



Publication of *Gold Survey 2007 - Update 1*

Lower Gold Price Volatility Key To Jewellery's First Half 2007 Recovery

Today, in London, GFMS launched *Gold Survey 2007 - Update 1* at their 4th annual Precious and Base Metals Seminar. This Update provides both an initial assessment of supply/demand for the first half of 2007 and a forecast of the balance for the second half.

One of the report's key figures is the first half's impressive growth in jewellery offtake of nearly a quarter. More significantly, this increase roughly doubles when measured in terms excluding scrap - a method which gives a better gauge of jewellery's true call on the international bullion market. This was viewed as significant for gold prices as it underpinned values during times when investors were losing interest in the metal.

The consultancy feels a key driver of jewellery's increase was greater price stability, particularly in the second quarter when price volatility fell to 12% from 31% one year prior. The most important response in the price sensitive markets was the surge in Indian jewellery demand, which rose by nearly 80% year-on-year in the first half, accounting for the majority of global jewellery offtake growth. Not all was merely a price response as offtake was further aided by robust economic growth.

Strong growth in jewellery fabrication was realised elsewhere in the developing world. A rise in the Middle East - up 17% - was driven largely by Turkey, Egypt and Saudi Arabia, where the latter demonstrated greater acceptance of \$650 plus prices. East Asia saw buoyant growth as well, not only in response to gold price stabilisation but also due to rising jewellery exports and often buoyant local consumption. The year of the "Golden Pig" in China, for example, boosted consumption of related 24-carat products.

Many western countries, however, experienced declines in jewellery fabrication. Italy, for example, led the way for Europe's overall fall as factors such as overseas competition and euro strength hurt output. The United States posted a double-digit fall in first half jewellery consumption, which was important for many countries as it fed through to a 13% slide in jewellery imports.

Looking forward to year-end, the consultancy has forecast that jewellery fabrication could grow by 6% year-on-year in the second half. Philip Klapwijk, GFMS' Executive Chairman, cautioned, however, that "the timing and extent of any rally could alter that forecast for jewellery. We'd certainly factored in scope for a price rise on the back of US subprime contagion fears but the recent price move, which perhaps came a little earlier than we were expecting, may leave the jewellery industry with a strong sense of unease".

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About *Gold Survey 2007 - Update 1*: In just 40 pages, *Update 1* identifies the most important economic, sociopolitical 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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