



Jewellery Fabrication Expected to Fall by around 20% during First Half 2008

Today, GFMS launched *Gold Survey 2007 - Update 2* at its seminar in Toronto, which featured the consultancy's latest research and forecasts on the global gold market. One of the key highlights, presented by Philip Klapwijk, GFMS' Chairman, was that jewellery fabrication rose by over 5% in 2007, in spite of dollar gold prices having increased by 15%. This outcome was due to strong demand during the first half of last year, which offset a price-related decline during the final six months, particularly towards year-end as prices moved above the \$700 level.

Looking at jewellery fabrication *excluding* scrap in 2007, which gives an indication of the true call on the international bullion market, this showed an even greater variation during the year. *Update 2* reveals that first half demand on this basis rose by 44% year-on-year, an outcome that was flattered by the extremely poor first half 2006 performance. In contrast, the last six months witnessed a drop of around 12%.

The most pronounced rise in jewellery, on a regional basis, was achieved in the Middle East, where jewellery demand grew by close to 70 tonnes. Much of this growth was due to Turkey, which enjoyed both higher local and export sales. The country was also helped by relatively stable gold prices, which were just 4% higher in 2007 (basis the annual average). East Asia posted the second highest rise in tonnage terms. This performance was overwhelmingly due to a healthy return from China, the result of rising local consumption, itself mainly the product of continued rapid income growth.

The report also notes that offtake across the Indian Sub-continent was modestly higher in 2007. This outcome might suggest that India, the principal market in the region, only experienced a muted response to higher prices, but the performance over the two halves tells a different story. During the first six months Indian jewellery demand rose strongly, to its second highest half-yearly total. In sharp contrast, the final six months witnessed a material drop, which left jewellery fabrication, as measured by GFMS, at its lowest level since the mid-1990s.

A brief look at the western-style jewellery markets last year reveals a modest decline in Italy, principally due to the continued shift in favour of gemset and lower gold containing products, in markets such as the United States. In fact, GFMS noted that the United States, one of the largest jewellery consumers, was also affected by an increasingly uncertain consumer climate, partly due to the effects of the US sub-prime crisis.

Looking ahead to this year, Klapwijk noted that "the continued rise in gold prices, together with the volatility we are now seeing, is expected to see jewellery demand fall sharply. At the moment, we are forecasting a drop of some 20% over the first six months. And if prices continue to rise, as we expect them to, then the second half could be similarly affected."

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About Gold Survey 2007 - Update 2: In just 40 pages, *Update 2* identifies the most important economic, sociopolitical and market-specific issues facing the gold market. The publication can be ordered from GFMS for £215 or US\$395 / €325 per copy. For orders and to receive further product information please contact Ms Elena Patimova on: 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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