



Publication of *Gold Survey 2006 - Update 1*

High and volatile gold prices the chief drivers of the forecast slump of almost a fifth in global jewellery demand this year.

Today, in London, GFMS launched *Gold Survey 2006 Update 1*, at their third annual Precious and Base Metals Seminar. During the event, GFMS forecast that world jewellery fabrication would fall by 19% in 2006 to 2,205 tonnes, a figure nearly 1,100 tonnes below its peak in 1997.

Both 26-year high and volatile gold prices were the main drivers behind the fall in the global total. As well as the gold price briefly touching \$725 in mid-May, the first half average was over \$160 higher year-on-year. Given this backdrop, GFMS note that it was no surprise that declines were not limited to the price sensitive countries, but western style (higher markup) markets, such as Italy and the United States, were also significantly affected.

In fact, GFMS' analysis of jewellery fabrication, during the first six months of this year, revealed that India suffered the greatest loss, with the country's first half total effectively half the level of a year ago. As well as facing persistent and high levels of price volatility, the Indian market had to contend with record high rupee gold prices (in contrast to dollar gold's 26-year high). Elsewhere, the ongoing slide in Italian offtake contributed to the country being overtaken, for the first time, by China, which claimed second place. Of the major manufacturing nations, China was also the only country to achieve a (albeit only a fractionally) higher first half total, as the market benefited from strong advertising campaigns and a favourable year for weddings. The Middle East also posted a large first half drop, with Turkey and Saudi Arabia, the region's largest fabricators, both recording losses of over one-third year-on-year.

GFMS also measured jewellery fabrication *excluding* the use of scrap, which gives a better gauge of the true call on the international bullion market. On this basis, the consultancy note that the slump was even more pronounced as higher scrap volumes substituted for new gold demand, with the first half total over 40% down year-on-year and the full year number forecast to be close to 30% below 2005's level.

Looking ahead to the end of this year, GFMS expect price volatility to remain a feature of the gold market, as Philip Klapwijk, GFMS' Executive Chairman, commented "the jewellery industry would of course prefer prices to be lower. But what is perhaps even more important for the sector is price volatility. And so, until prices stabilise, we expect jewellery fabrication to remain weak."

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Gold Survey 2006 - Update 1 provides a thorough and comprehensive interim analysis of the most recent developments in the global gold market. In just 40 pages, *Update 1* identifies the most important economic, socio-political and market-specific issues facing the gold market. The publication can be ordered from GFMS for £215 or US\$395 / €325 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

