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## **Publication of *Gold Survey 2003 – Update 1***

### **Mine production forecast to be 0.7% higher in 2003**

In its latest report on the gold market, GFMS is forecasting that a small dip in second half output will leave the full year number up just 0.7%. Bruce Alway (GFMS' Mining Analyst) commented that "looking slightly further forward, the reduction in pipeline projects due to come on stream in the near term, combined with the current batch of mine closures, should see mine production decline over the next few years".

GFMS notes that first-half global gold **mine output** increased by 1.8% year-on-year. Strong results at the world's two biggest gold producing mines, Grasberg in Indonesia and Yanacocha in Peru contributed to the rise. Elsewhere, there were gains in Australia (+9%) and China (+7%), which offset falling production in South Africa and North and South America.

First half 2003 witnessed a sharp rise in weighted **cash costs**, which increased by a significant \$38/oz to average \$214/oz. Higher global energy charges coupled with stronger producer currencies against the US dollar were behind much of the rise. In particular, South African cash costs in US dollar terms soared in the first half by 61% year-on-year, whilst Australian cash costs increased by \$39/oz, representing a rise of 22% from the prior year.

Turning to producer **de-hedging**, this contributed an estimated 308 tonnes of demand in the first six months. As a result, first half levels were at their highest since the book began its retreat in 2000. In the second half, de-hedging is expected to slow. However, Alway noted that "despite the narrow contango, we could see fresh hedging as some producers are tempted to lock in forward prices at levels which were last achievable in early 1997."

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*Gold Survey 2003 – Update 1* provides a review of the gold market in the first half of 2003 and a forecast for the full year with 30 pages of statistics, commentary and analysis on all aspects of world gold supply/demand and on gold prices in various currencies. The publication can be ordered from GFMS for £195 or US\$295/€290 per copy.

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**Note to Editors:** GFMS (Gold Fields Mineral Services) is an independent London-based commodity research and consulting company, specialising in the analysis of the precious metals markets.

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