



Release of 2005 Annual Gold Survey in Arabic by DMCC and GFMS.

GFMS are delighted to announce the release today of the Arabic language version of Gold Survey 2005, kindly made possible by the support and efforts of the Dubai Metals and Commodities Centre (DMCC). The esteemed publication, now in its 38th year, is produced by London based GFMS Limited, which is widely regarded as the leading precious metals research consultancy. The release of the 3rd edition of the Arabic language version provides yet another clear example of the DMCC's ongoing efforts to be the key source of information for gold and precious metals professionals throughout the Middle East.

The following details some of the highlights of *Gold Survey 2005 - Update 1* published in September of this year:

Supply

Mine production dipped by just over one tonne to 1,172 tonnes in the first half, chiefly as heavy losses in South Africa and, to a lesser extent, the CIS outweighed gains from a handful of new mines and a recovery at Indonesia's giant Grasberg mine. The full year is forecast to see growth but, at just over 1%, output could still prove the second lowest since 1997.

Cash costs for the three months to June averaged \$272/oz, a noteworthy \$11/oz improvement from the first quarter, but still some \$24/oz higher year-on-year. A fair portion of this increase was attributable to higher energy and steel costs.

Net **official sector sales** reached a record half yearly total of a little over 400 tonnes or more than double those seen in the first half of 2004. Much of the gain was due to sharply higher sales by signatories to the CBGA (which accounted for around 75% of gross sales). The net figure was also boosted by the absence of any substantial purchases.

Old gold scrap fell a hefty 11% in the first half despite higher prices. Much of the losses were attributable to India and the Middle East, in particular Saudi Arabia. Growing accustomisation to prevailing levels was, perhaps, the main driver of this fall.

A heavy sell off in the OTC market in May linked to temporary dollar strength helped generate a modest level of **implied net (dis)investment** for the first half. Many other areas of institutional investment, such as ETF holdings, in contrast saw gains in this period. The second half is forecast to see a marked swing to implied net investment, in part due to renewed dollar weakness.

Demand

Jewellery fabrication staged an impressive increase of 16% or around 200 tonnes in the first half, with India, the Middle East (in particular Turkey and Saudi Arabia) and China seeing the largest gains. Strong economic growth in key markets and acceptance of prevailing price levels were the chief reasons for this. Jewellery demand **excluding scrap** saw a yet stronger increase of 27%.

Other forms of fabrication saw a modest rise of 4% as losses in electronics and dental offtake trimmed gains elsewhere.

Net **producer de-hedging** slowed considerably to just over 100 tonnes, largely in response to book restructuring by two of the majors in the first quarter. The pace of de-hedging is expected to return to more 'normal' levels in the second half, though the forecast full year total of just over 240 tonnes would still be over 40% lower than 2004's record volumes.

Bar hoarding rose by a third to 164 tonnes, thanks in the main to a sharply higher figure for India. This plus higher **coin fabrication** (due mainly to growth in Turkey) were sufficient to counter the modest levels of implied net disinvestment such that **world investment** (the sum of these three) in the first half increased by 21% year-on-year to over 170 tonnes. World investment in the second half is expected to continue growing to over 280 tonnes, thanks chiefly to the swing to implied net investment.

To buy a copy of the Arabic language version of Gold Survey 2005, please contact Gaiti Rabbani, DMCC, Gaiti.Rabbani@dmcc.ae

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