

CAN BURKINA FASO AFFECT THE PRICE OF GOLD?

We focus on a news item from last August 19, which went slightly under the radar given the summer period, but which we believe to be of significant importance in terms of analysis and prospective evaluation for gold and other precious metals.

The news concerns the new measures adopted by Burkina Faso regarding gold production, including the suspension of exports and other related policies.

Since it is a significant producer in a geographical area that is the world's largest producer in terms of size, we believe that the news is significant and deserves to be evaluated.

The president of Burkina Faso has introduced a series of measures regarding the production and export of gold, with the aim of anchoring the currency to the gold owned (effectively a return to the so-called "Gold Standard"), strengthening the GDP and improving control over mineral resources and internal security. Above all, if the link between the currency and the gold held seems very ambitious, in the past in some cases comparable fiscal policy initiatives have proven effective in controlling inflation and the stability of various macroeconomic variables.

In short, the government has suspended exports of gold produced by artisanal and semi-mechanized operations.

At the moment, free export is left only to large foreign groups and domestic concessions. Artisanal and semi-mechanized activities, which account for over 50% of Burkina Faso's annual gold production, are often managed by paramilitary groups opposed to the government (sometimes actual armed gangs) that often use child labor and workers in conditions of submission and put at risk the internal security of many countries in the central part of the African continent.

In addition, Burkina Faso has started the construction of its first gold refinery, which is expected to be operational by the end of 2024. This initiative is intended to ensure that more of the added value remains within the country, rather than being transferred abroad. It is essentially about internalizing high-margin activities that are currently outsourced.

Why do we think Burkina Faso's initiative is relevant?

