

Gold demand in India expected to pickup in second half of 2016

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The global economic crisis will continue to drive the demand for gold and silver worldwide. Bullion experts at the India International Gold Convention (IIGC) organized by Foretell Business Solutions Ltd. unanimously expressed that global demand will continue to remain strong, and price higher. Ultra-low real interest rates in the USA and elsewhere will continue to drive the demand for both the metals globally. Gold is expected to remain above \$1270

per ounce, while silver will continue to remain above \$17 per ounce in London market.

“In India, demand will pick up in the second half of calendar 2016 after a dismal first half. High unofficial imports, high price, imposition of excise duty and subsequent strike by jewellers had impacted the demand of gold in the first half. Demand is expected to come back and price discounts expected to narrow from October. The overall demand is expected to remain around 380 to 400 tons for second half of calendar 2016 on account of increase in farmers’ incomes, salary arrears to central government employees under 7th Pay Commission and festive demand,” said Debajit Saha, head of bullion research at Foretell Business Solutions Pvt. Ltd., a leading research & advisory firm on bullion and commodities.

Gold demand remained extremely poor in the first half of current calendar year. Market had entered into deep discount, impacting official supply of gold. Discount increased the moment government announced levy of the excise duty which prompted jewellers to go on a long strike. Three factors pulled demand down. High import duty incentivized parallel imports. Announcement of excise duty and the subsequent strike, lead to destocking at jewellers end. Last, unanticipated increase in price of gold in early 2016, pushed domestic prices and drove demand out further, besides increasing scrap flows.

At the Indian International Gold Convention, Sudheesh Nambiath of Thomson Reuters GFMS said that gold price in India could decline and find support at Rs. 29,000/10 gm and later rise towards 33,500/- by middle of next year. Lack of physical demand from Asia, increased scrap selling at higher price levels and stable Indian rupee will be key factors that can help put some pressure on domestic prices. In case of silver, supply overhang has kept the

trade muted. Given its high correlation with gold, silver price is very likely to decline to Rs. 43,000/- per kg initially before rising again. Price of silver is expected to cross Rs. 50,000/- per kg only towards first half of next year. Demand should return in jewellery and silverware as price declines later this year. Overall silver imports this year are estimated to remain in the range of 3,000 to 3,500 tonnes as against 7,954 tonnes last calendar year.