



Gold to See Bright Future in ASEAN Region

By SBMA

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Southeast Asia's precious metals markets have developed rapidly in a short period of time, but there is still much room for them to grow, according to panellists at the ASEAN Precious Markets and Opportunities roundtable at the Asia Pacific Precious Metals Conference, who showcased the region's richness and diversity of precious metals markets.

There are many reasons for gold's positive outlook in the ASEAN region, according to the SBMA Executive Director Mr Hawk Naimiki, who cited the region's increasing wealth and disposable income; the fact gold is rooted in life and culture of people; the introduction of Shari'ah Standard on Gold, a new generation of gold investors, and the establishment of the ASEAN Economic Community (AEC), which provides SBMA the opportunity to create a seamless regional market and production base.

The ASEAN region's precious metals market is still growing and there are many reasons why investors should look to this part of the world, panellists said:

- Myanmar, a country abundant in resources and rich in precious metals and minerals, is a new market with limited international exposure, but its government is trying to engage with the global industry, introducing new laws and policies to benefit not only the country and its people, but also to encourage foreign investment.
- Vietnam has a strong retail investment market, with a strong physical demand and a future Vietnam gold exchange with a large trading potential (daily margin trading volume of 2 million oz in 2008).
- Laos has a small market, but the country has shown high rates of economic growth – it is one of the fastest growing economies in the world (GDP growth rate is 8.5%, just after China). While its bullion market is undeveloped at the moment, its gold reserves are also estimated at 500-600 tonnes and there are four mining

operations. However, the gold market suffers from high tax and strict government controls, but as it is a new emerging market for gold and has a high volume of border trades, there is the potential for it to liberalise.

- Indonesia has a vast gold market and high production (the 2nd largest gold producer in Asia, and the 4th in the world), but taxes and duties are causing its market to shrink.
- Thailand, which is both a large importer and large exporter of gold, is moving from retail to investment. There is a good market for investment, and buying and selling can be done easily at market rates. There is also a steady government hand in guiding the market.
- Malaysia has a bullion market that operates like a monopoly at the moment. Its imports have also fallen from 70 metric tons in 2014 to 55 metric tons in 2015, likely because of the introduction of 6% GST in 2015 (exemptions for LBMA accredited gold bars). However, new amendments were introduced in 2016 for import of gold bullion. There are still opportunities for investment as the market is relatively small, with limited players, and relatively easy entry.
- Singapore is at the heart of global trade flows, with world-class infrastructure for precious metals storage and trading. There is no GST on investment precious metals, and the industry enjoys strong support from the government and SBMA. It also has a pro-business environment and is the most “network-ready” country globally.

Another reason Asia is becoming more favourable is because of changing face of the London Market, which is struggling with profound regulatory change, increase cost of capital, and increased cost of trading non-cleared OTC derivatives, according to Alex Shaw (Head of Market Development – Precious Metals, LME), and Ruth Crowell (CEO, LBMA), who said that anxiety over regulation is having an effect on prices, and that many industry participants have an attitude that it is safer to do nothing, especially with regulators looking over your shoulder.

In general, gold market globalisation is well advanced in terms of trade links, though



there are still important exceptions, such as the near-prohibition of gold exports from China. In terms of domestic gold trading, this has become liberalised in most countries, but currency and capital controls still hinder cross-border activity in several cases.

As such, continued cooperation and partnership agreements, like the memoranda of understanding (MOUs) SBMA signed with Myanmar Gold Development Public Co. Ltd and The Chinese Gold & Silver Exchange Society during the conference, will only help to promote interconnectivity in the global gold market and connect the region's precious metals community to global bullion players..

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