

## **TURKISH JEWELRY INDUSTRY**

The characteristics, which render the gold important at all times, may be listed as its limited production volume, its supply structure, which cannot be increased in the short run, its nature of being a reserve instrument for central banks and the lack of another metal possessing similar characteristics. Gold is in demand for ornament purposes in times the global economy is stable and for investment purposes when in times the global economy is rather instable. Turkish jewelry industry, which enjoys an annual processing capacity of 400 tones of gold and 300 tones of silver and which employs 500,000 persons, produces average 200 tones of jewelry per year.

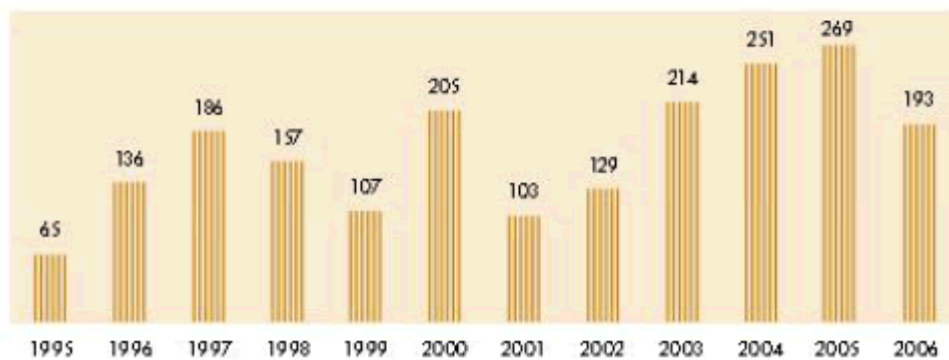
Turkish Jewelry industry performed approximately 1.2 billion US Dollars of exportation and approximately 3.8 billion US Dollars of importation in 2006. The mentioned amounts correspond to approximately 86 tones of exportation and 193 tones of importation.

The gold importation in Turkey declined by 28 % in 2006 relatively to the previous year while the exportation performance grew approximately by 9 %. Turkey holds one of the top five ranks in the world in gold bullion importation. In the international market, a severe competition involving waxing markets such as China and India is at stake. However, Turkey is one of the most occurring countries in the world in respect of golden jewelry in spite of not being among the major gold producers worldwide. The industry, due to its nature, allows for the survival of only such companies that maintain a stable growth process, are strong, enjoy a corporate structure and are active in exportation operations.

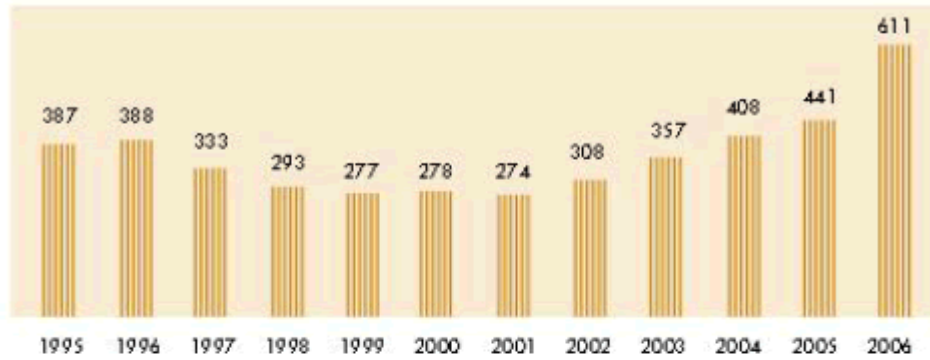
global markets after gaining experience and self – confidence, and, as a consequence of the positive impressions in foreign markets, obtained the 2nd rank after India in gold consumption per person, and the 4th rank after India, U.S.A. and China in demand for gold per person. Another fact helping the improvement of the industry was Istanbul Gold Exchange, which went into operation in 1995. The Exchange introduced specific purity requirements and standards for imported, and ensured the gold to be traded within an organized market.

Approximately three fourths of the gold traded within Istanbul Gold Exchange is purchased by the jewelry industry, and approximately half of such portion is exported to abroad while the other half is consumed at home; and the remaining portion by 25 % is reserved as gold bullions and Republican gold coins for investment purposes.

GOLD IMPORTATION of TURKEY (TONES) (1995-2006)



GOLD PRICES (Monthly Weighted Average - IAB)(USD /ounce)



## **GOLD AS AN INVESTMENT INSTRUMENT IN 2006**

According to the determinations of Turkish Statistical Institute (TUIK), the highest real return was earned by the gold investors by 18.38 % in 2006. While deposit and Euro were other earning instruments, stock exchange and Dollar caused their investors to suffer losses on annual basis. According to the data from Istanbul Gold Exchange (IAB), the annual variation in gold market index realized to be 23.64 % while the trading volume in Istanbul Gold Exchange (IAB) realized as 247.48 tones.

On annual basis; the real earning of the gold bullion investors was determined as 16.33 % on PPI basis and as 18.38 % on CPI basis. While the investors of Dollar and Euro suffered losses in real terms on annual average basis, the real earning of the bullion gold investors was determined as 33.90 % on PPI basis and as 33.58 % on CPI basis.