



# TRENDS AND FORECAST OF THE INDIA GOLD MARKET: HOW THE GOLD BUSINESS WILL CHANGE IN THE FUTURE IN INDIA?

Sudheesh Nambiath,  
Head, India Gold Policy Centre  
at IIM Ahmedabad



INDIA  
GOLD POLICY  
CENTRE



# PRESENTATION FLOW

- Supply and demand trend, factors / influencers
- Understanding the Indian gold consumer
- How Indian consumers will be placed 10 years down
- The new policy, how it could look like

(Note: Data points are financial year April to March)

# WHAT CHANGED THIS DECADE?

## A. Refined bullion to gold and silver dore

- The arbitrage between refined bullion and dore was at 1.5% on customs duty and excise duty together, it has however been rationalised to 0.65%
- Dore is being sourced from about 15 to 18 countries each month
- 20 active refiners
- It is a big opportunity for international refiners and miners to be part of this. Currently only one of the three largest refiner have been able to cash on this opportunity, another will soon be.

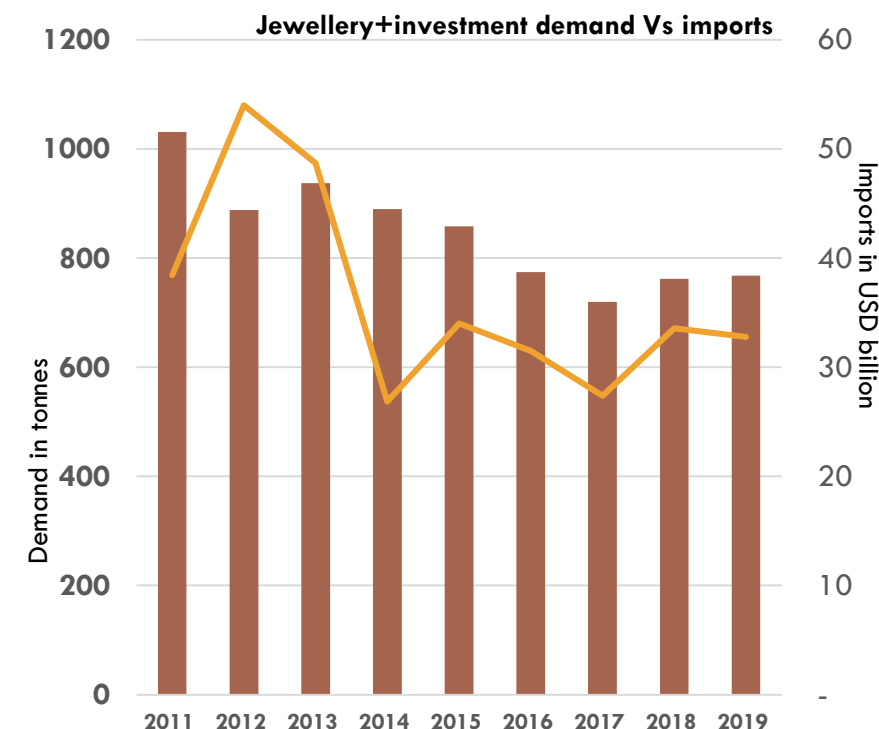
B. Round tripping: Misleads the actual consumption numbers. Switzerland, UAE and HK. Attributed to various schemes in India and interest arbitrage

C. Since late 2017, private agencies with license to import and supply to domestic market have stopped to supply for domestic consumption; they primarily sourced from UAE