Gold Mine Production (tonnes)															
Source: Metals Focus Gold Focus 2024															
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	percentage %
North America															
Canada	102,1	102,0	106,4	131,4	151,2	157,7	163,1	171,2	191,9	185,2	173,3	192,9	194,5	191,9	5,26%
United States	231,3	233,9	234,6	230,1	210,0	216,7	229,1	236,3	222,6	200,4	193,4	186,8	172,7	166,7	4,57%
Mexico	78,7	94,4	107,5	109,8	113,4	131,7	130,7	119,6	118,4	109,0	110,4	124,8	124,0	126,6	3,47%
Sub-total	412,1	430,3	448,5	471,3	474,6	506,1	523,0	527,1	532,8	494,6	477,0	504,5	491,2	485,2	13,31%
Central & South America															
Peru	184,8	183,8	189,8	182,4	171,1	170,5	166,0	166,6	162,6	143,3	101,6	127,3	125,7	128,8	3,53%
Brazil	71,5	77,7	80,2	89,3	90,4	95,4	98,9	95,4	97,0	100,0	98,9	93,1	86,6	86,3	2,37%
Colombia	43,6	45,9	56,2	46,0	47,9	49,6	53,2	53,2	43,9	45,5	53,6	59,9	57,4	67,4	1,85%
Bolivia	6,4	6,5	10,3	13,3	34,7	22,1	21,8	28,6	31,3	42,0	23,2	45,7	53,4	48,4	1,33%
Argentina	63,9	59,0	54,2	49,7	60,0	63,9	58,0	61,4	58,7	52,9	35,9	37,0	41,3	39,1	1,07%
Chile	39,5	45,1	49,9	51,3	46,0	42,5	46,3	37,9	37,1	38,5	33,9	34,2	30,1	35,4	0,97%
Venezuela	24,9	25,5	21,0	22,8	22,7	22,6	23,0	23,0	26,0	27,8	33,4	35,0	30,0	30,0	0,82%
Suriname	20,4	20,1	20,0	18,5	18,4	17,4	21,2	34,1	34,3	32,8	29,8	28,3	28,9	26,8	0,74%
Ecuador	15,2	15,6	16,0	15,9	15,3	14,2	12,2	11,5	11,5	11,4	13,5	21,3	22,8	23,1	0,63%
Dominican Republic	0,1	0,5	4,2	26,6	36,2	31,2	38,0	35,3	31,7	31,8	28,3	25,5	22,4	17,6	0,48%
Guyana	11,9	13,9	15,6	18,4	17,3	18,2	23,0	22,3	19,2	19,7	18,2	16,1	16,2	17,4	0,48%
Other	22,3	26,5	22,1	22,9	21,6	20,2	18,0	14,2	12,5	14,5	15,7	20,4	20,1	21,9	0,60%
Sub-total	504,6	520,4	539,4	557,1	581,8	567,8	579,6	583,4	565,6	560,3	486,0	543,9	535,0	542,1	14,87%
Europe															
Bulgaria	2,5	3,4	4,3	4,5	5,5	5,4	5,7	6,6	6,8	7,5	9,8	10,1	9,0	9,7	0,27%
Finland	5,8	6,6	9,1	8,5	7,6	8,2	8,6	8,8	8,3	7,7	8,7	9,1	8,5	9,0	0,25%
Sweden	6,2	5,9	6,1	6,4	6,5	6,3	6,5	7,8	7,9	8,2	8,3	7,4	7,2	6,7	0,18%
Other	2,2	2,1	3,5	4,4	4,1	5,3	7,1	7,1	6,6	7,0	7,1	9,8	12,2	14,0	0,38%
Sub-total	16,7	18,0	22,9	23,9	23,7	25,2	27,8	30,5	29,5	30,4	33,9	36,4	36,9	39,3	1,08%
Africa															
Ghana	94,3	96,8	106,0	105,8	106,3	95,4	131,4	133,3	149,1	142,4	130,1	124,7	137,2	135,1	3,71%
Mali	42,7	42,6	47,6	55,9	60,4	71,5	82,6	75,1	89,7	98,5	93,9	100,7	101,4	105,0	2,88%
Burkina Faso	44,9	59,7	56,9	61,6	62,2	54,6	57,0	74,6	78,0	82,6	93,4	102,7	96,3	98,6	2,70%
South Africa	210,0	205,3	179,8	179,5	168,6	157,0	155,0	147,3	126,1	113,2	102,5	113,6	92,6	104,3	2,86%
Sudan	29,3	32,6	33,9	57,6	60,9	67,8	77,5	88,0	76,7	78,0	81,8	85,1	80,1	72,5	1,99%
Guinea	25,8	25,7	24,3	25,4	32,1	41,0	45,6	46,8	50,8	57,6	56,9	65,0	63,5	64,9	1,78%
Tanzania	47,5	54,4	56,3	52,0	51,8	53,2	55,3	54,6	46,3	46,5	48,4	50,4	50,9	52,0	1,43%
Zimbabwe	17,1	19,0	22,7	23,0	23,2	25,5	26,5	34,5	51,9	44,4	40,9	46,4	49,4	46,6	1,28%
Côte d'Ivoire	7,8	13,2	13,0	14,5	19,4	22,2	23,6	25,7	24,1	32,5	38,0	41,9	48,3	51,5	1,41%
DR Congo	18,0	21,0	24,8	25,3	35,9	42,7	45,4	49,6	62,9	60,4	52,4	49,1	44,5	45,4	1,24%
Niger	6,6	7,4	9,6	9,1	8,7	10,9	8,7	12,7	10,7	14,5	24,5	34,5	34,5	33,4	0,92%
Liberia	10,0	10,0	11,0	10,0	10,0	10,5	14,4	13,7	19,7	18,6	18,8	20,5	21,3	19,9	0,55%
Senegal	5,4	4,8	7,4	8,2	8,6	8,7	10,2	11,6	16,5	17,3	15,9	20,2	19,7	17,1	0,47%
Mauritania	9,0	8,8	8,2	9,9	10,0	9,1	8,1	10,1	10,7	15,1	15,6	8,1	19,3	21,8	0,60%
Madagascar	10,0	10,4	10,8	11,1	11,1	11,7	13,5	13,3	14,0	14,5	13,8	15,5	15,5	15,9	0,44%
Other	43,4	60,1	66,6	69,6	73,2	87,9	104,7	109,1	110,7	109,9	106,7	115,0	117,2	120,0	3,29%
Sub-total	621,8	671,9	678,9	718,5	742,3	769,6	859,5	899,9	938,1	945,9	933,3	993,3	991,5	1.004,0	27,54%
Commonwealth of Independent States															
Russia	203,1	211,6	233,4	248,5	252,7	255,3	262,4	280,7	295,4	327,2	331,7	330,9	330,0	321,8	8,82%
Uzbekistan	69,0	68,1	77,0	78,0	79,5	79,0	90,0	91,1	91,6	93,2	100,2	104,9	110,8	119,6	3,28%
Kazakhstan	29,9	35,6	37,3	44,1	42,6	52,0	58,7	67,2	73,9	74,6	79,2	76,6	81,9	86,3	2,37%
Kyrgyzstan	19,0	19,7	11,3	20,2	19,3	18,7	21,2	21,0	21,9	26,0	24,3	26,0	28,8	25,5	0,70%
Other	9,6	9,0	8,2	8,7	9,1	11,9	12,6	18,6	18,1	20,6	20,3	18,5	18,4	17,7	0,49%
Sub-total	330,5	344,0	367,2	399,5	403,2	416,9	444,9	478,7	500,9	541,6	555,7	556,9	569,8	570,9	15,66%
Asia															
China	351,1	371,2	413,3	438,4	462,0	460,3	463,7	429,1	404,1	383,2	368,3	332,0	375,0	378,2	10,37%
Indonesia	132,3	110,2	82,6	90,0	93,5	115,1	118,4	117,6	153,0	92,3	100,9	108,2	131,8	132,5	3,63%
Philippines	40,8	38,1	30,8	29,2	28,4	30,6	36,7	44,7	42,8	34,6	25,6	28,0	38,6	40,8	1,12%
Turkey	16,4	24,0	29,4	33,5	31,2	28,2	24,4	24,7	22,9	37,1	41,5	39,4	30,9	36,5	1,00%
Mongolia	14,0	13,3	14,2	19,7	32,0	32,8	21,3	22,5	22,6	16,3	20,2	19,2	19,4	14,9	0,41%
Laos	5,5	4,3	6,8	7,2	5,6	7,2	7,1	6,4	5,9	5,6	5,8	11,6	10,1	8,8	0,24%
Other	44,6	45,1	46,1	45,9	47,1	48,1	47,5	46,1	48,5	51,1	47,9	47,5	48,3	49,8	1,36%
Sub-total	604,7	606,3	623,2	663,9	699,8	722,4	719,2	691,1	699,8	620,2	610,3	585,8	654,1	661,3	18,14%
Oceania															
Australia	256,7	258,7	250,4	267,1	274,0	279,2	287,7	292,5	313,0	325,1	328,0	307,2	306,3	293,8	8,06%
Papua New Guinea	69,7	63,8	59,0	64,6	58,4	60,9	62,9	63,0	67,1	71,2	52,5	40,9	41,5	41,3	1,13%
New Zealand	12,1	11,2	9,7	11,8	10,8	11,7	9,6	9,0	9,3	7,8	5,5	5,3	6,0	6,1	0,17%
Other	2,0	3,4	3,6	3,1	2,0	1,6	1,6	1,6	1,6	1,6	1,6	1,6	1,6	2,0	0,05%
Sub-total	340,4	337,2	322,7	346,6	345,2	353,3	361,7	366,1	390,9	405,7	387,4	354,9	355,4	343,3	9,42%
Global Total	2.830,8	2.928,1	3.002,8	3.180,8	3.270,5	3.361,4	3.515,7	3.576,9	3.657,6	3.598,6	3.483,5	3.575,6	3.634,1	3.646,1	100,00%

