The background of the slide is a dark, textured pattern of gold bars and coins. The gold bars are rectangular and feature embossed text such as 'Valcambi', 'SUISSE', '50 g', 'FINE GOLD', and '24 KARAT'. The coins are circular and feature embossed text such as 'TANAKA TOKYO JEWELLERS', 'GOLD', '50g', and '999.9'. The GFMS logo is prominently displayed at the top center and bottom right of the slide.

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The Financial Crisis & Its Impact on Scenario Forecasts for Jewellery Demand

Neil Meader
Research Director, GFMS Ltd.

Workshop: What is Happening, 25th November 2008

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The Impact of The Financial Crisis on the Demand for Precious Metals

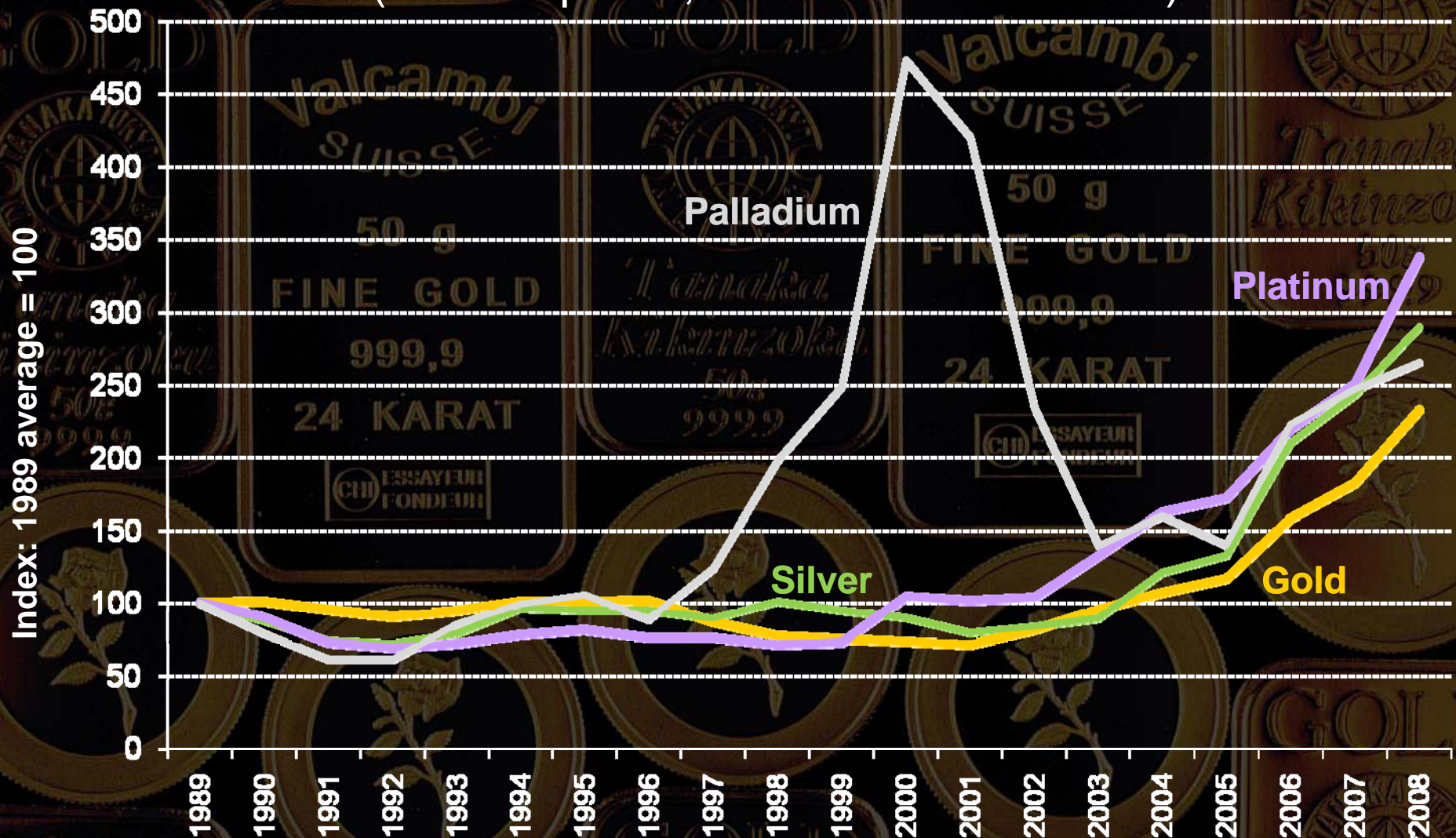
- Overview of the crisis
- Gold
- Silver
- Platinum
- Palladium
- Conclusion

Overview of the crisis

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Gold, Silver, Platinum and Palladium Prices

(nominal prices, indexed to 1989 = 100)



*2008 = Jan-Oct average

Source: GFMS Ltd.

