



Publication of *Gold Survey 2008 - Update 1*

First Half Jewellery Fabrication Drops by Nearly 24%, Due to High and Volatile Gold Prices.

Today, in London, GFMS launched *Gold Survey 2008 - Update 1* at their latest Precious and Base Metals Seminar. This *Update* provides an initial assessment of world gold supply and demand for the first half of 2008, as well as forecasts for the remainder of the year.

One of the key findings of the report was a 24% year-on-year drop in global jewellery fabrication, which was recorded during the first half of 2008. The *Update* concludes that high and volatile gold prices were chiefly responsible for the decline, which saw the world total fall by some 300 tonnes, compared with the first six months of 2007.

Looking at jewellery fabrication *excluding* the use of scrap can provide a better indication of the call on the global gold market, as this measures demand for new gold. During the first half, jewellery fabrication, on this basis, shrank by 36% or close to 350 tonnes, to its lowest level in around two decades.

The most pronounced drop in jewellery (including the use of scrap) was seen in India, whose jewellery fabrication over the first six months effectively halved year-on-year. Elsewhere, substantial declines were recorded across much of the Middle East, with both Turkey and Saudi Arabia, the region's two largest fabricators, seeing falls of around one-fifth. In the United States, one of the main jewellery consuming markets, the continued shift away from gold by retailers hit the country's jewellery offtake. This also accounted for much of the weakness in Italian jewellery fabrication, whose exports were further affected by the weakness in the US dollar.

There was, however, some good news to what were widespread declines. Chinese jewellery fabrication posted a modest first half rise; the country's robust economy offsetting the impact of sharp falls in China's stock market and a devastating earthquake. Russian jewellery fabrication was also higher mainly because of continued economic growth, while in Egypt, expectations of further price increases were the chief factor behind the robust growth in the country's jewellery market.

Looking ahead to the rest of this year, GFMS are forecasting a recovery in second half jewellery fabrication of 6% year-on-year, although this compares with a low base in the second half of 2007. Philip Klapwijk, GFMS' Executive Chairman, commented, "we have already seen a sharp jump in third quarter demand, on the back of weaker prices, especially in some of the key price sensitive markets. Problems, however, may emerge towards year-end. We still expect prices to rally and this could bring an end to the recovery we have so far seen in the third quarter."

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Gold Survey 2008 - 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 £250 or US\$460 / €350 per copy. For orders and to receive further product information please contact Elena Patimova - Tel: +44 (0)20 7478 1750, 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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