



Publication of *Gold Survey 2005 - Update 2*

2005 jewellery demand sees second half slide, following first half double-digit rise

GFMS released *Gold Survey 2005 - Update 2* today, their latest report on the gold market. A summary of the findings of *Update 2* was given by Philip Klapwijk, Executive Chairman of GFMS, at a seminar in Toronto organised by the precious metals consultancy.

The headline 5% rise in 2005's annual jewellery demand, reported by GFMS today, might suggest a lack of price responsiveness, in the face of rising gold prices, but the consultancy noted some quite dramatic differences in the quarterly numbers. At the Toronto launch, Klapwijk drew attention to the double digit gains achieved in jewellery fabrication in both the first and second quarters of last year. In contrast, he noted, July to September saw virtually no growth, whilst during the final three months, as gold moved higher, jewellery demand saw a considerable setback.

Klapwijk also noted that "the quarterly changes in global jewellery demand *excluding* scrap, which gives a clearer picture of the 'call' on the international market for new gold, were even more pronounced. Both the first and second quarters of 2005 saw a huge year-on-year surge in demand of around 30% and 20% respectively, the third was down marginally, whilst fourth quarter jewellery demand excluding scrap effectively collapsed."

On a regional basis, GFMS reported that, for 2005, the greatest rise was seen in India, in spite of local prices climbing by over 5% last year. However, first half 2005 rupee prices were just 3% higher year-on year, and this stability helped push up Indian jewellery demand during the first six months by nearly 50%. In contrast, higher rupee prices, especially towards year-end, produced a one-third year-on-year drop in the second half total.

Elsewhere, GFMS reported another annual rise in Turkish jewellery demand, with the benefits of an improving economy outweighing the impact of firmer gold prices. In contrast, *Update 2* reveals a further decline in Italy, with manufacturing output in 2005 estimated to have fallen to a 17-year low.

Looking ahead to this year, Klapwijk noted that "significantly higher gold prices are expected to have a dramatic impact on jewellery fabrication. In fact, we are forecasting a near 25% year-on-year drop in global jewellery demand, during the first six months, to levels last seen at the outset of the 1990s". Although higher prices will be a key driver, price volatility will also be an important factor, as this is likely to determine how quickly the markets adjust to higher price levels.

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Gold Survey 2005 - Update 2 provides a thorough and comprehensive interim analysis of the most recent developments in the global gold market. In just 40 pages, *Update 2* 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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