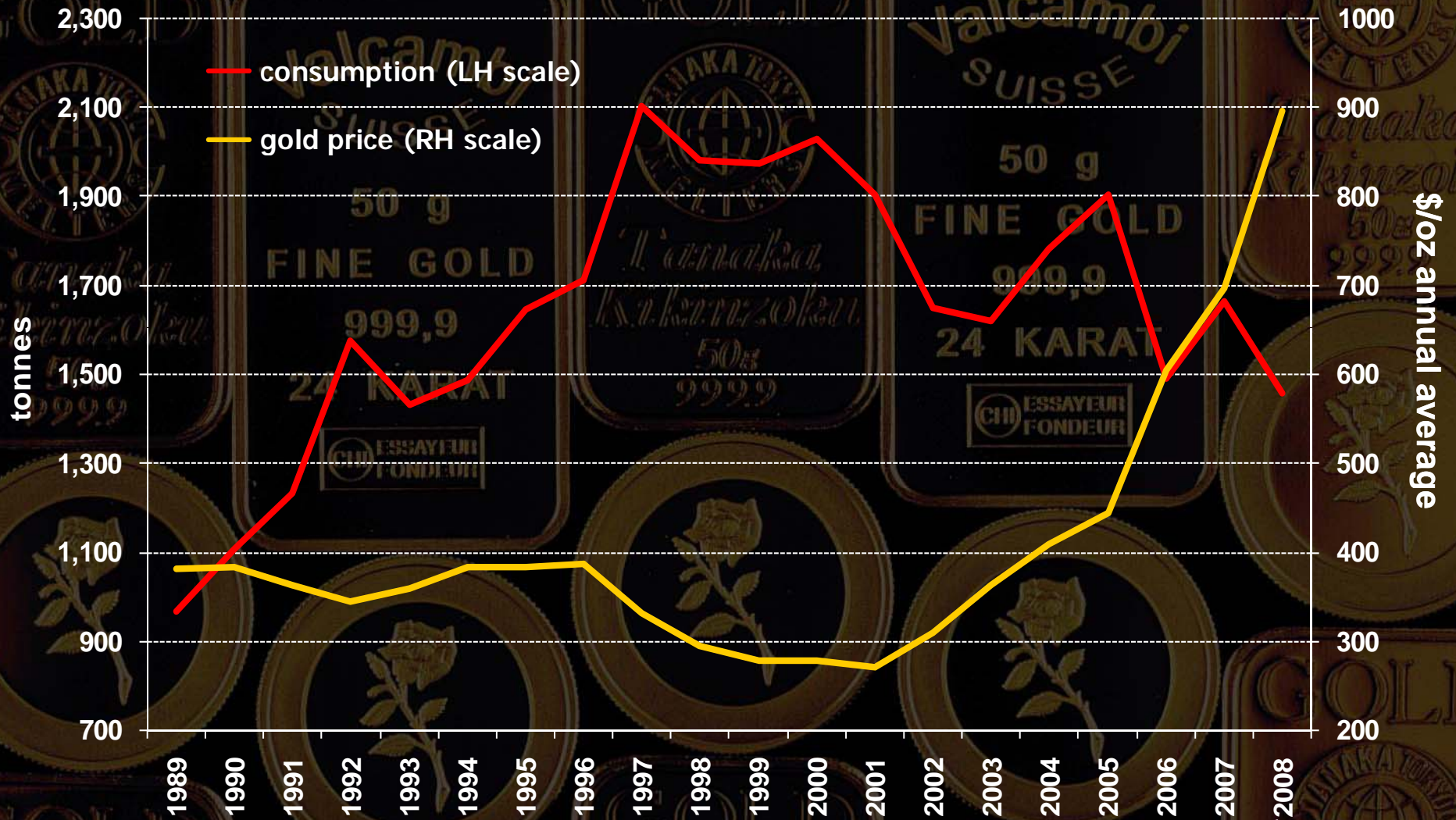


Gold

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Developing World's Gold Jewellery Consumption

(annual volume in tonnes versus annual average gold price)

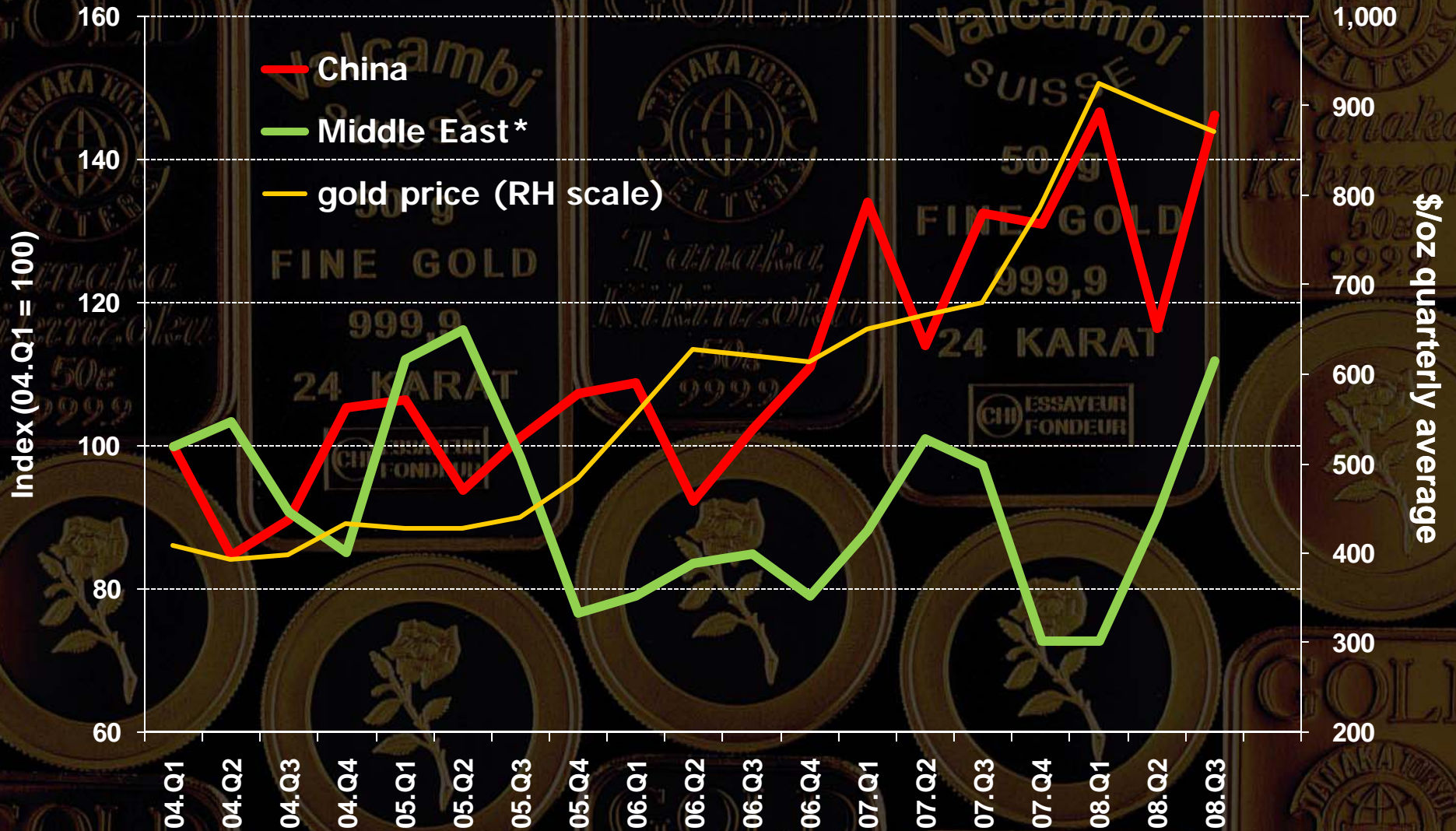


*2008 forecast
Source: GFMS

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Selected Countries' Gold Jewellery Consumption

