



## **Publication of *Gold Survey 2011***

### ***Further growth in investment demand in 2011 is expected to see gold surpass \$1600 before year-end***

GFMS launched *Gold Survey 2011* today, the 44th edition of their authoritative and comprehensive annual survey of the world gold market, at events in London, Toronto and Johannesburg. The following details some of the highlights of the *Gold Survey* from the briefing given at the London launch by Philip Klapwijk, chairman of the independent precious metals research consultancy.

As the report highlights, gold investment demand last year continued to drive gold prices higher, which rose by close to 26% in 2010 (on an annual average basis). As Klapwijk noted, "global investment actually fell compared with 2009, but last year's performance was still comfortably the second highest on record. Furthermore, in value terms, world investment last year did set a new high." An analysis of investment flows in *Gold Survey 2011* reveals that the performance was not entirely one-way. ETF holdings experienced the second highest annual gain, while combined purchases of bars and coins surged last year. In contrast, investor interest in the futures market was scaled back in 2010, having peaked early in the fourth quarter.

Support for higher gold prices was, however, not restricted to developments in the investment sector. As Klapwijk pointed out, "last year we saw signs of the gold market having adjusted to higher prices. While jewellery demand partially recovered, following 2009's steep losses, scrap supply was little changed, even though gold prices posted a series of record highs in 2010." Much of the lift in jewellery demand was in fact concentrated in just India and China, which benefited (respectively) from positive price expectations and a still robust economic backdrop. Even so, the report highlights that many key jewellery consuming countries remained net suppliers of gold to the international gold market. Notable casualties of this trend included the United States, the European Union and the Middle East with each seeing scrap supply exceed jewellery consumption in 2010.

As well as the improvement in global jewellery demand, *Gold Survey 2011* captures the swing to net purchases by the official sector in 2010, for the first time since 1988. This performance was due to extremely low sales by Central bank Gold Agreement (CBGA) signatories, combined with rising purchases outside of the Agreement. In fact, the net total would have been considerably higher last year in the absence of the IMF sales programme, which was completed towards end-2010.

In terms of the producer community, world mine supply posted another solid gain in 2010. Although the full year improvement, described in the *Gold Survey*, fell short of 2009's performance, this still saw the global total post a record high, with every major producing region contributing to last year's higher total (the first time this has occurred since 1988). Even so, this outcome failed to dampen investor sentiment, as did a further decline in producer de-hedging. An uninterrupted period of 11 years of de-hedging has therefore seen the global hedgebook by end-2010 fall to its lowest level since the 1980s. As Klapwijk added "producer de-hedging has been a constant feature on the demand side of the gold market since 2001, at times providing strong support to the gold price. However, this role has now all but come to an end."

Further commenting on the outlook for 2011, Klapwijk noted, "the prospects for gold prices this year remain bright. Investors continue to be concerned about the outlook for inflation, with governments in general showing little appetite to tighten monetary policy significantly. And, with the spotlight also shining on the state of government finances, there is every reason to believe that investors will remain focused on the gold market. Furthermore, growing price acceptance by consumers will help lift jewellery demand, while generating only a muted response from scrap. Together, these will help raise the support level in the gold market and provide a firm platform for investors to take gold higher. Overall, we would not be surprised, therefore, to see gold break through \$1,600 before the end of the year."

Please see overleaf for further details on *Gold Survey 2011* and for all contact information.





© **Copyright GFMS Limited - April 2011.**

Whilst every effort has been made to ensure the accuracy of the information in this document, the content of this document is provided without any guarantees, conditions or warranties as to its accuracy, completeness or reliability. It is not to be construed as a solicitation or an offer to buy or sell precious metal, related products, commodities, securities or related financial instruments. To the extent permitted by law, we, other members of our group of companies and third parties connected to us hereby expressly exclude:

- All conditions, warranties and other terms which might otherwise be implied by statute, common law or the law of equity.
- Any liability for any direct, indirect or consequential loss or damage incurred by any person or organisation reading or relying on this document including (without limitation) loss of income or revenue, loss of business, loss of profits or contracts, loss of anticipated savings, loss of goodwill and whether caused by tort (including negligence), breach of contract or otherwise, even if foreseeable.

**Gold Survey 2011** contains over 120 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 £325 or US\$595 / €440 per copy. For orders and to receive further product information please contact Emma Hastings - Tel: +44 (0)20 7478 1750, Fax: +44 (0)20 7478 1779, Email: [sales@gfms.co.uk](mailto:sales@gfms.co.uk), Web Site: [www.gfms.co.uk](http://www.gfms.co.uk), Online Shop: <http://shop.gfms.co.uk>

**Note to Editors about GFMS Limited:**

GFMS Limited is the world's foremost precious metals consultancy, specialising in research into the global gold, silver, platinum and palladium markets. GFMS is based in London, UK, but has representation in Australia, India and Russia and a vast range of contacts and associates across the world.

**Press Contacts:** Philip Klapwijk or Paul Walker, GFMS Limited, Hedges House, 153-155 Regent Street, London, W1B 4JE, UK, tel: +44 (0)20 7478 1777, fax: +44 (0)20 7478 1779, email: [gold@gfms.co.uk](mailto:gold@gfms.co.uk), web site: [www.gfms.co.uk](http://www.gfms.co.uk)