

# Malaysia's demand for gold to pick up in longer term

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MALAYSIA'S gold demand will fall this year due to heavy liquidation in the run-up to the Iraq war earlier this year, according to the industry-backed World Gold Council.

But the council's regional planning manager, T.H. Koh, said yesterday there was room for improvement in demand in the country because of steady economic growth and locals' affinity with the precious metal.

"Over a longer term we would expect sales to pick up given the robust economy," Koh told Reuters by telephone from Singapore, where he is based.

Owners sold their holdings to take profit when gold touched a 6½-year high at US\$388.50 in February in the run-up to the war in Iraq, Koh said.

"It's a worldwide phenomenon," Koh said, adding that the spread of the deadly Severe Acute Respiratory Syndrome (SARS) virus had also restricted buying because the locals avoided crowded places such as shopping centres.

Malaysia's jewellery sales were estimated at 20 to 21 tonnes in 2003, down from 24.7 last year.

Sales of gold bars and coins for investment were seen at between 3 and 3.5 tonnes, down slightly from 4 tonnes in 2002.

Prime Minister Datuk Seri Dr Mahathir Mohamad said last

Friday Malaysia's official forecast of 4.5% economic growth in 2003 was achievable.

Gold in multi-racial Malaysia is mostly valued as an item of adornment, especially among Malays and Indians.

In east Malaysia, where its economy is mostly based on agriculture and fishing, gold is often perceived as an investment that can be sold in time of need.

Koh said Malaysia's efforts to promote the use of gold coins showed the country's faith in the precious metal.

But, he added it could take some time for Malaysians to get used to the idea of using gold as a means of transaction.

"We don't see that happening very soon. It will take quite some time for people to get used to the idea of using gold coins to pay for goods," he said.

The country's sole minter of coins, the Royal Mint of Malaysia, introduced gold coins last week, although they are not intended to replace the ringgit currency.

Malaysia imports gold bars and bullion from Switzerland, South Korea, South America and Australia.

It produced 5.1 tonnes of gold in 2002, up from 4.9 in 2001.

Malaysia also makes jewellery, producing 68.9 tonnes in 2002, compared with 81.8 in 2001. - Reuters