(index of quarterly tonnage vs quarterly average US\$ price)

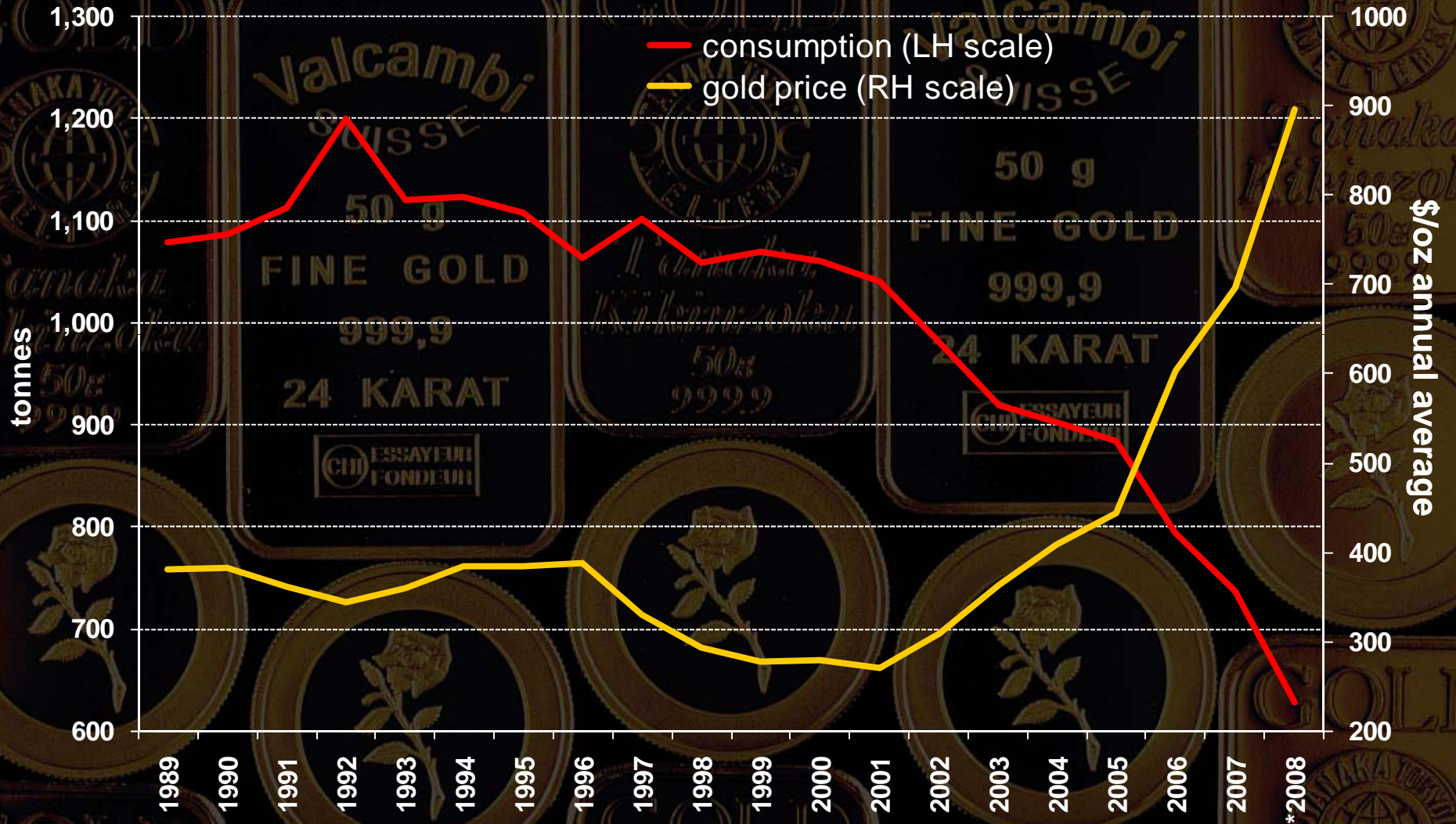


Source: GFMS * excludes Turkey

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Industrialised World's Gold Jewellery Consumption

(annual volume in tonnes versus annual average gold price)



