

**STRICTLY EMBARGOED UNTIL 24 FEBRUARY 2005: 07.00 (GMT)****WORLD GOLD COUNCIL RESEARCH REVEALS GOLD CONSUMERS FAVOUR STYLE AND QUALITY IN THE UK AND AROUND THE WORLD**

- Demand up in many key markets
- Sales of innovative and well-designed products up in UK, other key markets in Europe and US

**London, 24 February 2005:** Consumers in the UK, other key markets in Europe and the US, are buying better quality gold jewellery and items with a more contemporary, stylish design, according to 2004 gold demand figures published today by the World Gold Council (WGC).

The 18-carat sector achieved record level of sales in the UK with its share of hallmarked items rising to over 10%, according to assay office data. Demand for innovative and newly-designed pieces, as distinct from those of more basic design, was also found to be stronger in the UK, other key markets in Europe and US, showing that while the popularity of traditional designs is in some cases standing still, or retreating, more fashionable, high quality gold jewellery is becoming increasingly sought after. 18-carat jewellery is gaining market share in the mixed caratage markets of Northern Europe.

According to UK hallmarking statistics, 9 carat gold jewellery pieces account for around 85% of total hallmarking in 2004 and 22 carat gold pieces for around 3%. However, it is noted that on a gross weight basis, the higher caratage jewellery accounts for a greater percentage of sales. Consumers have been upgrading from lower caratage items to the heavier, more high fashion items made from higher caratage gold.

The World Gold Council figures, compiled by GFMS Ltd., also show that overall global demand for jewellery, which represents a majority of gold demand, grew consistently throughout the year, even in the face of rising gold prices. For 2004 as a whole, demand in tonnage terms was 6% higher than a year earlier with demand in dollar terms a spectacular 19% higher. For Q4, the growth rates when compared with the same time last year were 7% and 19% respectively. Against the backdrop of a substantial gold price rise, the increase in demand tallies with reports that consumers in the price-sensitive markets of Asia and the Middle East are now not only comfortable with prices in excess of \$400 per ounce, but also expect prices to rise further.

Overall demand in the UK remained subdued in Q404 with off-take 4% below Q403 levels. While the economy was generally strong in 2004, consumer spending lacked the exuberance of recent

years. Concern over the impact of rising interest rates and a slowing housing market put consumers in a more cautious frame of mind, making them less conducive to luxury purchases.

Philip Olden, managing director of international jewellery and marketing at the World Gold Council, commented on the findings: "Overall, 2004 was a good year for demand for gold jewellery in key markets around the world. We are very encouraged to see the reinvigoration of the category, which can be attributed both to positive economic conditions, as well as promotional activities with our retail partners in key markets.

"We are delighted to report a growing interest in pieces of a higher quality, combined with the shift towards items with more contemporary, fashionable designs, which shows how the consumer market for gold is continuing to evolve. We must do all we can to continue this positive momentum, as gold jewellery continues to face aggressive competition for share of wallet from electronics and luxury goods in key markets globally."

The WGC has a number of initiatives in place to boost demand for gold jewellery around the world. The organisation's Speak Gold advertising campaign continues to create impact, for example in India where it had a notable impact on urban consumer demand. In China, the WGC's K-gold initiative (18 carat jewellery of a more contemporary style) continued to perform strongly in Q404 with demand rising by 7% year-on-year in volume terms. The WGC's Gold Expressions initiative, which was built on feedback from consumers, provides a platform for Italian goldsmiths to lead the way in design innovation in gold jewellery. In 2004, retailers around the world bought many of the designs, which helped to inject fresh vigour and introduce more desirable items at point of sale. The WGC also works with its major retail partners, focusing on store layout, product selection and gold jewellery sales training, initiatives that helped to contribute to increased demand.

The overall increase in jewellery demand is repeated in key markets around the globe, with record annual jewellery demand in 2004 in tonnage terms being seen in Turkey and Vietnam and record demand in value terms in a number of markets, including India where jewellery demand was up 18% on 2003. Demand in China was 12% higher in tonnage terms in 2004 compared to that of 2003. In the US, jewellery demand was slightly below 2003 in volume terms, but a respectable 12% higher in value terms. Italian demand for jewellery continued to fall with a disappointing Christmas season. However, the UK, US and Italy all saw a rise in demand for innovative and well-designed jewellery, which in the UK, as in the rest of Northern Europe and the US, was also reflected in the growing share of 18 carat pieces.

## Consumer demand in selected countries (annual data)

Tonnes	2003			2004			% change 2004 vs 2003		
	net retail			net retail			net retail		
	jewellery	investment	total	jewellery	investment	total	jewellery	investment	total
India	475.0	90.0	565.0	558.5	104.0	662.5	17.6	15.5	17.2
<b>Greater China</b>	231.0	1.2	232.2	258.7	12.2	270.9	12.0	902.2	16.7
China	201.0	6.4	207.4	224.1	9.8	234.0	11.5	53.1	12.8
Hong Kong	12.0	-4.9	7.1	13.8	1.2	15.0	15.2	...	111.6
Taiwan	18.0	-0.3	17.7	20.7	1.2	21.9	15.0	...	23.7
Japan	43.2	49.6	92.8	46.3	70.8	117.1	7.2	42.7	26.2
Indonesia	82.0	1.6	83.6	83.9	5.0	88.9	2.3	...	6.3
Vietnam	22.8	36.0	58.8	25.4	39.2	64.6	11.5	8.9	9.9
Saudi Arabia	128.2	4.9	133.1	133.4	5.2	138.5	4.1	5.1	4.1
Egypt	66.1	0.6	66.7	73.0	0.5	73.5	10.5	-16.7	10.3
UAE	81.7	6.1	87.8	89.3	6.5	95.8	9.4	6.6	9.2
Other Gulf	46.9	4.6	51.5	50.4	4.9	55.3	7.4	6.7	7.4
Turkey	163.6	48.7	212.3	189.6	48.6	238.1	15.9	-0.2	12.2
USA	354.5	20.9	375.3	352.0	20.1	372.2	-0.7	-3.5	-0.8
Italy <sup>1</sup>	82.0	...	82.0	77.3	...	77.3	-5.7	...	-5.7
UK <sup>1</sup>	73.1	...	73.1	70.2	...	70.2	-3.9	...	-3.9
Western Europe <sup>2</sup>	...	9.1	9.1	...	-20.4	-20.4	...	...	...

Source: GFMS Ltd

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### Notes to Editors:

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