

7. Fabrication Demand

- World gold fabrication fell by 3.6% to 3,049 tonnes, a 12-year low.
- Sharply lower European and, to a lesser extent, East Asian and Latin American fabrication, more than offset higher production in Turkey and a moderate rise in the Indian Sub-Continent.
- The 47% rise in Turkey's fabrication took the country above China and the United States to third place behind India and Italy.
- Subdued world economic growth which prevailed for much of last year, shifting consumer tastes and high gold prices contributed to jewellery fabrication falling to a 12-year low.
- The largest fall in jewellery occurred in Italy, which suffered an 85 tonne decline last year, largely as a result of weak export markets. In contrast, higher local consumption contributed to the record level of Turkish fabrication.
- The high level of scrap supply contributed to global jewellery production, excluding the use of scrap, falling to its lowest level in 14 years.
- The close to 14% rise in electronics was largely due to higher fabrication of gold bonding wire. Japan alone accounted for more than two-thirds of the global rise in electronics. The 9% increase in official coins was almost entirely due to sharply higher minting in Turkey.

Carat Jewellery

Europe

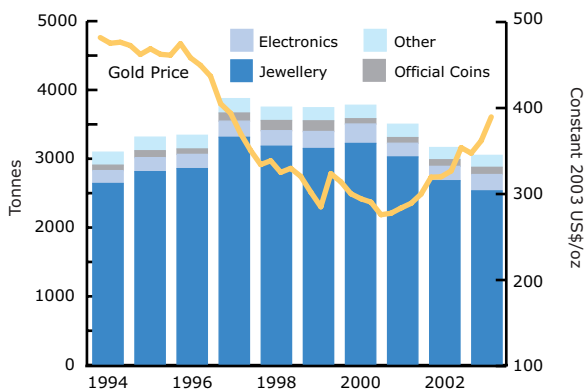
- Jewellery fabrication slumped by over 100 tonnes in 2003, mainly due to Italy's 20% drop.

2003 was one of the most difficult years ever for the Italian industry, with jewellery fabrication estimated to have slumped by 20.5% to 328.8 tonnes (or around 60% of its 1998 peak). The decline was marked as an intensification of structural influences (such as competition from rival producers) coincided with one-off factors (such as the Iraq war). This largely explains the acceleration in recent years' falls; 2000 dropped by 0.3%, 2001 by 6% and 2002 by 13%.

Whilst still a weighty decline, there are many who feared a much greater slip. However, official bullion import data (see Chapter 6) clearly points to a fall of around a fifth. The supply from both domestic and, to a lesser degree, imported scrap also grew significantly. Countering this, however, was the faster fall in unofficial imports and smaller contributions from mobilised loco-Italy unofficial reserves and from bullion imports for "investment" diverted to unofficial production. Overall, it could even be possible that the total volume of metal available to the market in 2003 fell by less than a fifth. And, there is scant evidence for greater supply diversion to investment or other forms of fabrication.

GFMS' trade data analysis generates a drop in official jewellery exports of around 23%, whilst unofficial shipments are estimated to have dropped a little more.

World Gold Fabrication



Jewellery and Other Fabrication