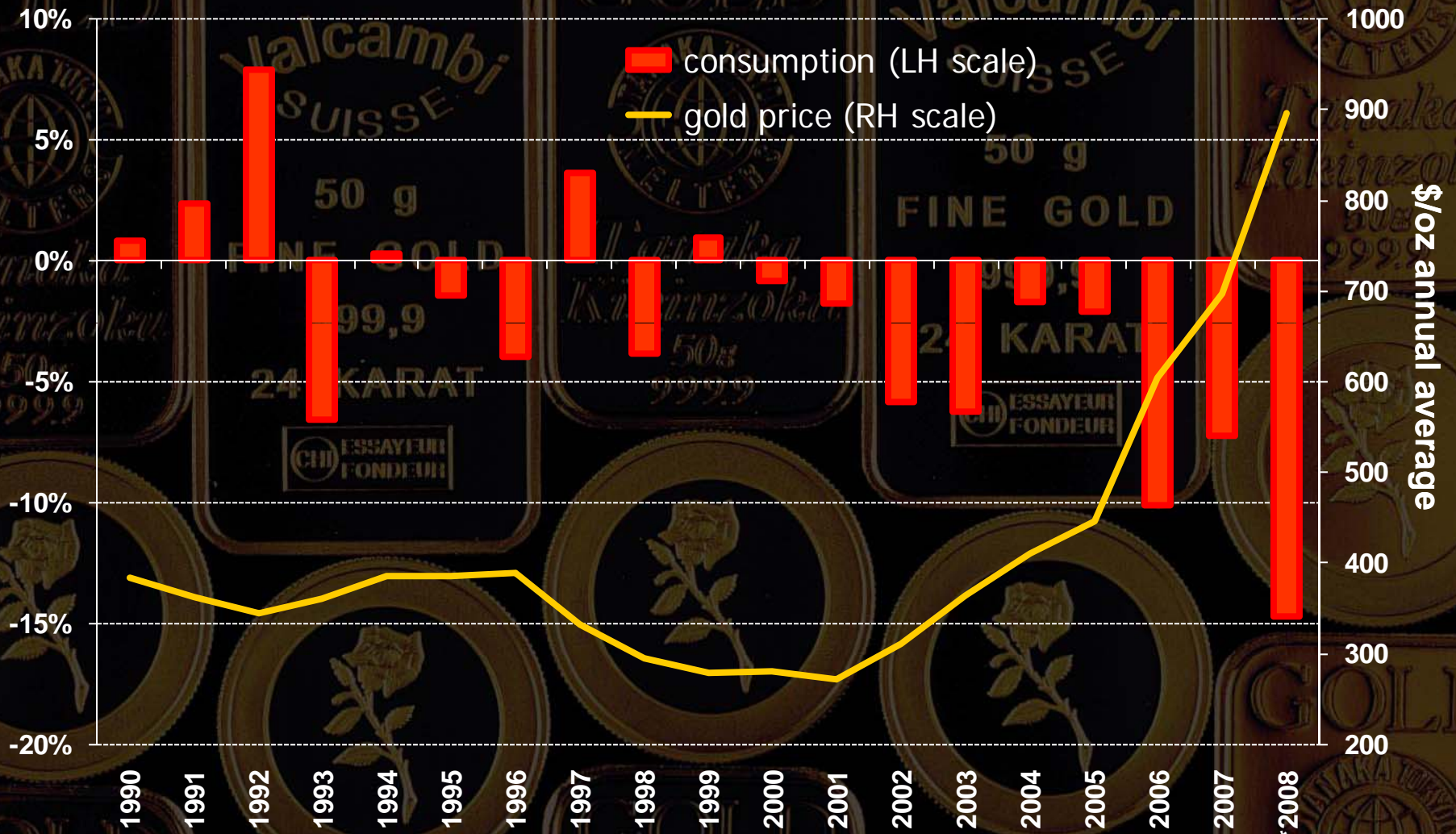
*2008 forecast
Source: GFMS

Industrialised countries comprise: Europe (incl Russia, excl other FSU), North America, developed East Asia (Japan, South Korea, Singapore, Hong Kong & Taiwan) & Oceania



Industrialised World's Gold Jewellery Consumption

(year-on-year change in annual tonnage versus annual average gold price)



*2008 forecast
Source: GFMS

Industrialised countries comprise: Europe (incl Russia, excl other FSU), North America, developed East Asia (Japan, South Korea, Singapore, Hong Kong & Taiwan) & Oceania



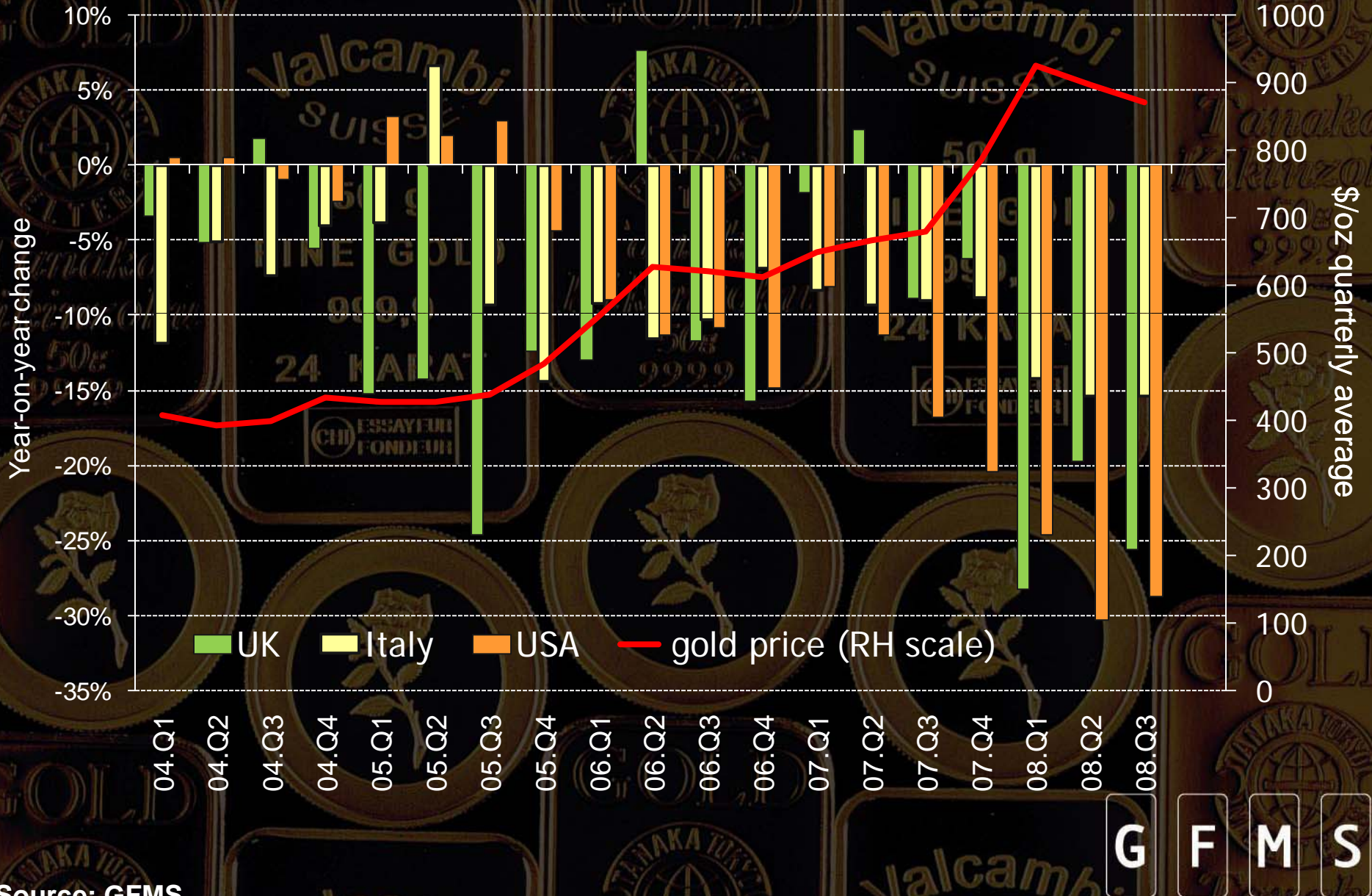
Impact of High Prices on Western Gold Jewellery Demand