D. Duty increases from 1% to 12.5%, GST 3%

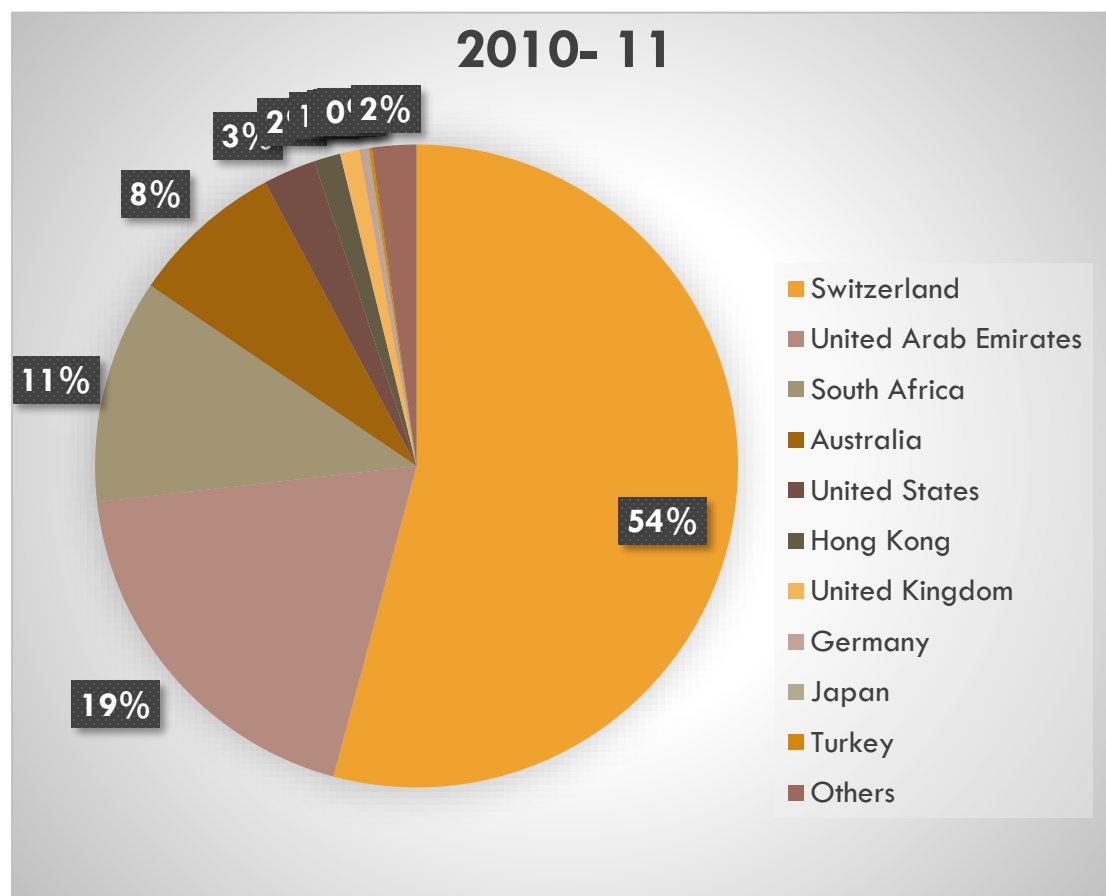
Smuggling channel got well established between 2013 and 2014, continues to do extremely well! : with supplies dominating from East Asian and Gulf Countries.

