



Publication of *Gold Survey 2005 - Update 1*

2005 fabrication forecast to hit a four-year high, following a 14% first half increase

In *Gold Survey 2005 Update 1*, released today at GFMS' Precious and Base Metals Seminar, the consultancy forecast that world gold fabrication should rise by 6.8% in 2005, to a four-year high. However, much of this growth will have been achieved during the first half of this year, in particular with jewellery offtake rising over the period by a robust 16%. Excluding the use of scrap, which arguably provides a better indication of the "call" on the international gold market, produces a year-on-year rise in jewellery manufacturing of no less than 27% during the first half of 2005.

The gains in jewellery offtake were noteworthy given that dollar gold prices rose by nearly 7% year-on-year. However, the gold price increase, measured in a number of other currencies, was more modest during this time frame. In particular, the fact that Indian prices experienced only a modest rise over the first six months of 2005 meant that their impact on this price sensitive market was muted and certainly contributed to the country's remarkable first half performance, with jewellery fabrication rising by 47% year-on-year. Higher GDP growth and an acceptance of prevailing price levels were also key factors behind the rise in jewellery fabrication.

Although some way behind the Indian sub-continent, the Middle East achieved the second highest growth rate of jewellery demand during the first half, benefiting from stronger GDP growth, record oil prices and currency strength, with the latter offsetting some of the increase in the dollar gold price. In particular, Turkey set another record for first half jewellery offtake with a 16% year-on-year gain. Elsewhere, East Asia notched up a 10% first half rise with China leading the way with a 14% gain. In contrast, Europe was the only major region to see a first half decline in jewellery offtake with weaker Italian exports accounting for much of the fall.

Overall, GFMS are expecting a quite different outcome for the second half of 2005. Our forecast of sharply higher gold prices, especially towards year-end, are expected to see jewellery fabrication dip by 1% on a year-on-year basis. Importantly though Philip Klapwijk, GFMS' Executive Chairman, noted that "the jewellery sector should still provide a firm base for prices in the \$430s range and if gold prices fail to reach \$480 we could instead see jewellery fabrication grow faster during the second half than indicated in our forecast".

Aside from jewellery, other fabrication edged up during the first six months. The official coin market posted a 6% rise, while other industrial and decorative offtake saw a double digit gain on the back of sharply higher Indian fabrication (chiefly for jari thread production). However, most of these gains were offset by weaker fabrication in the electronics and dental markets, which saw losses of 2% and 7% respectively.

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Gold Survey 2005 - Update 1 provides a thorough and comprehensive interim analysis of the most recent developments in the global gold market. In just 40 pages, *Update 1* identifies the most important economic, socio-political and market-specific issues facing the gold market.

The publication can be ordered from GFMS for £205 or US\$375 / €315 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

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