- Reduction in margins – but limited
- Weight shaving price point adaptations
 - Lighter weight
 - Use of stones
 - Non-precious incorporations
 - Lower carat

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Selected Countries' Gold Jewellery Consumption

(year-on-year change in quarterly tonnage vs quarterly average US\$ price)

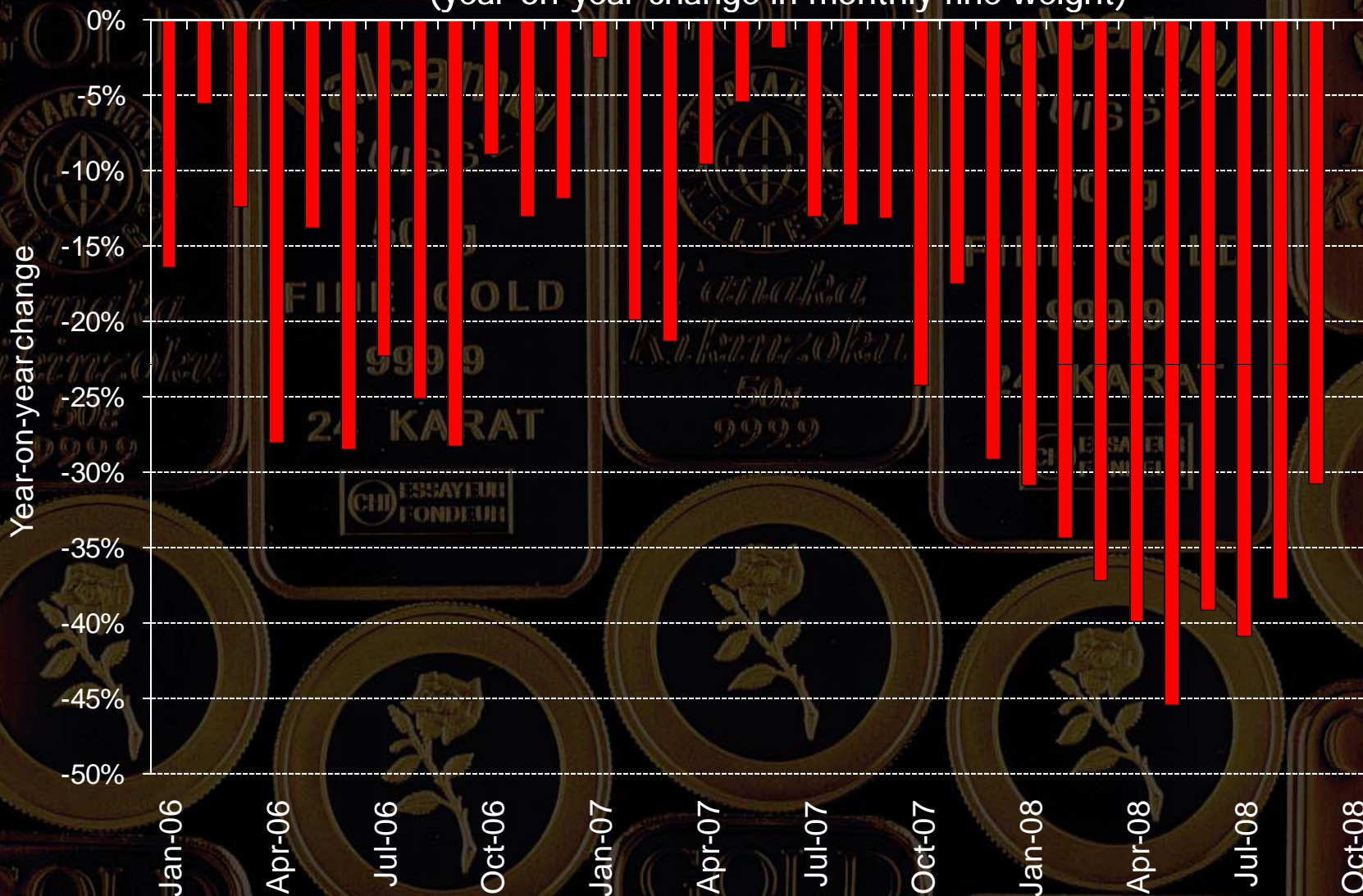


Source: GFMS

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US Gold Jewellery Imports

(year-on-year change in monthly fine weight)

