

# Traders see little impact of duty hike on gold demand

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**New Delhi:** Bullion traders and retailers expect little impact on demand of the yellow metal, though the two percentage point hike in gold import duty on Wednesday might lead to an increase in retail price of gold bars and jewellery. While the hike is intended to rein in the widening current account deficit, analysts believe the objective is unlikely to be met with no significant impact on imports expected.

With international price of the precious metal rallying low since the start of this year, the net impact of the duty raise on the domestic price of gold is expected to be minimal. Gold price on Thursday surged by Rs 430 to a five-week high of Rs 28,090 per 10 grams in the Capital, following the government's decision to raise the import duty from 6% to 8%.



**STILL SHINING BRIGHT**

According to market estimates, gold prices in India registered a 3% decline during the first quarter (January-March) and an 18% decline during April alone. With global factors such as improvement in the US economy leading to a correction in gold prices internationally, analysts expect domestic gold prices to remain low too.

"Gold import during June and July is expected to be lower because there are no festivals. If the government thinks raising import duty will affect consumption, it won't happen.

The net effect will be balanced as international prices are expected to remain low," said Prithviraj Kothari, MD, RiddhiSiddhi Bullions.

In a bid to arrest the CAD, the Reserve Bank of India had imposed restrictions on gold imports on banks as well as other agencies. Banks and non-banking finance companies have also been barred from giving loans against gold coins. While the effect on consumption might not be as pronounced, market watchers said the move is likely to spell concerns of smuggling. "The nature of demand at the retail level is such that restricting supply will not be effective in the long run and is likely to lead to non-transparent price premiums in the market and demand being met increasingly through unauthorized channels," said Somasundaram PR, managing director, World Gold Council, India.