As we can see from the table describing annual global gold production by country and geographical area, Burkina Faso currently produces around 2.7% of the global total, just behind South Africa. It is therefore a significant producer, within a geographical area such as Africa (of which Burkina is the fourth largest producer), which produces over 27.5% of the total global production.

Above all, and this is probably the most relevant aspect in terms of perspective, if the initiative is successful, other countries in the area could take the same path which in fact has numerous specific objectives:

- Increase GDP by internalizing high-margin activities;
- Increase internal security and government stability;
- Stabilize currency and inflation;
- Increase sustainability, credibility and political weight at an international level;
- Reduce dependence on foreign mining companies.

In short, with the due differences, Burkina Faso is repeating what Iran and other Middle Eastern countries did between 1960 and 1990 for the production of hydrocarbons which before then was completely in the hands of foreign governments.

What effects could this initiative and other similar initiatives have?

For about 40-45% of Burkina Faso's production, or just over 1% of global production, essentially little changes because although refining must be done domestically, it is gold that after the payment of the due royalties (which have been increased anyway) is owned by foreign concessionaires who can freely export and sell it.

The remaining part of the production, on the contrary, could also be retained entirely within Burkina Faso, thus reducing the availability of physical gold.

At the moment, a reduction of just over 1% of the physical gold currently available is foreseeable within a few years (initiatives take time to be implemented) but the overall percentage could significantly increase, if other countries were to follow in Burkina Faso's footsteps.

In conclusion, the Burkina Faso initiative, in our opinion, confirms and strengthens a long-term positive trend that gold could continue to have in the medium-long term, given the current geopolitical context.