



## Gold demand in India expected to pickup in 2nd half of 2016

The global economic crisis will continue to drive the demand for gold and silver worldwide

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In this file photo, Gold bracelets are on display as a woman (L) makes choices at a jewellery showroom on the occasion of Akshaya Tritiya, a major gold buying festival, in Kolkata.

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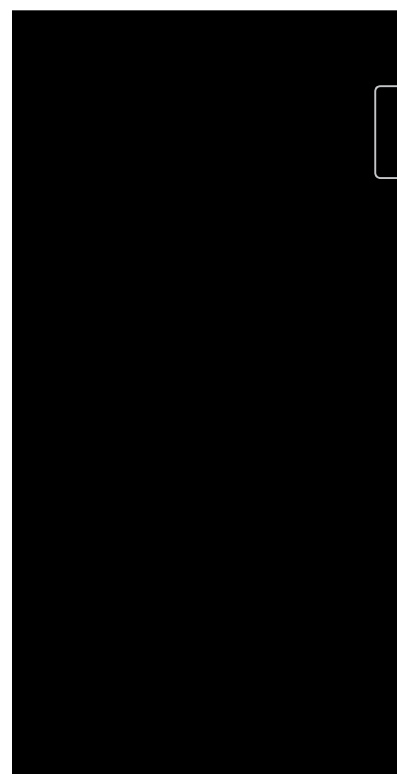
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The global economic crisis will continue to drive the demand for gold and silver worldwide. Bullion experts at the India International Gold Convention (IIGC) organised by Foretell Business Solutions Limited unanimously expressed that global demand will continue to remain

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strong, and price higher. It is also expected that gold demand in India, which was declined in first half of calendar year 2016, will increase in second half of the year.

"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 tonnes 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.

Gold demand remained extremely poor in the first half of current calendar year. Market had entered into dip 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 per 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.

In case of silver, supply overhang has kept the trade muted, and given its high correlation with gold very likely to price to decline to Rs 43,000 per kg initially before rising again. Price of silver is expected to cross Rs 50,000 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 is estimated to remain in the range of 3,000 to 3,500 tonnes as against 7,954 tonnes last calendar year.

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