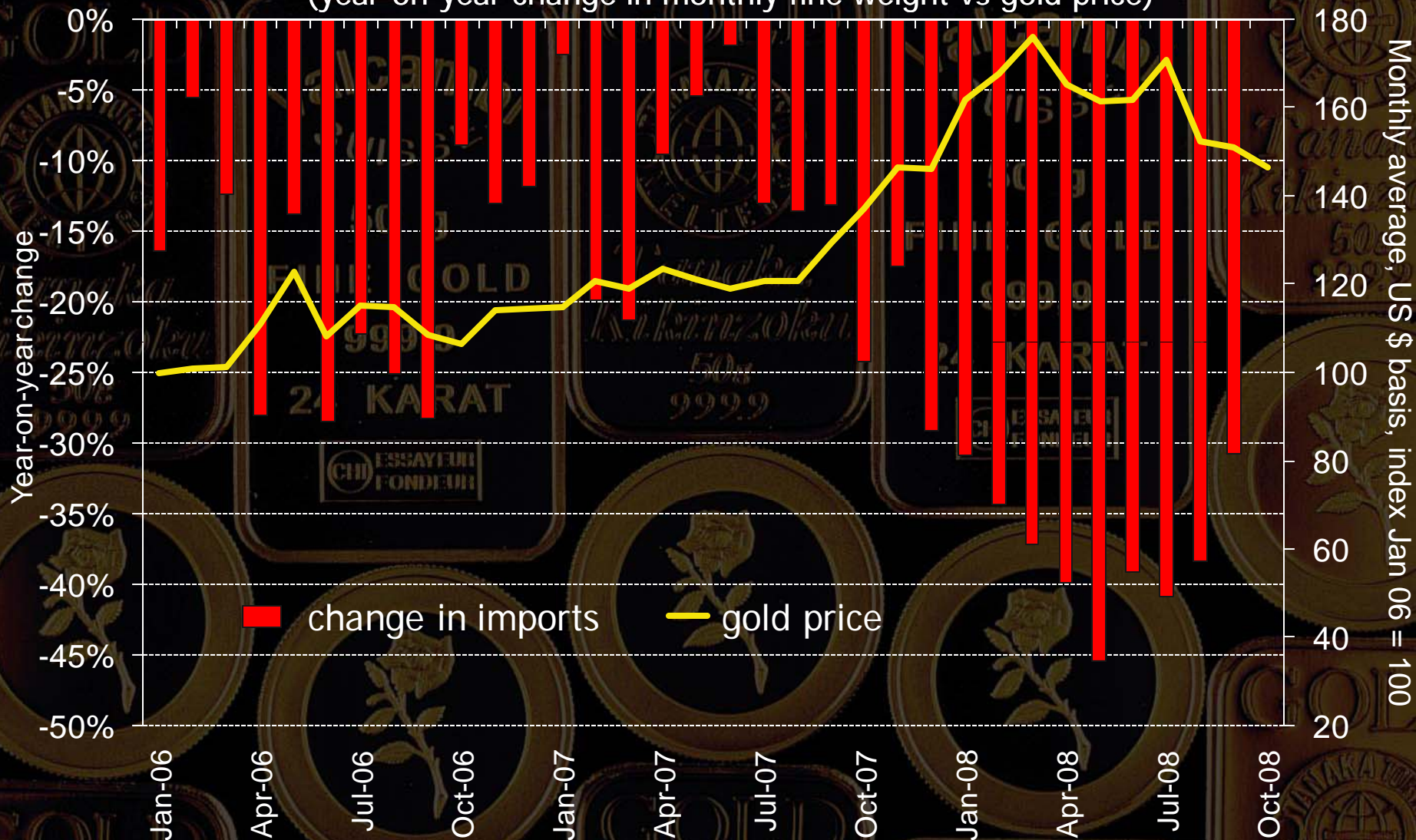


Source: GFMS

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US Gold Jewellery Imports

(year-on-year change in monthly fine weight vs gold price)

