

## PRESS RELEASE

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### **Renewed Demand from Investors Expected to Push Gold Price Higher in Second Half.**

After a period of post-war “euphoria” GFMS expects the underlying economic and political factors that prompted investor purchases in 2002 and the first two months of this year to be reasserted.

On the economic front, victory in Iraq should not in itself result in an improved outlook for the global economy as it will not resolve the post-“bubble” hangover in the United States, sluggish growth in Europe and deflation in Japan. Under such circumstances the outlook for corporate profitability and therefore stock prices is unlikely to be positive. Economic difficulties should also mean that interest rates remain low over the balance of this year and probably well in to 2004 too. Even though lower oil prices may provide some boost to the US economy, this will not be nearly enough to alter America’s dependence on foreign funding for its current account deficit. On balance, therefore, a further decline in the dollar remains the most likely scenario. In conclusion, economic developments should be supportive of gold investment. There should be an incentive for investors to seek better returns in alternative investments, such as gold.

Victory in Iraq will also not lead to a reduction in international tension. Indeed GFMS’ expectation is that it will strengthen the more unilateralist and hawkish elements in the current US administration. Pressure may be stepped up on other members of the so-called “axis of evil” plus other states such as Syria, Libya and Cuba that have provoked Washington’s ire, with potentially dramatic consequences. America’s decision to press on with an invasion of Iraq in the face of opposition from many countries, including several of its key allies, has signalled a watershed in international relations. Arguably the “fear factor” has returned after several years of absence in the 1990s following the end of the Cold War. This will also remain a positive for gold unless and until a more stable inter-state system is established – something which appears extremely improbable at present.

The above-described economic and political factors ought to provide the necessary conditions for a renewed inflow of investor money into gold. GFMS expects this will be on a sufficient scale to drive the price successively higher in the third and fourth quarters of this year. One reason why this scenario is credible is the small size of the gold market relative to the potential for investment from funds and private individuals. According to *Gold Survey 2003*, last year the value of net World Investment came to no more than US\$4.5 billion. Although this figure is quite sobering it also illustrates how much scope there is for growth in demand, which in Europe and North America at least, has hitherto been the preserve of a small minority of specialised funds and private buyers.

Philip Klapwijk, Managing Director of GFMS, gave a summary of the findings of *Gold Survey 2003* today at a conference in London organised by the precious metals consultancy.

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*Gold Survey 2003* contains over 100 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 £255/US\$395/€390 per copy. For orders and to receive further product information please contact Ms L Perrard on:

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**Note to Editors:** GFMS (Gold Fields Mineral Services) is an independent London-based commodity research and consulting company, specialising in the analysis of the precious metals markets.

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