



Publication of *Gold Survey 2006*

Price Rally Triggers Surge in Scrap Supply in Fourth Quarter & Early 2006

At the launch today of *Gold Survey 2006*, the precious metals consultancy, GFMS, revealed a surprising statistic; despite the surge in the gold price to 24-year highs, scrap flows in 2005 increased by only 1.5%. The apparent conundrum is resolved by a review of timing - the first half of the year saw scrap supply fall and it was not until the final few months of 2005, as the gold price began to accelerate ever higher, that the flow of scrap soared.

The report highlights how consumers in the traditionally price sensitive areas re-adjusted their price expectations upwards and showed an unwillingness to offload scrap into the market. Philip Klapwijk, GFMS' chairman, added that, "another good reason for slack first half selling is that many people were anticipating further price gains - and that encouraged holders of the metal to lay off from selling". The consultancy report that this all changed in the fourth quarter. Klapwijk continued, "prices well over \$500 were clearly just too tempting. That's why we think fourth quarter scrap surged over a fifth year-on-year".

Unsurprisingly, some of the largest gains were seen in the traditionally price sensitive regions. GFMS report, for example, that scrap supply in the Middle East increased by just 4% year-on-year, driven mainly by rises in Turkey, but the gain in the final quarter was far stronger at over a third. East Asian, in particular Chinese, scrap levels also rose, though its fourth quarter increase was a little less dramatic at just over 20%. India was perhaps most notable for the fact that its scrap in the first half was estimated to have fallen by almost 20 tonnes. Higher scrap, however, also featured in the industrial world - GFMS estimate that Italian scrap, for example, rose by almost 30% in the fourth quarter due largely to the remelt of unsold jewellery.

Turning to scrap flows in the first three months of 2006, the consultancy believes that they have been extremely buoyant as consumers and traders alike capitalised on price spikes. Klapwijk added, "we had people on the ground in places like Dubai and Egypt earlier this year and they witnessed first hand the tremendous surge in scrap flows. And now we're looking at \$600 gold, all the signs are that another wave of scrap is coming through".

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Gold Survey 2006 contains over 100 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 £275 or US\$495 / €395 per copy. For orders and to receive further product information please contact Ms L. Perrard on: Tel: +44 (0)20 7478 1777, Fax: +44 (0)20 7478 1779, Email: sales@gfms.co.uk, Web Site: www.gfms.co.uk, Online Shop: <http://shop.gfms.co.uk>

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