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Silver-Coin Sales Booming at Perth Mint on Demand for Haven (3)
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(Adds comment from UBS in seventh paragraph.)

By Jason Scott

June 22 (Bloomberg) -- Silver-coin sales from Australia's Perth Mint, which was founded in 1899 and processes all of the country's bullion, have surged to a record as buyers seek to protect their wealth with the metal known as poor man's gold.

The mint sold 10.7 million 1-ounce silver coins since July 1 last year, according to Sales and Marketing Director Ron Currie. That's 66 percent higher than the previous full fiscal year and about 10-fold more than five years earlier. Sales of 1-ounce gold coins will be close to a record, he said.

The soaring demand adds to signs investors are stepping up precious-metal purchases as Europe's governments tackle a sovereign-debt crisis and central banks led by the U.S. Federal Reserve print cash to stimulate their economies, potentially devaluing paper currencies. Silver, the second-best performing commodity over the past year, rallied to a record in April.

"Silver's still booming and it's been going strongly for a year," Currie said in interview yesterday from the mint in Western Australia's capital. "A lot of the buying is by people new to the market," with European and U.S. investors the most active international purchasers of the mint's products, he said.

Immediate-delivery silver, which rallied to \$49.79 an ounce on April 25, was at \$36.33 at 4:40 p.m. in Perth, 42.6 times cheaper than gold. Over the past year, silver has beaten all the commodities on the Standard & Poor's GSCI index apart from top-ranked corn. Spot gold, rallying for an 11th straight year, has gained 25 percent.

Sovereign-Debt Crisis

Gold has become the preferred "coin of the realm" during Europe's sovereign-debt crisis, Dennis Gartman, editor of the Gartman Letter, said in May. There is a "distinct possibility" that Greece, which is seeking additional financial aid, may leave the euro zone and go back to the drachma, Pictet & Cie Chief Investment Officer Yves Bonzon said in London yesterday.

"Sales of gold coins in Greece have risen considerably as nervous savers shift out of cash deposits," UBS AG analyst Edel Tully wrote in a note today, citing a report in the Financial Times. "This ties in with our own sales of coins and small bars to Europe which have accelerated in recent days."

Global precious-metals sales have also been fueled by concerns that inflation may accelerate, especially in India and China, with the World Gold Council this month predicting a "tidal wave" of demand from the two largest users. China will more than double the planned output of official gold panda coins this year to 1 million ounces, according to the central bank.

Full Capacity

The Perth Mint, producer of about 6 percent of the world's gold bullion, introduced a web-based service last year enabling Australian customers to buy gold and silver. A new silver-coin press was commissioned in April and the operations are running at full capacity to keep up with demand, Currie said.

Silver sales have also surged in the world's largest economy. Sales of American Eagle silver coins climbed 30 percent to 3.65 million in May, taking the total for the year so far to 18.9 million ounces, the mint's website shows.

Demand for gold from the Perth Mint, which is controlled by the Western Australian government, has risen in the past 12 months, Currie said. Sales of 1-ounce gold coins in the year to June 30 will be close to matching the record of 415,115 ounces set two years ago. The mint processes all the gold mined in Australia as well as imports of scrap from overseas.

"The gold price is high but it's not moving a great deal, so it's not bringing new people into the market," Currie said.

"The institutional buyers and the big banks have slowed, but the mums and dads are still buying," he said.

Appeal of Gold

Spot gold touched a record \$1,577.57 on May 2 as the sovereign-debt crisis in Europe and record-low U.S. borrowing costs increased the appeal of gold as an alternative to currencies. Gold for immediate delivery traded at \$1,546.75 an ounce at 3:06 p.m.

Bullion may climb 23 percent to average \$1,500 an ounce this year, up from a March 1 forecast of an 8 percent gain, the Australian Bureau of Agricultural and Resource Economics and Sciences said in a report yesterday. In 2012, the metal may average \$1,550, driven higher by global investment and jewelry demand in developing economies, government agency said.

Australia's gold-mine production in the year to June 30, 2012, is forecast to increase 3 percent to 277 metric tons, Abares said in the report. Exports may climb 15 percent to 358 tons because of a gain in refined shipments sourced from Australian mines and overseas, it said.

Currie declined to give a total output figure for coins and bars, or the value of the bullion stored on behalf of buyers.

Investors can opt to buy and store gold at the mint, or buy coins to hold themselves.

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