

## The Gold Price Trend within GOLD-ISMIA's Project Locations amid the COVID-19 Pandemic

Gold market prices have increased during the COVID-19 pandemic, but there is no indication that artisanal and small-scale gold miners gain much profits from the increase due to the challenges posed by the pandemic.

Following the previous rapid survey on “the prevalence of COVID-19 within GOLD-ISMIA's project locations”<sup>1</sup>, the GOLD-ISMIA's field facilitators surveyed 30 respondents across six project locations to understand the gold market prices during the pandemic, and the impact of the COVID-19 on the miners' activities.

### Introduction

Global gold price has increased in light of COVID-19 pandemic. Similar upward trend can also be seen in Indonesia gold market.

Understanding that gold market price is a significant contributor to artisanal and small-scale gold miners' state of income, the Global Opportunities for Long-Term Development – Integrated Sound Management of Mercury in Indonesia's Artisanal and Small-Scale Gold Mining (GOLD-ISMIA) carried out a rapid survey to identify the price change during the COVID-19 pandemic. The survey was undertaken in: (i) Logas and Logas Hilir Villages, Kuantan Singingi, Riau; (ii) Kalirejo Village, Kulon Progo, Yogyakarta; (iii) Buwun Mas Village, Lombok Barat, Nusa Tenggara Barat; (iv) Anggai and Airmanga Villages, Halmahera Selatan, Maluku Utara; (v) Tatelu Village, Minahasa Utara, Sulawesi Utara; and, (vi) Hulawa Village, Gorontalo Utara, Gorontalo. GOLD-ISMIA is working with

the ASGM communities in these villages to curb the use of mercury from gold processing by at least 5 metric tonnes per year and by at least 15 tonnes at the end of the project.

### Situation Analysis

Included in this rapid survey were gold shop owners, local bullion buyers, mine and processing facility owners, and suppliers of mining-related materials. As at 14 April 2020, 93,33 % (28 respondents) were still working, while 6,67 % (2 respondents), both are gold processing facility owners, stopped their business operation due to concerns about COVID-19.



Figure 1. An ASGM miner in Buwun Mas Village is working during the COVID-19 pandemic

<sup>1</sup> The relevant fact sheet is available at this link:  
[https://goldismia.org/sites/default/files/2020-04/Fact%20sheet COVID19 Final%20%281%29.pdf](https://goldismia.org/sites/default/files/2020-04/Fact%20sheet%20COVID19%20Final%20%281%29.pdf)

Per GOLD-ISMIA's earlier rapid survey, the Government of Indonesia implemented measures to control the virus spread at all the project locations, as follows:

1. social distancing;
2. the restriction of workers moving in and out of mining areas; and,
3. recommendations for increased personal hygiene and maintaining a healthy lifestyle.

### Gold Market Analysis

To understand the gold market price trend during the pandemic, GOLD-ISMIA chose two commodities as parameters, namely: fine gold and bullion. Data time series used in this survey are between 14 January and 14 April 2020.

#### Fine gold (24 carat gold)

In Indonesia, fine gold (24 carat gold) market often refers to the price set by ANTAM, branded under *Logam Mulia* (LM). ANTAM is a state-owned gold refiner accredited by the London Bullion Market Association.

The official LM price is updated daily at this link: <https://www.logammulia.com/id/purchase/gold>, from which GOLD-ISMIA downloaded the LM price on these specific dates: 14 January, 14 February, 14 March and 14 April 2020. Data analysis, as reflected in Figure 2, informs that the LM official price is increasing during the pandemic.

This inclining trend is also reflected in the local gold markets within GOLD-ISMIA's project locations, but in different level of price. Specifically, Figure 2 shows that the LM price at local markets were lower than the official price. Based on findings from the survey, the price gaps may be related to low demand of LM at local markets; locally produced fine gold which offers lower price are more favoured than LM.



Figure 2. LM prices set by ANTAM and at local markets

The price gaps were wider starting from March 2020 when the World Health Organization announced COVID-19 as a pandemic; 1.63% and 16.98% in March and April 2020, respectively. These widening gaps may underline the elasticity of official LM price as response to the global economic situation, while local markets are not too sensitive to the global situation.

