

Business

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Pandemic does not dampen demand for gold; robust growth seen in Q1

By FPJ Web Desk



Representative image | FP Photo

Consumer demand for gold in India saw robust growth in the first quarter of calendar year 2021.

According to a report by Motilal Oswal Institutional Equities, total consumer demand for gold in India, which includes jewellery, bars, and coins, witnessed a 37.4 percent year-on-year growth in 1QCY21 to 140 ton. On a QoQ basis, demand was down 24.8 percent, *IANS* said.

Demand for jewellery remained robust in India, with volumes up 38.3 percent YoY to 102.5 tons in 1QCY21. Demand was boosted by easing of lockdown restrictions, lower gold prices, magnified by lowering of customs duty, and wedding demand.

Demand for gold bars and coins continued to witness a surge during 1QCY21. With the bottoming out of gold prices, consumers advanced purchases in the form of gold bars and coins. Demand for bars and coins rose 33.8 per cent YoY to 37.5t in 1QCY21.

Gold demand as indicated by higher imports was strong towards the end of the 2020-21 financial year, but it is nascent and needs to sustain in the wake of the pandemic. Going forward, the pace of growth in gold imports will hinge on the impact of coronavirus pandemic receding and consumer demand returning to growth once again.

Net bullion imports, which constitute 85-90 per cent of India's gold supplies, saw a sharp (262 percent) surge in 1QCY21. Although growth is on a soft base of 1QCY20, it is at the highest level since 2QCY13. This indicates the extent of pent-up demand, Motilal Oswal Institutional Equities report said.

This sharp growth was due to robust consumer demand and stocking up ahead of upcoming festivals including Akshaya Tritiya in May 2021.

As per the report, there was a sharp YoY increase in jewellery demand in India in 1QCY20, as well as the rest of the world, especially China, due to an improving economic scenario, fall in gold prices, and festivities.

There was a major drop in demand for gold as an investment, especially via ETFs, as a fall in gold prices and higher interest rates led to investors switching to other asset classes.

There was a sharp increase in net bullion imports in India due to robust consumer demand and stocking ahead of festivals, the report said.

According to CARE Ratings, the stronger second wave of the coronavirus pandemic is expected to impact the demand for gold jewelry, and, in turn the demand for gold in India. The fast spread of the pandemic and lockdowns across states are estimated to have dampened the demand for gold during the crucial wedding season and other auspicious occasions as jewelry stores remained shut and consumers avoided venturing out.

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