992 to 27 tonnes by end-2008.

United Arab Emirates Reduced holdings by 12 tonnes to 12 tonnes in 1999 with a further reduction to zero in 2003.

United States Gold holdings have decreased slightly from 8,146 tonnes in 1990 to 8,133 tonnes by 2006 due to gold being withdrawn for the minting of commemorative gold coins. Gold holdings can also fluctuate due to purchases of gold from the market by the US Mint for the manufacture of gold bullion coins. Such gold is included in US reserves data until the resulting coins are sold.

Uruguay Sold its gold in various stages reducing holdings from 75 tonnes at end 1990 to less than one tonne at end 2002.

Venezuela Periodic fluctuations in reported level of hold holdings between 1998 and 2003 are primarily due to changes in gold swaps. Actual gold holdings have remained stable at 357 tonnes.

CBGA SIGNATORIES

EU countries From 1979 (or their date of accession to the EU if later) all EU member countries deposited 20% of their gold and foreign exchange reserves with the European Monetary Institute (EMI) in exchange for ecus. This therefore resulted in a reduction in reported gold reserves. Any subsequent changes in gold reserves resulted in a corresponding transfer of gold between the central bank concerned and the EMI in order to maintain the 20% ratio. These deposits were unwound in December 1998. In January 1999 all European Monetary Union members transferred a certain quantity of gold and other reserves to the European Central Bank with gold accounting for 15% of the total transferred (Greece in 2001, Slovenia in 2007, Cyprus and Malta in 2008 and Slovakia in 2009 all followed suit on joining monetary union). See http://www.reserveasset.gold.org/emu_and_gold/ for details

Austria Reported reserves decreased from 634 tonnes at end-1990 (793 tonnes including gold deposited with the European Monetary Institute – see below) to 300 tonnes at the end of 1998. During this time the bank engaged increasingly in swaps and did not include gold out on swap in reserves – part of this decline may therefore reflect the increasing swap activity. After the start of

European Monetary Union in 1999 the Bank changed practice and included swapped gold in reported reserves. Under the first Central Bank Gold Agreement (1999 to 2004) the bank sold 90 tonnes. It announced that it would sell less than that amount under the second Agreement (2004 to 2009); by the end of 2007 it had sold 37 tonnes, reducing its holdings to 280 tonnes. (No sales recorded January 2008 to July 2009.)

Belgium Carried out five sales between 1989 and 1998 prior to the introduction of the Central Bank Gold Agreement: 127 tonnes in 1989; 202 tonnes in 1992; 175 tonnes in 1995, 203 tonnes in 1996 and 299 tonnes in 1998. Profits from the sales were used to help reduce the government's outstanding debt thus helping it to meet the conditions set by the Maastricht treaty for countries joining European Monetary Union. In addition 12 tonnes were transferred to Luxembourg in 1999 as a result of the dismantling of the Belgium-Luxembourg Economic Union prior to the establishment of European Monetary Union. Belgium did not sell any gold under CBGA 1 but sold 30 tonnes under CBGA 2 in 2005, which took reserves to 228 tonnes since when they have remained stable.

Cyprus Around half a tonne was transferred to the ECB when Cyrus joined the Eurozone in January 2008. This reduced holdings from slightly over to slightly under 14 tonnes.

European Central Bank 47 tonnes were sold in 2005, 80 tonnes in two sales in 2006 and 79 tonnes in two sales in 2007. 30 tonnes were sold in 2008 and a further sale of 35.5 tonnes was announced in April 2009. With small offsets due to transfers of gold from Slovenia, Cyprus, Malta and Slovakia on these countries' adoption of the euro, total holdings had been reduced to 563 tonnes by end-2007, to 534 tonnes by end- 2008 and to 501 tonnes by end-July 2009.

France Announced that it would sell 500 to 600 tonnes under CBGA 2 (no sales under CBGA 1). In addition it used 17 tonnes at the end of 2004 to purchase shares in the Bank for International Settlements. By end 2007 holdings had fallen to 2,603 tonnes with a further fall to 2,492 tonnes by end-2008. By end-July 2009 holdings had fallen to 2445 tonnes. At that time it had sold 565 tonnes in total (excluding the 17 tonnes transferred to the BIS).

Germany Has sold small amounts of gold for coin minting each year since 2001. In all this reduced its holdings by 46 tonnes to 3,417 tonnes between 2000 and 2007 and to 3,408 tonnes by end-July 2009.

Greece Around 12 tonnes were added to reserves between 1990 and 2003 primarily due to the purchase of gold coins offered by members of the public. 20 tonnes were sold in 2003 reducing reserves to 108 tonnes. The sale did not fall under the auspices of CBGA 1 to which Greece was not a signatory since it was not a Eurozone member in 1999 when the Agreement was signed. Accounting adjustments and further purchases of coins from the public increased holdings by 4 tonnes to 113 tonnes at the end of 2007, since when they have remained stable.

Malta Gold reserves reduced from 5 tonnes at end-1990 to just above zero by 1998 and then fluctuated between 0.1 and 0.2 tonnes until 2007. 0.3 tonnes of gold was acquired towards the end of 2007 and then transferred to the ECB when Malta joined the Eurozone at the beginning of 2008.

Netherlands Sold 400 tonnes in 1993 (partly offset by 43 tonnes gain in reserves at the end of the year) and 300 tonnes in 1997. Announced intention to sell 300 tonnes of gold under CBGA 1 but sales by other countries crowded it out and it sold only 235 tonnes. It announced that during CBGA 2 it would sell the remaining 65 tonnes plus a further 100 tonnes. The sales were completed in January 2009, reducing holdings to 613 tonnes.

Portugal Sold 125 tonnes under CBGA 1 (through the exercise of options). By end 2006 it had sold a further 100 tonnes under CBGA 2 reducing holdings to 383 tonnes (unchanged at end-July 2009).

Slovak Republic 5-tonne reduction in holdings, to 35 tonnes, in 2001. Just under 3.5 tonnes was transferred to the ECB when the Slovak Republic joined the Eurozone in January 2009, reducing holdings to 32 tonnes.

Slovenia Slovenia transferred 1.9 tonnes of gold to the ECB in January 2007 upon joining the Eurozone, taking holdings to 3 tonnes (unchanged as at end-July 2009).

Spain Sold 242 tonnes under CBGA 2 by end 2007 (of which 135 tonnes in 2007) reducing holdings to 282 tonnes.

Sweden Announced plans to sell 60 tonnes under CBGA 2 of which 48 tonnes had been sold by end-2008, reducing holdings to 137 tonnes (131 tonnes by end-July 2009).

Switzerland A plan announced in 1997 and agreed under a referendum in 1999 resulted in the country halving its gold reserves by selling 1,300 tonnes. 1,170 tonnes were sold under CBGA 1 and the remainder in the first year of CBGA 2, reducing holdings to 1,290 tonnes by March 2005. In June 2007 the bank announced plans for the sale of a further 250 tonnes by September 2009. This was to rebalance reserves following the rise in the price of gold which had increased gold's share of the country's reserves from 33% in mid-2005 to 42%. By end-2007 145 tonnes of this total had been sold with a further 105 tonnes by end-2008, reducing holdings to 1,040 tonnes.

United Kingdom Sold 395 tonnes through auctions every two months from July 1999 to March 2002 reducing reserves to 314 tonnes. 345 tonnes were sold under CBGA. Periodic small decreases since are due to the supply of gold to the UK Mint for coin manufacture. Reserves stood at 310 tonnes as at end-July 2009.

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