



Publication of *Gold Survey 2009 - Update 1*

Early 2009 Buoyancy to Gold Investment Stemming from Recession & Counterparty Risk Fears Forecast to Return as Inflation Concerns Grow

GFMS released their latest gold market report, *Gold Survey 2009 - Update 1*, today. A summary of the findings of the publication was given by Philip Klapwijk, Chairman of GFMS, at a launch event in London organised by the metals consultancy.

The *Update* notes that the beginning of 2009 saw a dramatic increase in gold investment as investors switched from equities and other assets, due mainly to fears about the recession and counterparty risk following the collapse of Lehman Brothers last September, combined with a slide in the dollar and the start of concerns about future prospects for inflation. Important arenas singled out include the record levels of ETF buying in the first quarter and continued high levels of coin and small bar purchases in the West, particularly German-speaking Europe.

The report adds that, since then, investors have gradually started to shift attention from the "credit crunch" to the "green shoots" of recovery and, consequently, it was unsurprising that fresh investor buying of gold should generally subside markedly since the beginning of the year but remain positive. GFMS quantify the totality as World Investment (which includes implied net investment, bar hoarding and all coins), which they estimate to have surpassed 1,150 tonnes (up almost 180%) in the first half.

Not all areas of investment, however, were buoyant with GFMS reporting that bar hoarding (outside of Europe and North America) slumped, chiefly due to the appearance of dishoarding in India in the first quarter (dishoarding's first occurrence in that country since 1980). The India-focused niche of medals and imitation coins demand was also reported to have fallen sharply.

Turning to the future, GFMS expect investor influence to remain strong through the remainder of 2009 as inflationary concerns grow. Mr. Klapwijk commented that "the current view of some investors that inflationary concerns have disappeared as inflation figures fall is short sighted and backward looking. Indeed, the potential for inflation to return to levels not seen since the 1970s in major economies, particularly the USA, cannot be ruled out given the monetary and fiscal measures taken in the past year".

In conclusion, Mr. Klapwijk added "if inflation's return becomes obvious and higher than generally forecast levels look possible then gold prices well over the \$1,000 mark could be achievable, not least as central banks keep interest rates at record low levels". Given this investment backdrop, GFMS expect this to be the eighth consecutive year of rising annual average gold prices.

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Gold Survey 2009 - Update 1 contains 40 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 £250 or US\$460 / €350 per copy. For orders and to receive further product information please contact Elena Patimova - 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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GFMS is an independent consultancy providing unrivalled research into precious metals, base metals, steel and diamonds. The company is based in London, UK, but has representation in Australia, India, Germany, France, Spain and Russia, plus a vast range of contacts and associates across the globe. The team includes 23 full-time analysts plus four consultants in key regional markets.

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