

# May Gold imports hit record 162 tonne, add to CAD worry

**fe Bureau**

**New Delhi, June 4:** India imported a record 162 tonne of gold in May, latest official data showed, increasing the pressure on policymakers to take further measures to curb bullion demand that has exacerbated the country's current account deficit (CAD).

India, the world's largest bullion consumer, had imported 142.50 tonne of gold worth \$7.5 billion in April--a 138% surge in value terms. The imports in May were the highest for any month, in volume terms, and suggested the drop in global prices since mid-April had triggered a huge mop-up in India.

"The surge in imports has been triggered by a drop in global prices since mid-April, while investment demand remains fine. Domestic jewellers saw it a golden opportunity to replenish their inventories. Buyers, who had been waiting for nearly two years assuming the elevated prices would drop, were back in the market, pushing up demand," Prithviraj Kothari, MD, Riddisiddhi Bullion, told FE.

"The government has taken some good measures and, hopefully, these would contain imports a bit," he added.

The Reserve Bank of India on Tuesday imposed the restrictions on gold import by agencies in addition to banks, apart from some other measures. On May 13, such restrictions were slapped on banks. Finance minister P Chidambaram

on Monday said the government would review the gold import policy and more steps would be coming to curb excessive demand.

The government is worried particularly about the fact that an idle asset like gold has been pressuring the country's CAD, along with the indispensable crude oil. The country's CAD scaled a peak of 6.7% of the GDP in the quarter through December 2012 and hit a record 5.3% in the first three quarters of the fiscal year through March 2013. The current account comprises the balance of trade, net factor income, such as interest and dividends, and net transfer payments.

The government had already raised the gold import duty to 6% in January, an effective six-fold hike from around a year earlier, and the central bank has also stepped in to restrict purchases. The measures had aided a fall in imports in the quarter through March to 215 tonne from 228 tonne a year earlier, showed the data by the World Gold Council (WGC).

But since then, domestic prices have declined, tracking the drop overseas, triggering the frenzy for the precious metal. Gold futures on Mumbai's Multi Commodity Exchange hit a year low of Rs 25,720 per 10 gram on April 16. The WGC has forecast imports of a record 350-400 tonne in the quarter through June, which means June imports may recede to more normal levels. It expects second half demand to match 2012's 485 tonne.