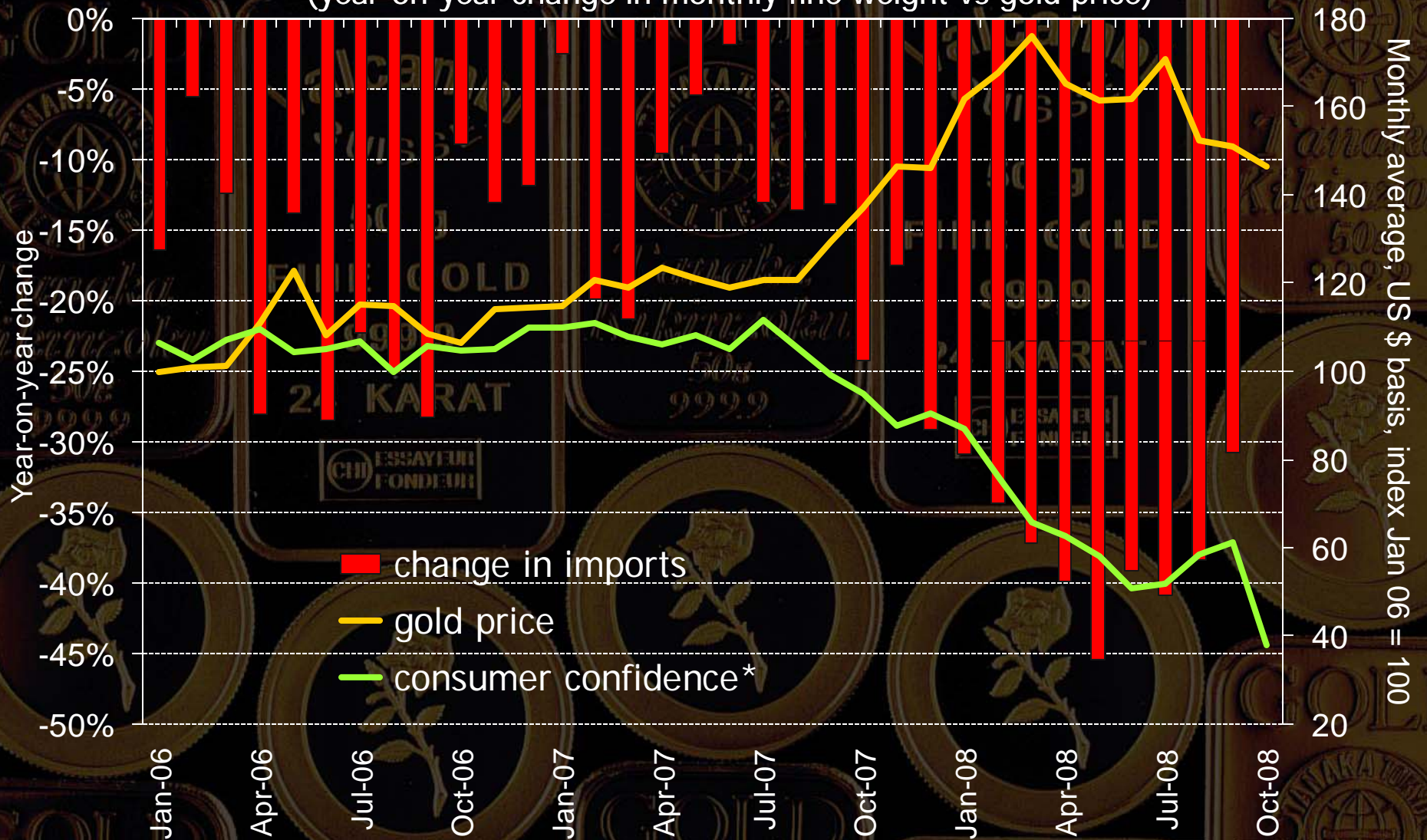


■ change in imports — gold price

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US Gold Jewellery Imports

(year-on-year change in monthly fine weight vs gold price)



Source: GFMS * 1985 = 100, source: www.pollingreport.com

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Direct Impact of Financial & Economic Crises on Western Gold Jewellery Demand

- Continuation of structural changes
- Ongoing price point adaptation
- Intensification of losses
- Substitution between metals more apparent
- Credit problems for wholesalers & retailers

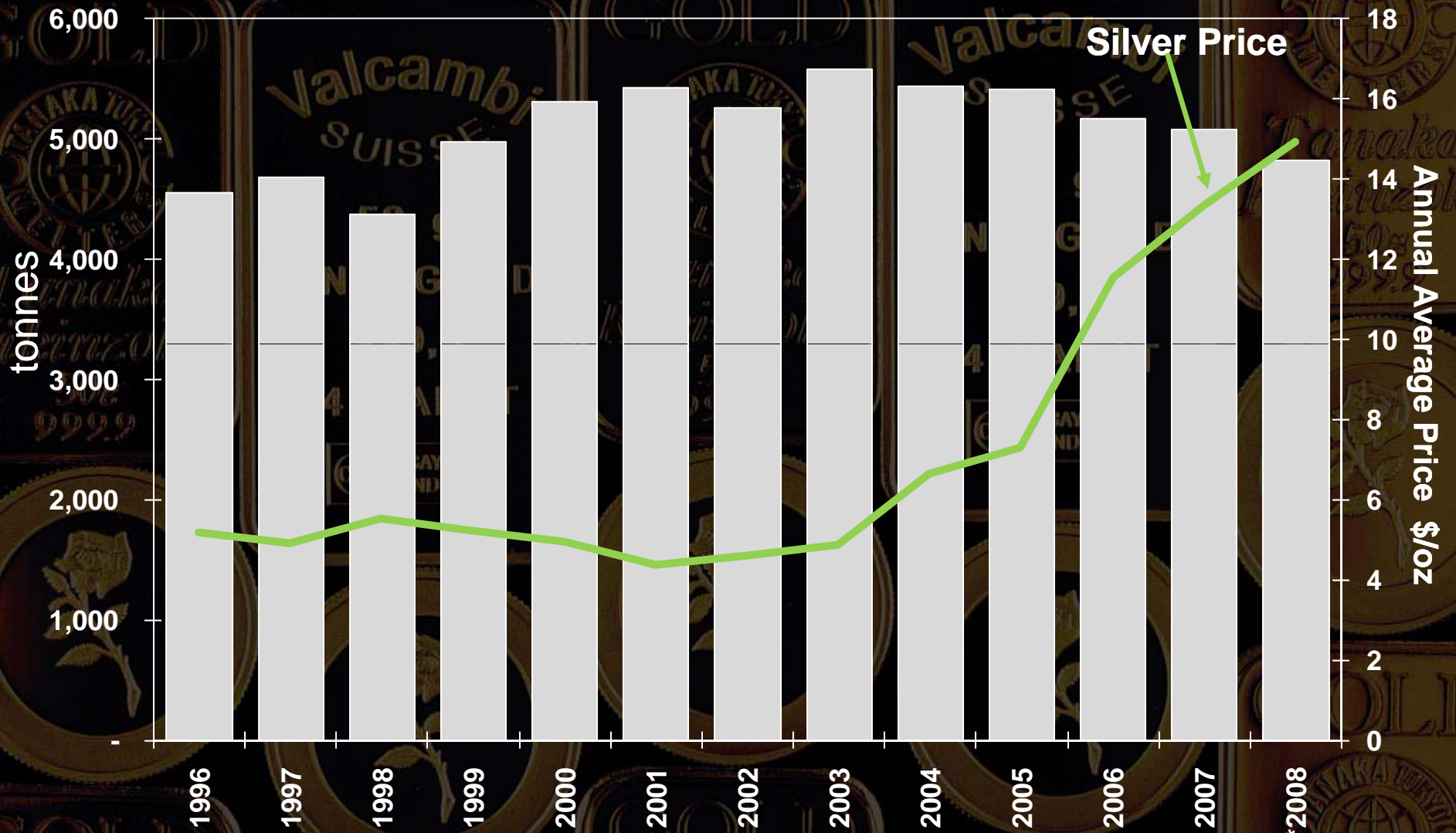
The Outlook for Gold Jewellery Demand

- Initial dip & then recovery forecast for demand
- Gold price expectations
- Economic growth scenarios
- Impact of above on:
 - Developing world
 - Industrialised world
- Structural change

Silver

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Global Silver Jewellery Consumption and Price



*2008 forecast

Source: GFMS Ltd.

