



Publication of *Gold Survey 2007*

World Jewellery Demand Fell 16% in 2006, Further Declines Expected This Year.

In its latest report on the global gold market, *Gold Survey 2007*, which was launched today in London, Toronto and Johannesburg, GFMS announced that world jewellery fabrication fell by 428 tonnes in 2006, from a year earlier, to 2,280 tonnes, a 15-year low. The chief architect of the decline was developments in the gold price, not only in terms of the absolute level but also the degree of price volatility. This was much more a feature of the first six months, rather than the latter half, of last year and largely explains why first half jewellery demand was 29% lower year-on-year, but the second half outcome effectively unchanged from one year ago.

Just three countries accounted for half of the gross decline in total jewellery demand last year, namely: India, Turkey and Italy. The close to 90-tonne drop in India hid a marked contrast in each half; price volatility induced a more than 200-tonne year-on-year fall in the first six months, which was followed by a sharp upswing in the latter half as consumers adjusted to higher, but more stable, prices.

Lower fabrication in India and Turkey, the two price sensitive markets, was of little surprise but part of the decline in Turkey was due to weak export demand, particularly in the United States, which has, historically, shown little response to changing gold prices. This situation changed last year and, as Philip Klapwijk, GFMS' Executive Chairman, noted at the London launch "the extent of the price increase last year affected both price sensitive and western-style, high markup, markets, such as the US, where we saw a shift to lower gold weights and more gemset jewellery, both of which hit gold demand". Destocking by the retail trade, which delayed stock replenishment, in the expectation that prices would eventually stabilise, further affected manufacturing. Together, these trends largely explained the 21% fall posted by Italy in 2006, the product of weak export demand, not only in the United States, but also across Europe and East Asia.

The one positive last year, from the top jewellery fabricators, was the marginal growth seen in China (which set a nine-year high), which enabled the country to become the second largest global manufacturer, behind India (ahead of Italy and Turkey).

Looking ahead to this year, price developments will remain a key factor in determining jewellery fabrication. Although weaker January prices boosted demand, price volatility has continued to affect the jewellery market and this aspect, together with GFMS' forecast of higher prices, could see jewellery demand contract further in 2007. However, the decline this year, in percentage terms, is unlikely to match the 16% fall seen in 2006.

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Gold Survey 2007 contains over 120 pages of statistics, commentary and analysis on all aspects of world gold supply/demand and on gold prices in various currencies. The publication can be ordered from GFMS for £275 or US\$495 / €395 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, Online Shop: <http://shop.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