E. Free Trade Agreements: AIFTA and CEPA with S Korea; importing gold at concessional duty. Under control currently.

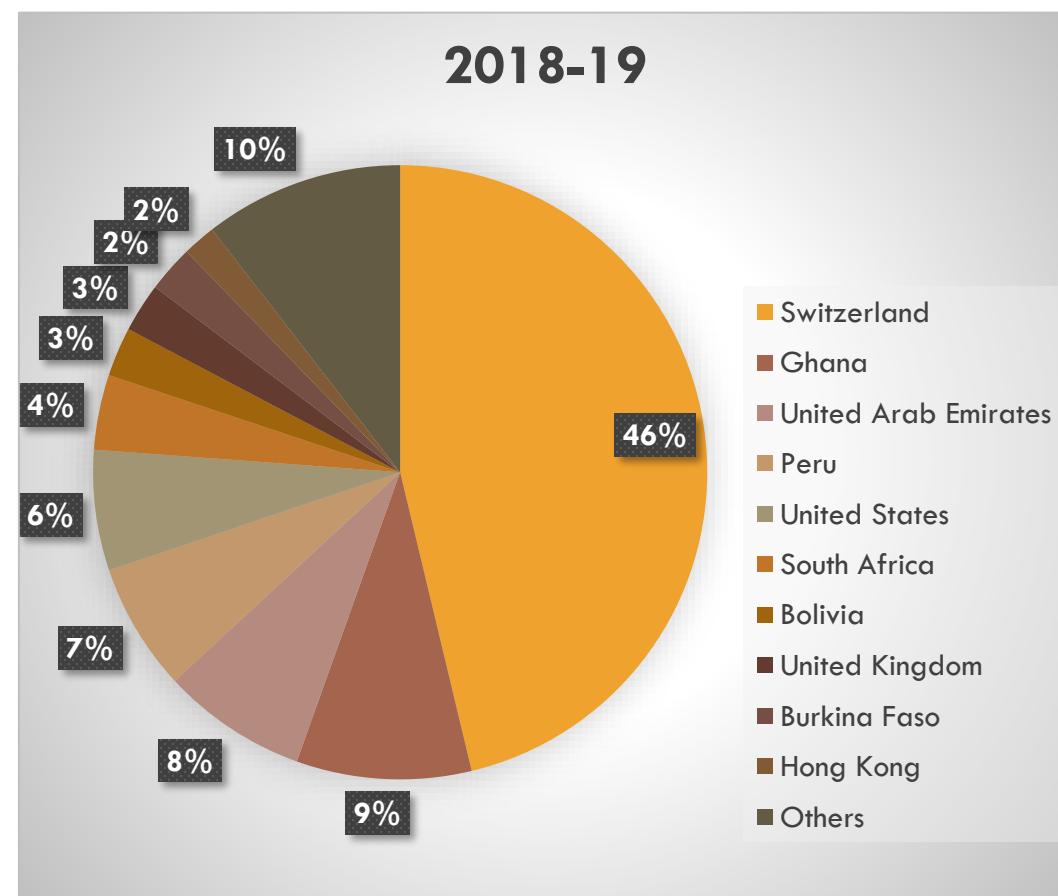


Source: Ministry of Commerce, WGC, Refinitiv

# A TWEAK IN IMPORT DUTY DIFFERENTIAL ON DORE AND REFINED GOLD, CHANGES SUPPLY DYNAMICS. COMPARING TOP 10 SUPPLIERS



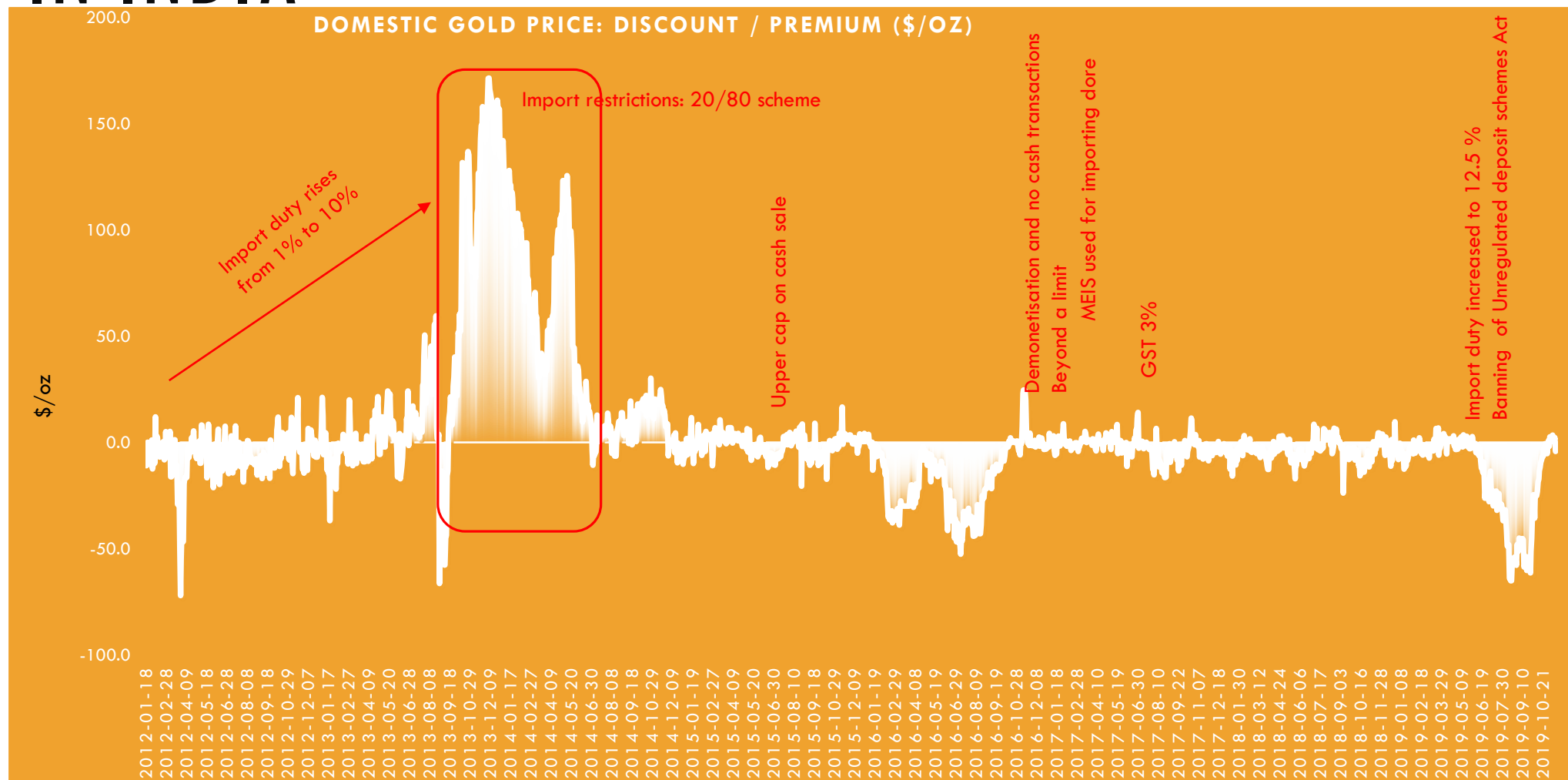
Total import \$38 bn



Total import \$33 bn

Source: Ministry of Commerce, Refinitiv

# STEPS TO DIS-INCENTIVISE GOLD CONSUMPTION IN INDIA



# FACTORS INFLUENCING CONSUMPTION

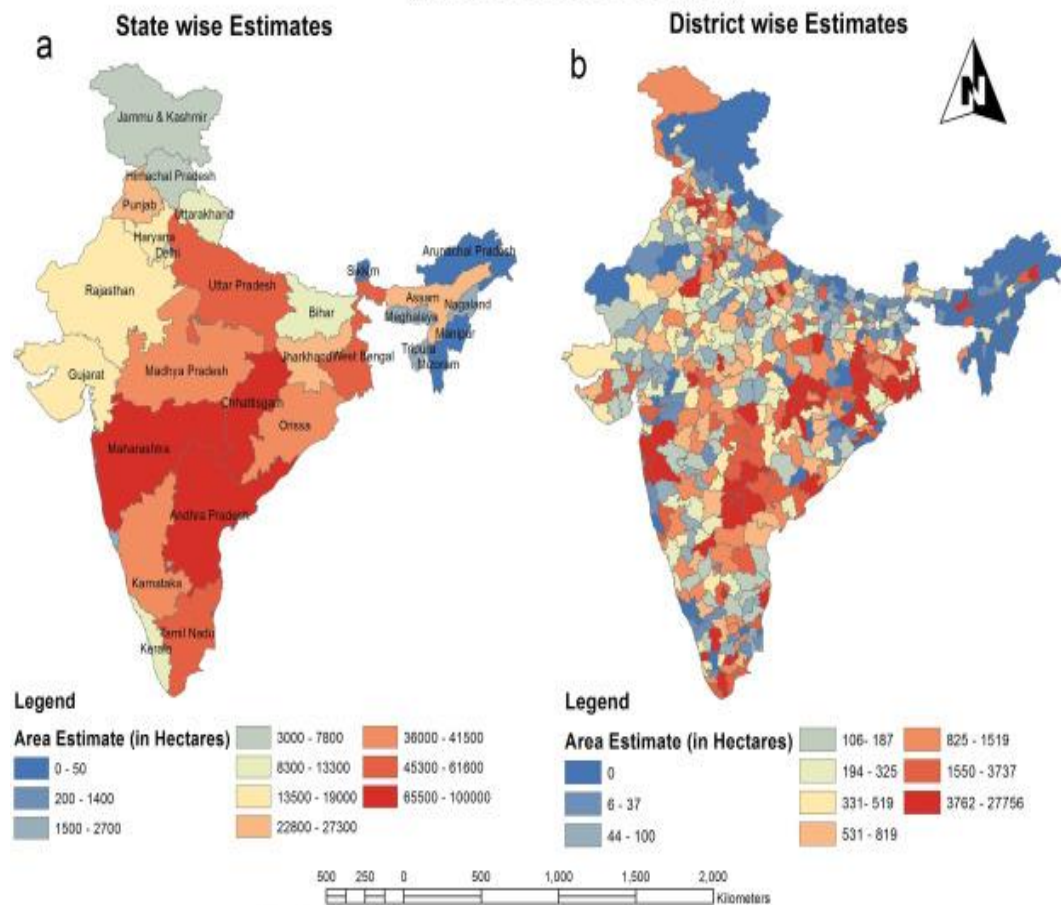
- Rural demand: Affected by the vagaries of monsoon, since 2015 it has not been all that good
- Real estate and gold demand : 2001 to 2013; Interest rates and credit growth
- 2014: Remittance under liberalised remittance scheme was increased to \$250,00/- by an individual. Increased from \$5 bn in 2015-16 to \$14 bn in 2018-19, 2019-20 forecasted at \$18 bn
- 271 people lifted out of poverty (not just income but also standard of living) between 2006 to 2016
- Highly price elastic demand
- Preferences are shifting

