



Publication of *Gold Survey 2009 - Update 1*

First half jewellery fabrication falls by 25% as a result of elevated gold prices and the economic crisis.

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 research consultancy.

One of the key findings of the report was a substantial 25% year-on-year fall in global jewellery fabrication, with offtake slumping 248 tonnes compared with the first six months in 2008. The *Update* concludes that the primary driver for the hefty decline was the fragile economic environment and elevated gold prices, with double-digit falls in all regions except East Asia where widespread declines were partially offset by ongoing growth in Chinese fabrication.

GFMS also measured jewellery fabrication *excluding* the use of scrap, which provides a better gauge of the true call on international bullion market. On this basis, the consultancy notes that the slump was even more pronounced as higher scrap volumes substituted for new gold demand, with first half demand slumping by 32%, or over 200 tonnes, to its lowest level in over 25 years.

As noted above, GFMS believe that one of the prime causes for the considerable decline in jewellery fabrication volumes in the first six months of 2009 was the significant jump in domestic gold prices in key consuming countries such as India and Turkey (who combined, accounted for half the gross global decline). The impact of weaker local currencies had a substantial impact (particularly in the first quarter) on these price sensitive markets as consumers postponed purchases in anticipation of a retreat in the price. In the industrialised world, high prices and a bleak economic environment provided the catalyst for weaker jewellery demand, with destocking, weaker exports, and a shift to lighter designs, all driving down fabrication volumes. In Italy, jewellery fabrication fell by 32% year-on-year, while consumption in the United States declined 25% for the period. Elsewhere, China defied the global trend to record another rise in jewellery fabrication, increasing 7% year-on-year.

Looking ahead to the remainder of the year, GFMS are forecasting elevated and volatile gold prices will continue to affect global jewellery fabrication markets (particularly in developing countries), with offtake forecast to decline by almost 15% on the corresponding period in 2008. Philip Klapwijk, GFMS' Executive Chairman, commented "despite early signs of economic recovery in many regions, gold price levels will continue to be the determining factor, and with many price sensitive markets expected to remain weak for the remainder of the year, we expect jewellery fabrication for 2009 as a whole to slip to levels not seen for more than two decades".

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Gold Survey 2009 - 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>

Note to Editors about GFMS Limited:

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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