



## **Publication of *Gold Survey 2005 - Update 2***

### **Net Official Sector Sales in 2005 Reach an All Time High but are Forecast to Moderate Significantly in the First Half of 2006**

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.

Net official sector sales in 2005 reached 663 tonnes, the highest level ever recorded by GFMS and 41% up from the figure registered in 2004. The 192-tonne increase was the result of a very high net sales figure in the first half of the year (the second half of 2005 was in fact down year-on-year), and was primarily driven by a higher sales volume from the second Central Bank Gold Agreement (CBGA) signatories. The group once again dominated the sales side of the market, accounting for the vast majority of disposals recorded over the course of the year. The overall net sales figure for 2005 received a further boost from a steep year-on-year decline in gross purchases from central banks outside the CBGA.

The resilience of the gold price in the face of last year's high level of central bank sales is yet another sign of the strength of fabrication and investment demand for gold in 2005. Furthermore, the decline in official sector sales in the second half of the year is understood to have been very supportive of the gold price. Official sector activity contributed to the rally that took place over the last few months of the year, both directly, through a lower volume of physical supply, and indirectly, through the impact on investor sentiment of news of reduced sales levels and, in the November-December period, evidence of some buy-side interest from central banks in certain countries.

Looking ahead, we forecast net sales in the first half of 2006 to experience a significant year-on-year decline, reaching levels similar to those seen during the second half of last year. While we expect sales from within the CBGA to decline at the margin, the main driver of the predicted fall is the swing GFMS forecast for countries outside the Agreement, from being net sellers in the first six months of 2005 to becoming modest net purchasers in the corresponding period of 2006.

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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](mailto:sales@gfms.co.uk), Web Site: [www.gfms.co.uk](http://www.gfms.co.uk)

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