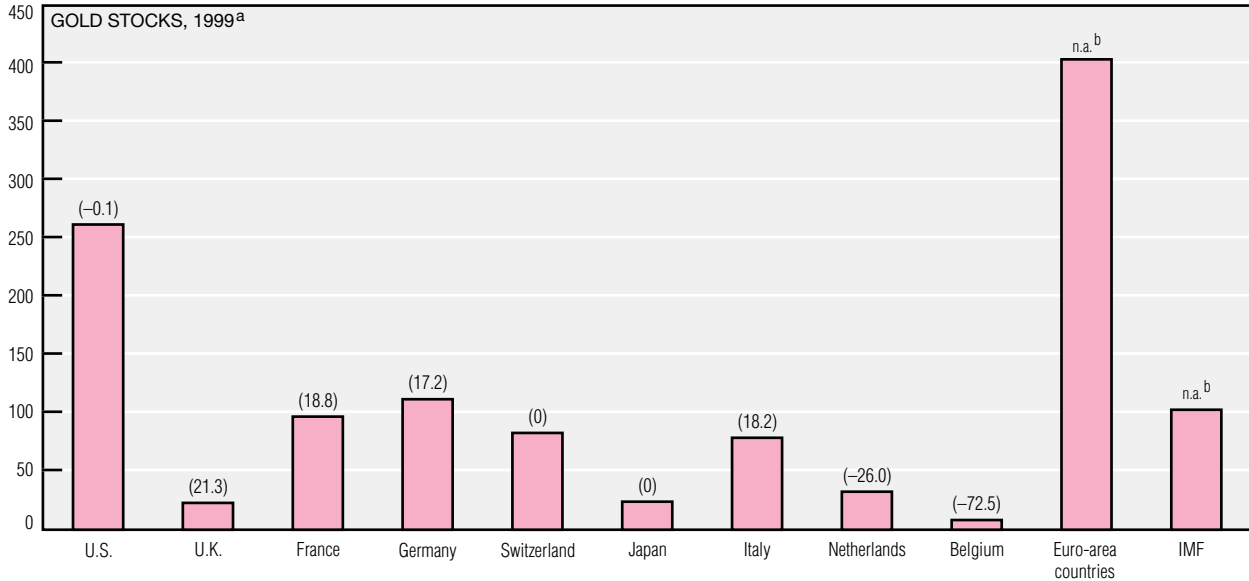
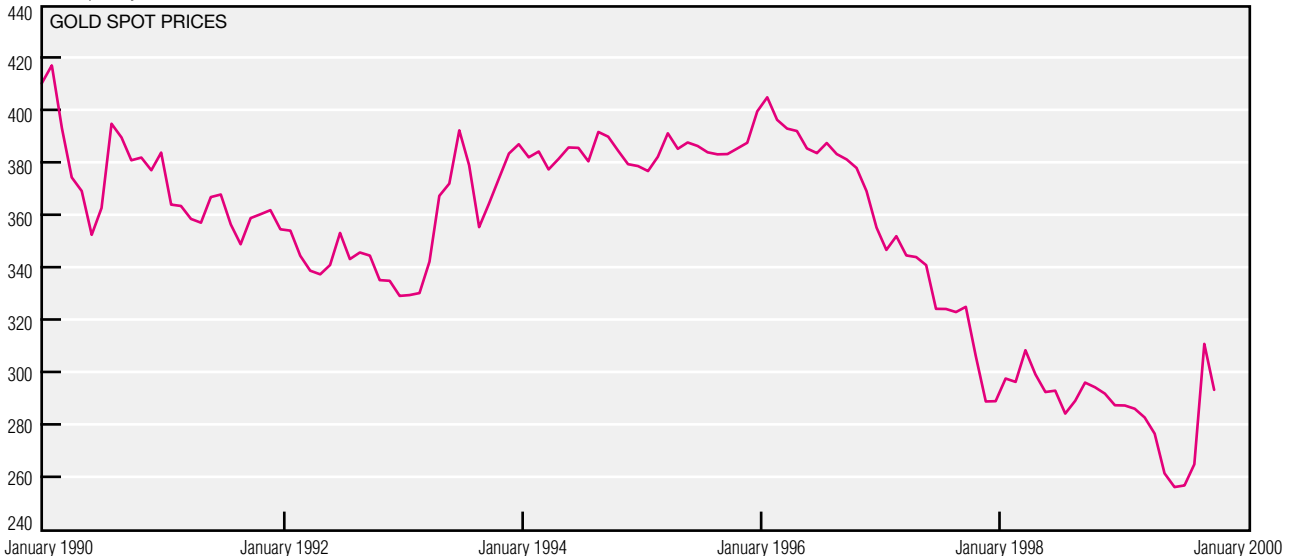


Gold Prices

Millions of troy ounces



U.S. dollars per troy ounce



a. Numbers above bars indicate percent change in gold stocks, 1990-99.

b. Data are not available.

SOURCES: International Monetary Fund, *International Financial Statistics*; World Gold Council, www.gold.org; and *Wall Street Journal*, various issues.

Gold prices have fallen precipitously since their recent highs of February 1996, largely because of central banks' actions. Since 1996, many central banks—including those of Belgium, the Netherlands, the U.K., Australia, and Switzerland—have announced and undertaken sales from their gold reserves. Each announcement depressed the market price of gold.

In the same year, the International Monetary Fund proposed selling as much as 10% of its gold reserves to finance debt relief for the

world's poorest nations. The IMF has 103 million ounces of gold, making it the largest holder of gold after the U.S. (262 million ounces) and Germany (112 million ounces). The European Central Bank's decision to limit gold holdings to 15% of its reserves also increased expectations of further central-bank gold sales and depressed prices. Market participants worried that the central banks of individual European nations that traditionally held more than 15% of their reserves in gold might sell off whatever they had not

already transferred to the ECB.

Concerned about the sharp drop in prices, 15 European central banks unexpectedly announced on September 26, 1999, that they would limit gold sales to 2,000 tons over the next five years. Much of this amount had already been earmarked for sale. The U.S., Japan, and the IMF will also abide by this agreement, which affects approximately 84% of the world's official gold stock. Between September and October, the average gold price jumped roughly \$51 per ounce.