Global demand for gold declined 11% year-over-year in the third quarter of 2012, according to the World Gold Council's (WGC) Gold Demand Trends report released Thursday.

The decline can be partially attributed to gold demand reaching record highs in the third quarter of 2011. Third-quarter demand was up 10% from the second quarter of this year. But the report still had its fair share of sobering news, showing year-on-year drops in the demand for bars and coins (30%) and jewelry (2%), as well as a slowing of demand in China and Europe. The few pieces of good news were the exchange traded fund (ETF) sector, which saw demand rise by 56% from the same period last year, and Indian demand, which rebounded after two weak quarters.

"The divergence in the different segments of the investment market serve to highlight contrasting behavior among different sets of investors," notes the report. "ETF investors responded positively to the prospect of additional monetary policy stimulus in a number of countries. Bar and coin investors instead showed a degree of hesitance and an inclination to take profits at higher price levels."

Geographically, the report focused largely on Asian markets, particularly China and India, attributing an 8% drop in the former’s gold demand to its slowing economy. Still, the WGC projected that demand will pick up in the fourth quarter, fueled by a change in political leadership, the holiday spending season and the ongoing expansion of the country’s middle class.

Tom Winmill, chairman of the investment policy committee at Midas Funds, is also optimistic about future Chinese demand. "Anecdotally, the information I get is that there will be a continuing interest in getting capital out of the country. Gold will play a big role in that," Winmill says.

India, meanwhile, was the strongest performing market in the third quarter, a fact the WGC credited to “improving sentiment among domestic consumers following the tumultuous first half of the year.”

But Jon Nadler, senior analyst at Kitco, was more skeptical about the numbers out of India. "Despite the fact that this report showed a roughly 10% bump in urban demand, ramping up to the festival season, the big driver, the villages, were down 30%,” he says, adding that the Indian government increased gold’s tariff value marginally following the report’s release.

Globally, Winmill predicts that concerns over the fiscal cliff could cause the fourth quarter of 2012 to be something of a reprise of the third quarter of 2011, when the European debt crisis, increasing inflation and a weak U.S. dollar combined with other factors to drive up gold demand.

“Once the situation is resolved, gold will slump a little bit, the way it did in the fourth quarter of 2011,” Winmill predicts. He adds that if that if Washington reaches a debt ceiling resolution “equity markets will take off.”

For his part, Keith Springer, president of Springer Financial Advisors foresees other factors that could drive up gold, saying that "LTROs [long-term refinancing operations] are probably going to be the next thing that pushes gold higher."

“Right now we just have risk off assets attitude,” he says. “Once the fiscal cliff is behind us, you’ll see gold pick up again.”

Nadler, on the other hand is more bearish. "The perception on our part is that those who wanted to be in gold have already done so by now," he says. "There’s also that possibility— more of a certainty —that investors are no longer willing to chase gold prices incessantly higher and higher."