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UK Silver Jewellery Hallmarking (year-on-year change for each quarter)



Source: UK Assay Office

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Impact of Crisis on Silver Jewellery

- Scale of price rise a negative
- Some benefit & losses through substitution
- Insulation from higher mark-ups over fine for silver in comparison to other metals
- Push for branded, high added value and often stone-set products

Outlook for Silver Jewellery Demand

- As with gold, initial dip & then recovery forecast
- Changes smaller than gold due to substitution
- Ongoing structural change a drag on weight
- Indian drag on global figure
- Chinese possibilities

Platinum

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Platinum Jewellery Demand

- 2008 forecast down over 60% from 2002 peak
- Price the main driver of slump
- 'Mass market' vs bridal and high-end sectors
- China's loss of over 30t the focus
- Emergence of significant old scrap, especially Japan

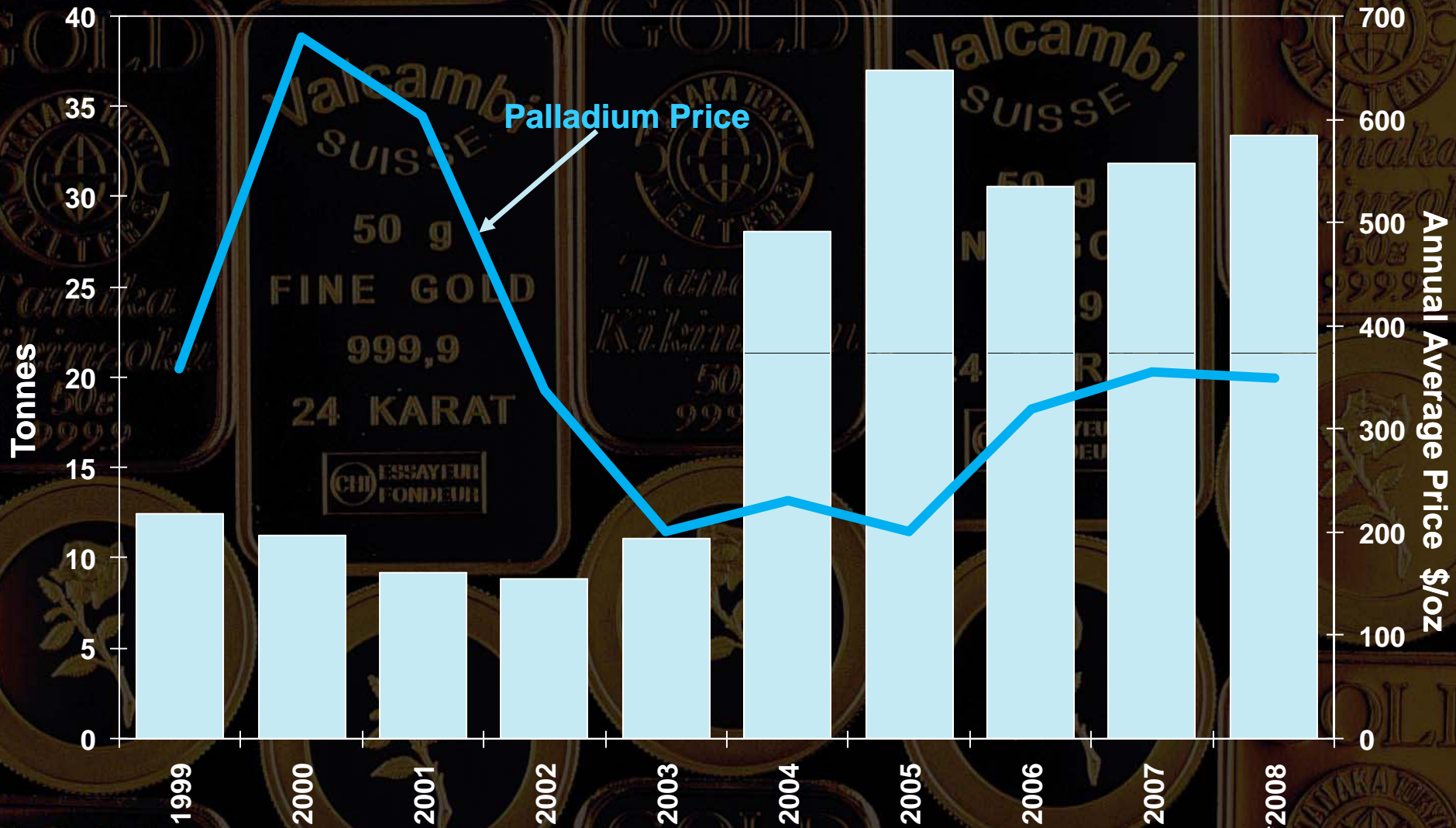
The Outlook for Platinum Jewellery Demand

- Price increases likely basis mine production constraints & recovery in automobile industry
- Other white metal threats
- Some recovery in demand still possible
- China's fourth quarter signal
- Flows of old scrap to fade away

Palladium

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Palladium Jewellery Demand and Price



*2008 forecast

Source: GFMS Ltd.



The Outlook for Palladium Jewellery Demand

- Price increases likely basis mine production constraints & recovery in automobile industry
- Price convergence & substitution threats/opportunities
- Marketing initiatives & rest of world
- Relative stability in requirements from white gold

Conclusion

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Impact of the Crisis on Jewellery Demand

- Indirect hit via the price, even in western markets
- Direct hit manifested in acceleration of trends
- Substitution gains / losses:
 - platinum to gold and palladium
 - gold to silver
 - silver to costume jewellery

Outlook for Jewellery Demand

● Gold

- Price to ease in medium term
- Demand to recover but mainly in Asia
- Structural changes to continue

● Silver

- Price to ease in medium term
- Demand to recover but only slowly
- Substitution losses & structural changes a threat

● Platinum

- Price on slight upward trajectory
- Marked net recovery

● Palladium

- Price to firm in medium term
- Modest demand growth

Disclaimer

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