Singapore bullion flows surprise to the upside with a surge in shipments in 2017.

In a year when physical demand across much of South East Asia was subdued, gold bullion flows into and out of Singapore picked up dramatically and has propelled the tiny country into one of the major bullion centres globally in 2017. In this article we take a look at the reasons behind the sudden uptick in bullion flows and provide a detailed breakdown of the origins and destinations for this metal.

By Cameron Alexander

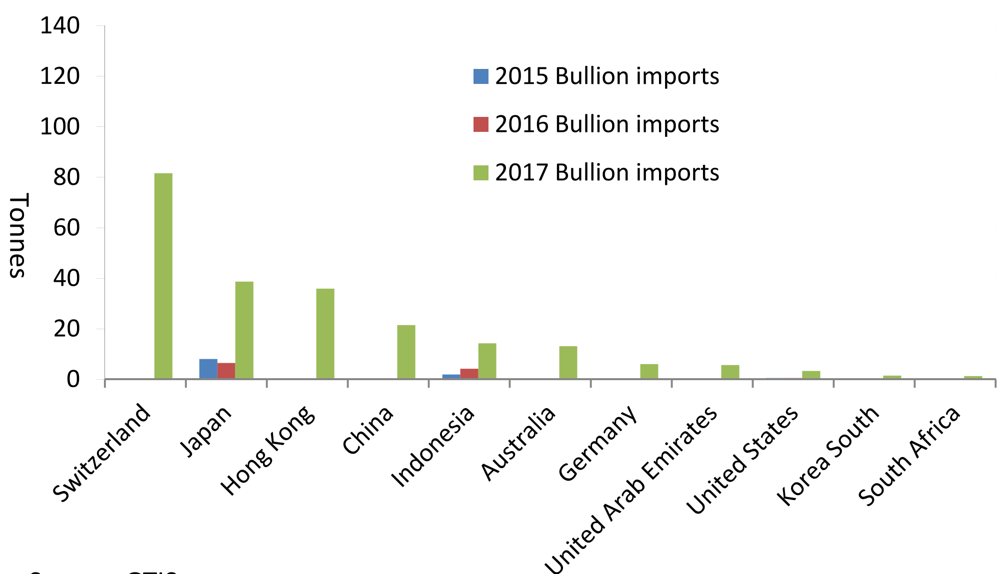
Singapore's bullion imports to the end of September have surged to more than 224 tonnes on a gross basis, utterly dwarfing the near 16 tonnes recorded at the same time last year. It should be noted at the outset that analysing Singapore's customs data can be challenging as bullion is often captured within the semi-manufactured code (710813) and not the standard bullion code (710812).

This year Singapore has been used, more so than in previous years, as a conduit to China. There are a number of reasons for this. Firstly, due to the end of a contractual arrangement a major bank that was previously shipping gold from Australia to China looked to other means of procuring a sustained supply. This meant that they sourced gold from across Asia and Europe (often in large bars but not exclusively so) and converted this material into kilo bars in Singapore for the Chinese market. Secondly, the significant volumes of gold emanating from China this year (unofficially in a bid to remit currency out of the country) has meant that many gold traders in the region were picking up this material, often at a significant discount, and importing it back to Singapore, and other destinations, for refining if required (some of the bars coming out of China were slightly below 4 9's) or converted straight into kilo bars for the regional markets.

Looking at the data in greater detail reveals gold bullion imports from Switzerland jumped to almost 82 tonnes in the first nine months of 2017 against almost nothing last year under this same code. Similarly, imports from Japan have surged from below 7 tonnes in 2016 to almost 37 tonnes for the same period this year. A significant uptick in purchases in Hong Kong accounted for the near 36 tonnes of imports from this entrepôt. Elsewhere, flows from Australia also picked up sharply in 2017, from a minuscule level last year under this customs code, surpassing 17 tonnes for the first nine months of the year, while gold imported from Indonesia jumped to over 14 tonnes from just 4 tonnes in 2016 for the corresponding period.

Turning to the export data, and there was little surprise that shipments to China jumped significantly, surpassing 86 tonnes to the end of September against 18 tonnes last year for the same period. Shipments to Cambodia, which is often a conduit for the closed market of Vietnam, reached 31 tonnes to the end of the third quarter while shipments to Thailand and Malaysia both recorded impressive year-on-year gains, reaching 12 and 22 tonnes respectively. There were very few destinations to register a decline this year but Switzerland was the most notable, with shipments dropping by a third from the corresponding period last year.

Feedback from industry participants suggests that activity in Singapore will likely slow down in the final quarter of the year based. The gold exiting China has slowed in the last month so shipments from Hong Kong in the fourth quarter should ease, and with prices at the lower end of the recent trading range scrap flows will be minimal. However, after a period of weak demand on the Chinese mainland for fresh imports demand is expected to pick up as we approach the end of the year and this may encourage larger flows from Japan and Europe for converting into kilo bars. In addition, the lower price environment may stimulate buy-side activity in markets such as Thailand and Indonesia and this could lead to an uptick in shipments but flows are not likely to match what we saw earlier in the year.



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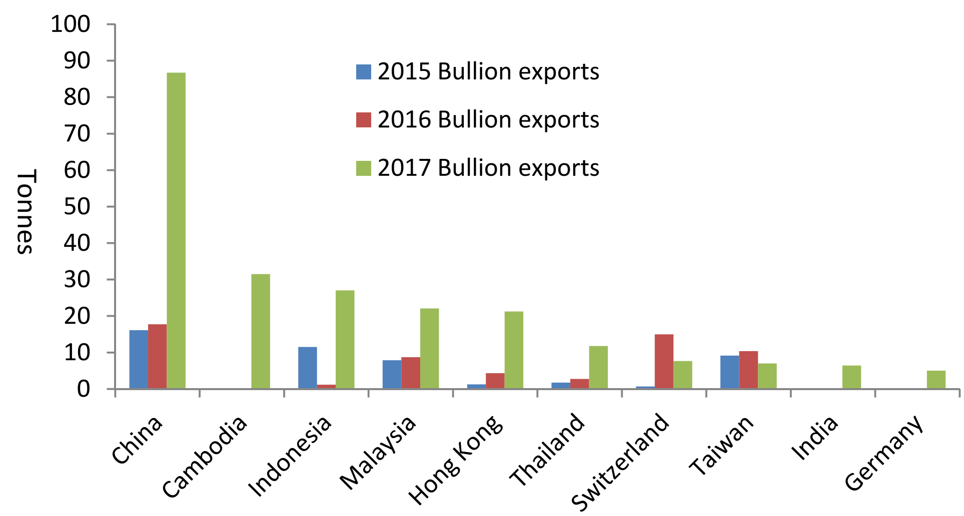

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