

Wedding gold demand defies govt curbs

Consumption will increase to 900-1,000 tonnes this year from 864.2 tonnes in 2012

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AS THE sound of traditional drums, trumpets and cymbals ushers Amrita Maruti into the wedding hall, she's adorned by four finely crafted necklaces, rings, 16 bangles, a glistening belt, dangling chandelier earrings and a stone-encrusted head piece to match the silk borders of her dress. She's wearing about 800 gm (1.8 pounds) of gold.

Amid the music and the chanted prayers, a gold chain is placed around her neck as the 25-year-old advertising executive marries Venal Mohan in a traditional Hindu ceremony attended by 500 friends and relatives in Kodukode, about 140 km (112 miles) from the city of Kochi in Kerala.

"Gold is an asset the girl carries," 28-year-old Namitha Sreem, the bride's older sister, said after last month's ceremony. "The values, status and wealth of the family is represented by the gold the girl wears as she gets married. The more gold you wear, the more pride you have in your family."

The jewellery worn by the bride is typical and represents the cultural and social affinity Indians have had toward gold for centuries,



RESCUE OPERATION: The resilience in Indian demand, and the fact India imports almost all the bullion it uses, poses a challenge for the government to trim a record CAD and stem the rupee's slide

making the country the world's largest consumer last year. Demand in India and China helped bullion to climb by more than \$1,000 per troy ounce since 2000 and helped to curb this year's 23 per cent rise.

At the same time, the resilience of Indian demand, and the fact the nation imports almost all the bullion it uses, poses a challenge for prime minister Manmohan Singh, as he seeks to trim a record current-account deficit and stem the rupee's 15 per cent slide this year.

Finance minister Pala-

niappan Chidambaram responded by raising import taxes three times this year to curb consumption, which represented about 20 per cent of world demand in 2012.

Prices more than doubled in India since 2008 and reached a record in August. The increase gave pause to Ramesh Babu, the 61-year-old father of the bride, who bought Amrita less gold than he did for her sister's wedding five years ago. He bought 100 sovereigns, each weighing eight gm. "We are moderate," said Babu.

"There are people who give 300 to 400 sovereigns."

Indians purchase gold at festivals and for marriages as part of the bridal trousseau and as gifts in the form of jewellery. Demand will be 900 to 1,000 tonnes this year, from 864.2 tonnes in 2012, the World Gold Council says.

Demand in India has helped curb this year's slump in gold prices after some investors lost faith in the metal, a traditional store of value, as global inflation remained low. Bullion plunged 23 per cent this

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Assistant professor,
Manipal University

per cent this year through September. Investors cut their net long-position, or bets on price gains, on the Comex in New York by 37 per cent in the week ended November 12, the most since February, Commodity Futures Trading Commission data show.

"For Indians, gold is not so much an investment as a cultural experience," said Pullevi Rao, assistant professor at the School of Communication, Manipal University, in south India.

"There are about 5 million weddings in India every year," said Prithviraj Kothari, managing director of Riddhisiddhi Bullions and a director with the Bombay Bullion Association. The average purchase is 200 gm, he said. Among the many auspicious days in the Hindu calendar, November 19 is considered to be one of the most favorable for marriages this wedding season, he said.

The government is seeking to cut imports to 800 tonnes in the 12 months through March 31, from 845 tonnes a year earlier, to reduce the current account deficit. The gap results mainly from bullion and crude oil imports, according to the Reserve Bank of India.

year to \$1,283.75 per troy ounce, poised for its first annual retreat since 2000. Prices in rupees have declined only 2 per cent.

The slump in London prices erased about \$64 billion from global exchange-traded products, data compiled by Bloomberg show. Central banks added to gold reserves the last two years even as they lost about \$576 billion in value since bullion peaked at \$1,921 per troy ounce in September 2011.

The \$350 million PFR Gold Fund of billionaire John Paulson declined 62