



Publication of *Gold Survey 2008 - Update 2*

Jewellery fabrication fell by 11% in 2008, mainly owing to heavy losses in India, Turkey and Italy.

Today, GFMS released their second half-yearly report on the gold market, *Gold Survey 2008 – Update 2*. This publication offers provisional estimates on developments in global gold supply and demand for the full year 2008, as well as forecasts covering the first half of 2009.

The report reveals that world jewellery fabrication fell by a hefty 11% or 262 tonnes in 2008, which took the total to its lowest level since 1989. The *Update* concludes that record and volatile gold prices, combined with a deteriorating economic backdrop, were the key reasons behind this poor performance. As the report notes, however, there was some brief respite in the third quarter, when lower gold prices, in several key currencies, produced a 30% rise in jewellery fabrication, compared with the April to June period.

Update 2 also highlights the trend in jewellery fabrication, in terms excluding scrap, which measures the use of new gold and therefore provides an indication of the call on the international bullion market. On this basis demand last year fell by a more severe 20%, or 306 tonnes, compared with 2007, to its lowest level since 1988.

Jewellery fabrication (including scrap) in just four countries, India, Italy, Turkey and the United States, accounted for 69% of the gross decline in 2008. The largest traditionally price sensitive market, India, produced the greatest fall last year. This was almost entirely a product of high and volatile local prices, which also accounted for the decline seen in Turkey. These factors also accounted for much of the weakness in several key Western markets. In particular, the sharp drop in US jewellery consumption, which was also affected by the domestic economic slowdown, not only affected the country's jewellery manufacturing, but was an important reason for the fall in Italian offtake, which is estimated to have dropped by around 18%. The one significant positive note was the growth in Chinese fabrication, which grew for the sixth year in succession, in the process setting a new record in excess of 300 tonnes.

Looking to the first six months of this year, GFMS are forecasting an 11% year-on-year fall in jewellery fabrication, which is actually flattered by the comparison with a particularly weak first half 2008. Philip Klapwijk, GFMS' Executive Chairman, commented that, "given our expectation of higher prices and a poor economic outlook, it is not surprising that we are forecasting lower jewellery fabrication in every region in the first half of this year. In fact, if we take the comparison back further, and look at the first half of 2007, just two years ago, jewellery fabrication then was 400 tonnes higher than we are predicting for the first six months of 2009."

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About *Gold Survey 2008 - 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 £250 or US\$460 / €350 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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