

PTI

Gold demand may pick up in second half of 2016, say experts

MUMBAI: Global economic crisis will continue to drive the demand for gold and silver worldwide, with appetite for the yellow metal likely to pick up in India in the second half of 2016 on the back of festive season and Pay Commission award, industry experts said.

The demand for gold in the domestic market is expected to pick up in the second half of 2016 after a dismal first half, they said.

High unofficial imports, elevated price, imposition of excise duty and subsequent strike by jewellers had impacted gold demand in the first half.

"Demand is expected to come back and price discounts are expected to narrow from October.

"The overall demand is expected to remain around 380 to 400 tonnes for the second half of calendar year 2016 on account of increase in farmer incomes, salary arrears to Central government employees under 7th Pay Commission and festive demand," Foretell Business Solutions, Head of Bullion Research, Debajit Saha said in a statement here.

He added that gold demand remained extremely poor in the first half of the current year. Market had entered into deep discount zone, impacting official supply of gold. Discounts increased the moment government announced levy of excise duty, which prompted jewellers to go on a long strike, he said.

Announcement of excise duty and the subsequent strike lead to destocking at jewellers' end. Unanticipated increase in price of gold in early 2016 pushed domestic prices and drove demand out further, besides increasing scrap flows, the statement added.

Sudheesh Nambiath of Thomson Reuters GFMS said gold price in India could decline and find support at Rs 29,000/10 gm and later rise towards Rs 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, he added.