



INDIA BULLION AND JEWELLERS ASSOCIATION LTD.

Since 1919



In December India imported 106.9 tonnes of gold compared to 35.7 tonnes for the corresponding month last year. In aggregate, imports for 2015 stood at 904.5 tonnes compared to 825.5 tonnes in 2014. This gross figure includes bullion for domestic consumption, exports, and gold doré in net purity terms. The breakdown has been detailed further in the note below.

By Sudheesh Nambiath

In December eight nominated agencies, 12 banks, 21 refineries, and 36 exporters together imported 106.91 tonnes of gold. Leaving aside doré gold, bullion imports were highest from Switzerland, contributing 80% of total bullion imports, followed by 8% from the UAE, 3% from Australia, and the remaining 9% from the United States, South Africa, United Kingdom, Canada, Russia, Canada, Singapore, Belgium, Indonesia, and Malaysia in descending order. These were supplied by ten bullion banks, a refiner, two precious metal trading houses and jewellery wholesalers.

Table 1: Imports classification (Tonnes)

Bullion: Duty paid	Bullion: Duty free	Doré: Gross quantity	Doré: Fine gold content
67.32	14.41	39.21	25.18

Table 2: Country of origin including fine gold from doré (Tonnes)

Country of origin	Switzerland	Ghana	U.S	UAE	Australia	South Africa	Tanzania	Peru	Mali	Others
Quantity	65.05	8.07	7.64	6.52	2.60	2.15	2.10	1.67	1.51	9.60

Table 3: Regional delivery centre including fine gold from doré (Tonnes)

Centre	Delhi	Bangalore	Ahmedabad	Hyderabad	Chennai	Kolkata	Mumbai	Coimbatore	Cochin	Others
Quantity	46.72	19.54	11.85	9.76	9.11	4.25	2.50	1.42	1.11	0.65



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Bullion imports for domestic market:

Imports of bullion bars for domestic consumption were 67.32 tonnes in December, the highest in four months. A closer look at the share of the suppliers reveals that 47.4 tonnes were imported by banks, with the remaining 20 tonnes by nominated agencies. Of this, 50% was transacted by the star-rated privately-owned nominated agencies.

Last month's imports were skewed towards the first and last weeks of the month. To put this in perspective more than 50% of the bullion was cleared during the first week, as a result of increased demand following the price declining to near Rs. 25,000/10 grammes. During the same period domestic premia were trading at \$2 an ounce as compared to an average of \$1 for the whole of December. Increased demand during the price decline was seen from major bullion trading regions as against major consumption or fabrication centres, however closer to the latter part of the month demand emerged largely from fabrication centres.

A review of bullion imports from a regional perspective indicates that 31% were supplied to northern states, 41% to southern states, 20% to western states and seven percent to the eastern region.

Table 4: Bullion imports for domestic sale (Tonnes)

Centre	Delhi	Ahmedabad	Hyderabad	Bangalore	Chennai	Kolkata	Mumbai	Cochin	Coimbatore	Jaipur
Quantity	21.6	11.64	9.41	9.00	7.48	4.25	1.75	1.08	0.82	0.30

Doré imports:

Doré imports to India during December in gross purity terms were 39.21 tonnes, which includes both gold and silver doré; however, the assayed fine gold content was only 25.2 tonnes, the highest on record and took the share of dore of total imports for domestic sale to 27%.



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Supplies originated from 16 countries and were imported by 20 refineries. Supplies from Ghana returned to peak volumes rising to more than eight tonnes last month. However, we understand much of the gold sourced was at higher premia, reports about a proposal to impose withholding tax of 10% effective January created panic of a supply shortfall towards the later part of the month. As the proposal takes effect we understand this is going to impact supplies from small scale and artisanal mines and might cut short supply from Ghana.

Table 5: Doré imports basis country of origin

	Imported doré (tonnes)	Fine gold content in doré (in Tonnes)	Gold content
Ghana	8.81	8.07	92%
United States	7.31	5.46	75%
Tanzania	2.78	2.10	75%
Peru	2.46	1.67	68%
Mali	1.61	1.51	94%
Dominican Republic	7.04	1.51	21%
Colombia	1.68	1.47	88%
Bolivia	0.80	0.75	93%
Guinea	0.80	0.74	93%
Brazil	0.79	0.61	77%
Burkina Faso	0.75	0.62	82%
Lagos	3.91	0.40	10%
Philippines	0.33	0.17	53%
Botswana	0.07	0.06	82%
Ecuador	0.029	0.026	90%
Morocco	23.20	-	
Total	39.21	25.18	

Imports for exports:

Duty free imports for the purpose of exporting jewellery, medallions and coins were 14.4 tonnes in December. The majority of the buying was related to the round tripping trade, done to show higher export turnover, also to divert gold for domestic consumption for approximately 80 to 90 days to take advantage of higher premia and duty differential with domestic gold. A single export firm remained in a dominant position, while the share of banks and nominated agencies together stood at 23%. That said, 36 exporters imported directly from their clients for re-export, but the total volumes in this case were small.



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Outlook:

Expectations for a weak rupee and bullish price forecasts have helped support physical demand in January, albeit at a moderate pace in comparison to volumes in the previous two months. Jewellery fabricators operated at their optimum capacity during most of last month following increases in order from retailers. Three factors to watch for in this quarter will be:

That it will become mandatory to declare the Permanent Account Number on purchases of jewellery over Rs.2,00,000 (approximately \$3,000) which, it is feared, will impact sales. We think the industry will find a way around this hurdle, but at the cost of slowing growth of jewellery retailers who follow ethical accounting practices, as the consumption may shift to retailers within the unorganised segment. Secondly, trade is pricing in a duty cut of 2% during the 2016-17 budget to reduce smuggling. Such a reduction, while it may reduce unofficial imports to some extent, would also mean a hit on government revenue, which is already being impacted by the lower customs duty revenues due to the fall in gold prices. Thirdly, the yield from Rabi crops will be yet another factor, as it will determine whether marginal farmers are going to be net jewellery sellers or will return to buy jewellery.

INDIAN GOLD IMPORT ESTIMATES BY SOURCE PRODUCT FOR 2015													
Imports (tonnes)	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Total
Bullion (for domestic market)	11.2	25.7	96.2	44.0	22.9	13.0	65.1	68.5	12.6	10.7	63.9	67.32	501.3
Doré (fine purity)	14.4	12.5	11.9	14.7	15.0	18.1	16.9	22.4	21.5	15.1	19.6	25.18	207.2
Bullion (duty free for export market)	15.9	14.7	13.7	17.8	22.6	15.9	14.5	17.7	18.5	15.8	14.7	14.41	196.0
Total Official	41.5	52.9	121.8	76.5	60.4	47.0	96.5	108.6	52.5	41.6	98.1	106.91	904.5

Source:

* Domestic premia /discount: NCDEX polled spot premia

* Tables: DGCI; Infodrive India; GFMS, Thomson Reuters