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Publication of *Gold Survey 2002 – Update 2*

Gold investment demand up sharply in 2002

World gold investment demand in 2002 was more than double that of 2001, rising from 172 tonnes to 417 tonnes. This is one of the main findings outlined in *Gold Survey 2002 – Update 2*, the report released today by GFMS (Gold Fields Mineral Services) the precious metals consultancy. The re-emergence of investment as an important source of demand is one of the key factors underlying gold's strong performance in 2002 according to GFMS.

The report stated that economic and political developments in 2002 were very positive for gold. With the weak global economy impacting on corporate profits and the dollar weakening, gold looked attractive against its main investment rivals. Geo-political uncertainty added to this backdrop, and the cocktail was further assisted by the impressive performance of the metal itself, with the gold price rising 25% intra-year. "For the first time in years a virtuous circle may have developed with successive rises in the price creating fresh investor interest in gold" GFMS' Managing Director Philip Klapwijk commented.

GFMS divide gold investment demand into three categories, Bar Hoarding, Bullion Coin Sales and Implied Net Investment. Bar hoarding, defined as net investment in physical gold bar from outside Europe and N. America, increased by a modest 3% to 252 tonnes as a surge in Japanese offtake was partially offset by falling demand in India, whilst bullion coin demand increased by 12% to 63 tonnes.

It is implied net investment, however, that GFMS outline as the element that has undergone a fundamental change in 2002, switching from negative 129 tonnes in 2001 (i.e. disinvestment) to positive 103 tonnes in 2002, a dramatic shift of 232 tonnes to the demand side. Implied net investment is primarily a reflection of net (dis)investment of bullion in Europe and North America, but also reflects additional flows such as the physical market impact of central and bullion bank trading in the derivatives, forward and futures markets. GFMS caution that this figure, which it should be remembered is a net rather than gross measure, may well be a conservative estimate in the extent of investment, given that its constituents are hard to measure

Klapwijk added that although the approximate dollar value of world investment demand rose to almost \$4 billion, this was a tiny amount compared to the potential sums available if more mainstream investors were to allocate a small percentage of their portfolios to gold.

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Gold Survey 2002 – Update 2 provides an initial review of the gold market in 2002 and a forecast for the first half of 2003 with 30 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 £190 or US\$280/€295 per copy.

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Note to Editors: GFMS (Gold Fields Mineral Services) is an independent London-based commodity research and consulting company, specialising in the analysis of the precious metals markets.

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