



Publication of *Gold Survey 2009 - Update 1*

First Half Scrap Supply Posts Record High Thanks To Elevated Gold Prices and Economic Crisis

GFMS released *Gold Survey 2009 - Update 1* today, their latest report on the gold market, at a launch in London and, simultaneously and in association with the Denver Gold Group, at an event in that US city. The following details some of the highlights of the report from the briefing given at the London launch by Philip Klapwijk, chairman of the independent metals research consultancy.

One of the key findings of the report was that scrap surged to a record high of almost 900 tonnes during the first half, which according to the consultancy was a key event that ultimately capped the rise in the gold price during the period. The *Update* concludes that record high local gold prices in many key jewellery consuming markets and the economic slowdown in the developed world encouraged both profit taking and the distress selling of old jewellery.

Looking within the first half, GFMS note that the rise in scrap was mainly a first quarter phenomenon, wherein it rose by 58% year-on-year, whereas in the second quarter scrap 'only' rose by 13%. This was the case despite prices in many markets being similar in the second quarter compared to the first quarter. According to the consultancy, the first quarter was so active as many felt the market might well be topping out and a price retreat could soon begin, while volumes in the second quarter were quieter due to the lack of further upside momentum in prices and the fact that much of the near market supplies had already emerged in the first quarter.

Turkey followed by India saw the highest scrap increases as their first half domestic prices rose by 32% and 21% respectively year-on-year and the two accounted for around 40% of the gross increase in the world total. The report added the critical observation that as a consequence of poor jewellery demand and buoyant scrap supply these two key jewellery consuming markets and others such as Italy turned into net exporters of bullion at times during the first half.

Looking ahead to the rest of this year, GFMS expect that another fresh rise in scrap cannot be ruled out given their price forecast for the rest of the year. Philip Klapwijk, GFMS' Executive Chairman, commented, "quite how large any fresh surge in scrap will prove is a difficult guess, but it could again play a role in capping the upside potential to the price".

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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>

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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