

Declining Gold Prices Cut Scrap Sales by Half

Rising scrap sales & weak rupee brought down gold imports in H1 of 2012

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As gold price falls to ₹29,200 per 10 gm, scrap sales of gold have dwindled by almost 50% in the Indian market in the last one week. Buyers are slowly returning to the market mostly in the coin and bar space. The demand in gold jewellery is expected to pick up from the end of July on account of the ensuing festive season.

Kapil Kumar, partner of Chokshi Arvind Jewellers in Mumbai's Zaveri Bazar, said: "Suddenly, there is a drop in scrap sales as sellers are waiting for a fresh price upswing. People have already liquidated scrap in the second quarter. They will wait to sell more scrap when prices touch ₹31,000-32,000. Unless there is an immediate emergency, people are not selling gold."

Added Mukesh Kothari, director, RididiSiddhi Bullion: "We had seen scrap sales of gold going up after the yellow metal touched the 30K mark. But beginning July, there has been a gradual drop in scrap sales. And in the last one week, there has been a drastic drop in scrap sales.



Coins and bars see good demand

We estimate that scrap sales has fallen by 50-75% this month."

Incidentally, rising scrap sales and a weak rupee had pushed down imports of gold in the first half of the this year. Imports in the second quarter to June are estimated to have fallen by 55% to 135 tonne, gold trade officials said. In the first two quarters, India is estimated to have imported \$27 billion of gold, broadly in line with the government's target. The government wants to cut gold imports to \$38 billion in the fiscal year to March 2013, down 38% on the year to help rein in a bulging current account deficit. Imports during April and May were down \$6.2 billion.

"Buyers are gradually returning to the market and sales are expected to pick from July end. Jewellers and bullion dealers have started buying gold for the India International Jewellery Show which will be held in the last week of August," said Kumar.

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