



Publication of *Gold Survey 2005 - Update 1*

Indian jewellery fabrication rose by nearly 50% year-on-year, imports top 500 tonnes

The striking feature of the first half of 2005 was the phenomenal rise in both gross and net imports, with the latter pushing towards the 500 tonne mark against 306 tonnes during the same period in 2004. GFMS estimate that all categories of offtake achieved record highs with jewellery fabrication rising by nearly 50% year-on-year. However, both coin minting and bar hoarding rose by over 60%

Paul Walker, CEO, underlined one of the biggest influences on offtake in 2005, "there is no disputing the fact that the adjustment of price expectations, both amongst the end consumer and through the value chain, has supported higher demand. Also, the fact that the price in the first half of 2005 was notably lower than the average price in the last quarter of 2004 appears to have encouraged offtake." He added, "one of the key drivers of gold jewellery demand in the first half was the success of the World Gold Council initiative to promote the auspicious day of Akshatritiya as a day to purchase new gold." The relatively benign economic backdrop has also supported the consumption of gold in all forms.

Bar hoarding and coin fabrication rose dramatically, in each case by over 60%, a faster growth rate than that seen in jewellery, reflecting a secular shift in the market share between strictly 'investment' gold and jewellery. The demand for coins from corporates for distribution to their clientele and employees was huge. Demand for bars too was robust, though a trifle lower than that for coins. The key driver behind these increases appears to be the perception that the gold market is still in a bull phase with the price slated to go higher. The fact that deposit rates have been lower has made investment in gold more attractive. The profits from the booming stock markets also appear to have funded the rise in 'investment' gold.

Scrap inflow fell sharply in the first half. Much could be attributed to the fact that expectations have now adjusted to new price levels. In fact, GFMS information suggests that scrap would have been lower were it not for the fact that the Muslim population has been active in selling old jewellery back to secure capital gain afforded by higher prices, their religious beliefs barring them from earning any interest.

The gold price will continue to be the key factor determining demand in the remainder of the year. With the GFMS base case for gold prices to rise sharply in dollar terms (albeit less rapidly in rupee terms as it strengthens against the dollar), demand is likely to fall in the second half of 2005 compared to the first half. The outcome of the monsoon though would another the determining factor in making demand forecasts.

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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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Press Contacts: Philip Klapwijk or Paul Walker, GFMS Limited, Hedges House, 153-155 Regent Street, London, W1B 4JE, UK, tel: +44 (0)20 7478 1777, fax: +44 (0)20 7478 1779, email: gold@gfms.co.uk, web site: www.gfms.co.uk

