

Price of Platinum and Gold Surge

The price of platinum and gold was expected to rise in the past year, but no one predicted just how substantial the increase would be. Last Spring, analysts estimated that the platinum price would reach \$1495 per ounce this year, with the average hovering around \$1350. Last week the price reached \$2243.

In 1999, the unit price for platinum was \$360, rising in price to reach \$900 by 2004. The recent jump is attributed to energy problems interrupting production in South Africa, where 90% of platinum is mined. Inventory is low and it is believed that it will take several years to resolve the energy crisis. Prices subsequently dropped and have been trading over \$2000 in recent days. The low value of the dollar and high oil prices also contributed to the rise in the past year.

In early March the price of gold reached \$986.60, and analysts believe it may reach \$1000 within a few weeks. Like platinum, the price of gold has risen with the price of oil and downturn in the dollar. The price is expected to continue rising to at least \$1100 this year, and possibly higher. Demand is up, but investors are doing the bulk of the purchases for investment purposes, not retail jewelry.

The World Gold Council expects the retail price of gold jewelry to rise only 10- 20% this Spring, despite the fact that the cost is up 30%. Jewelers are generally still selling stock that they purchased at lower prices, and the price increases have not been fully passed on to the consumer yet. The increased prices at the retail level should be moderate in the traditional bridal season of Memorial Day through Labor Day. The recession proof bridal industry is expected to be a bright spot, as platinum is still extremely popular despite the higher prices.

Inflation this year is projected at 7-8%, and the market for jewelry is forecasted to increase by 3% to \$65.9 billion. If the price of precious metals, especially gold, does not level out and the economy sinks in to a recession, much higher prices are inevitable during the Christmas season.

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