#### Bullion (lower-rank gold)

Bullion is lower-rank gold because it contains gangue minerals which require further processes before it reaches end consumers. It is the main product of artisanal and small-scale gold miners and thus, the bullion price has direct contribution to the miners' state of income.

Similar to the LM price trend, the bullion<sup>2</sup> price in all project locations increased during the pandemic. The rising bullion price are, meanwhile, varied in these locations.

Figure 3 shows that from March 2020, bullion prices in urbanized areas (Lombok Barat, Kuantan Singingi and Kulon Progo) were above the average price, with Lombok Barat as the highest. On the other side, the price in remote areas (Gorontalo Utara, Halmahera Selatan and Minahasa Utara) were below the average. This price gap may indicate that artisanal and small-scale gold miners in urban areas have better access to updated information on gold market price.

<sup>2</sup> The bullion surveyed has average 60% concentration.

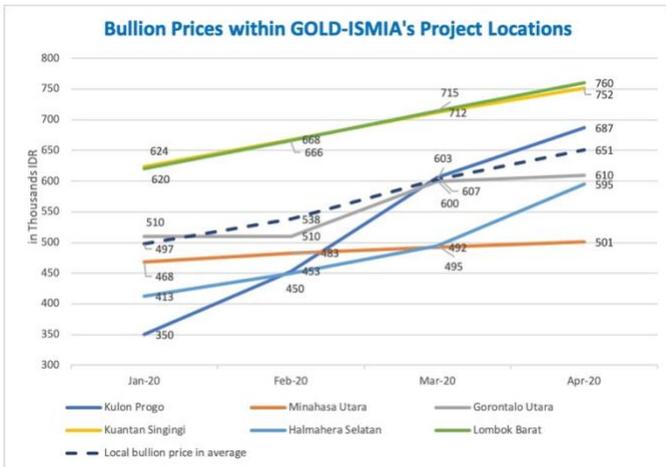


Figure 3. Bullion Prices within GOLD-ISMIA's Project Locations

### Opportunities and Challenges

The rapid survey finds that for some respondents, COVID-19 is seen as opportunities for the ASGM sector, for the following reasons:

1. increased gold price and income, and,
2. higher employment rate of local miners and workers.

These opportunities are, meanwhile, coming along with challenges, as follows:

1. reduced labour availability, leading to increased wages and salaries, and, high level of exhaustion and stress among workers due to limited break time;
2. disruption on supply of mining-related materials and services; and,
3. disruption on cash flow coming in and out the mining sites (ref. Anggai Village in Obi Island).
4. psychological stress due to constant concern about COVID-19 transmission.

Most respondents agreed that the combination of above challenges leads to increased operational cost; GOLD-ISMIA's rapid survey on the prevalence of COVID-19 indicated similar findings.

Furthermore, the respondents stated that the rising operational cost significantly reduced the profits they gained from the increased gold price. For the artisanal and small-scale gold miners with limited capitals, continued pandemic will likely impact on business continuity. Some respondents started utilizing their cash savings to cover the increased operational cost, and using certain portion of their capitals to meet daily needs.

### Conclusions

Gold market prices have increased, but there is no indication that artisanal and small-scale gold miners gain much profits from the increase due to the challenges posed by the pandemic. COVID-19 has increased operational costs due to disruptions on workforce, supply chain and cash flow, as well as caused psychological stress. Further investigations are necessary to quantify the change of profit during the pandemic.

The artisanal and small-scale gold miners adversely impacted by the COVID-19, shall be prioritized for immediate financial assistance after the pandemic. Attention shall also be paid to enhance the ASGM sector's preparedness to cope with similar emergency situations in future.

\*\*\*\*\*

*Written by Jatu Arum Sari (Working Group Coordinator) with supports from Ria Camelina, Anggit Priadmodjo, Muslim Nur Widodo, Teuku Yunansyah and Yusrin Afandi (Field Facilitators).*

*Special appreciation for the Field Facilitators for staying in their respective duty stations, being away from family at this difficult time.*

For more information contact us at [jatu.sari@undp.org](mailto:jatu.sari@undp.org)