# THE GREAT RURAL LAND RUSH\* AND THAT WAS A GOLD RUSH TOO..



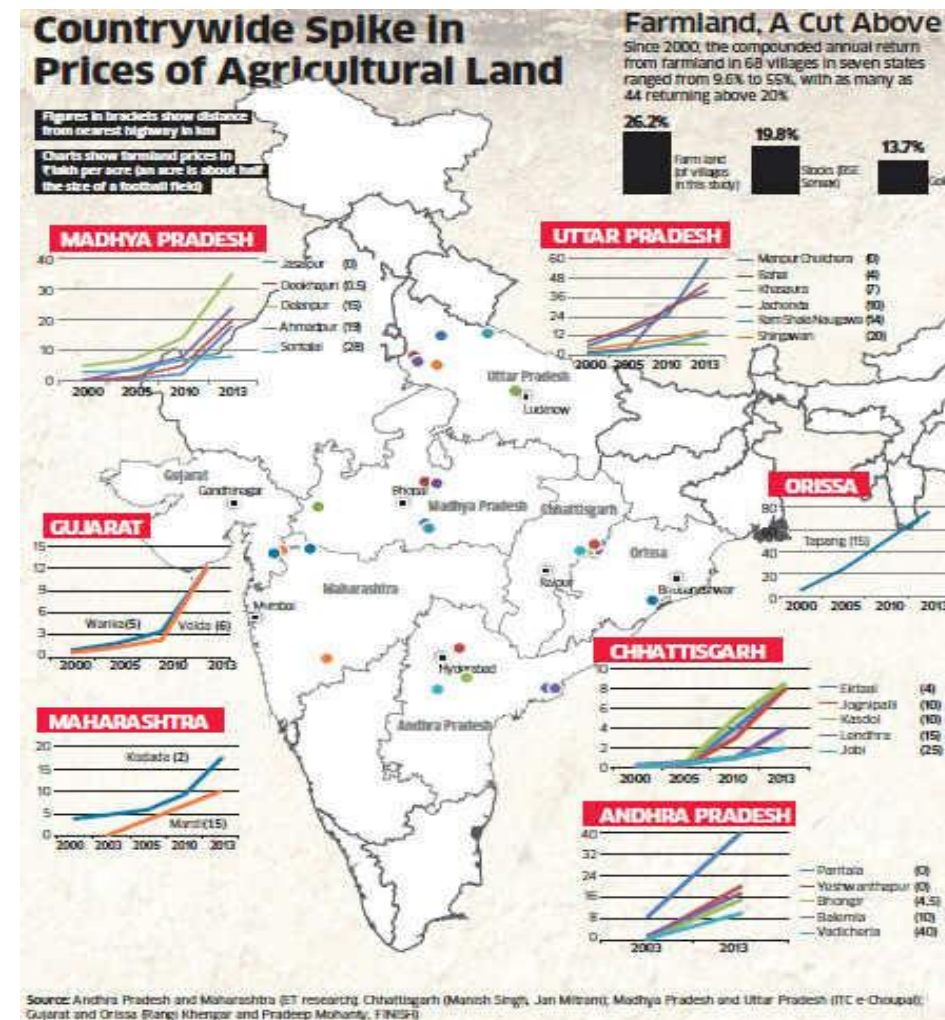
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Total Area of Agricultural Land Lost to Urban Growth in India (2001- 2010)  
(Estimated from MODIS Analysis)



\* Andaman & Nicobar Islands and Lakshwadeep are omitted from the analysis

Source: Journal of Environmental Management, [Bhartendu Pandey](#), [Karen C. Seto](#) – Yale University



\*Source: Economic Times



# A CONSUMER SURVEY BASED STUDY BY PEOPLE RESEARCH ON INDIA'S CONSUMER ECONOMY

To delineate the profiling of gold buyers/investors

To understand the share of gold in households' saving and investment portfolio in value terms

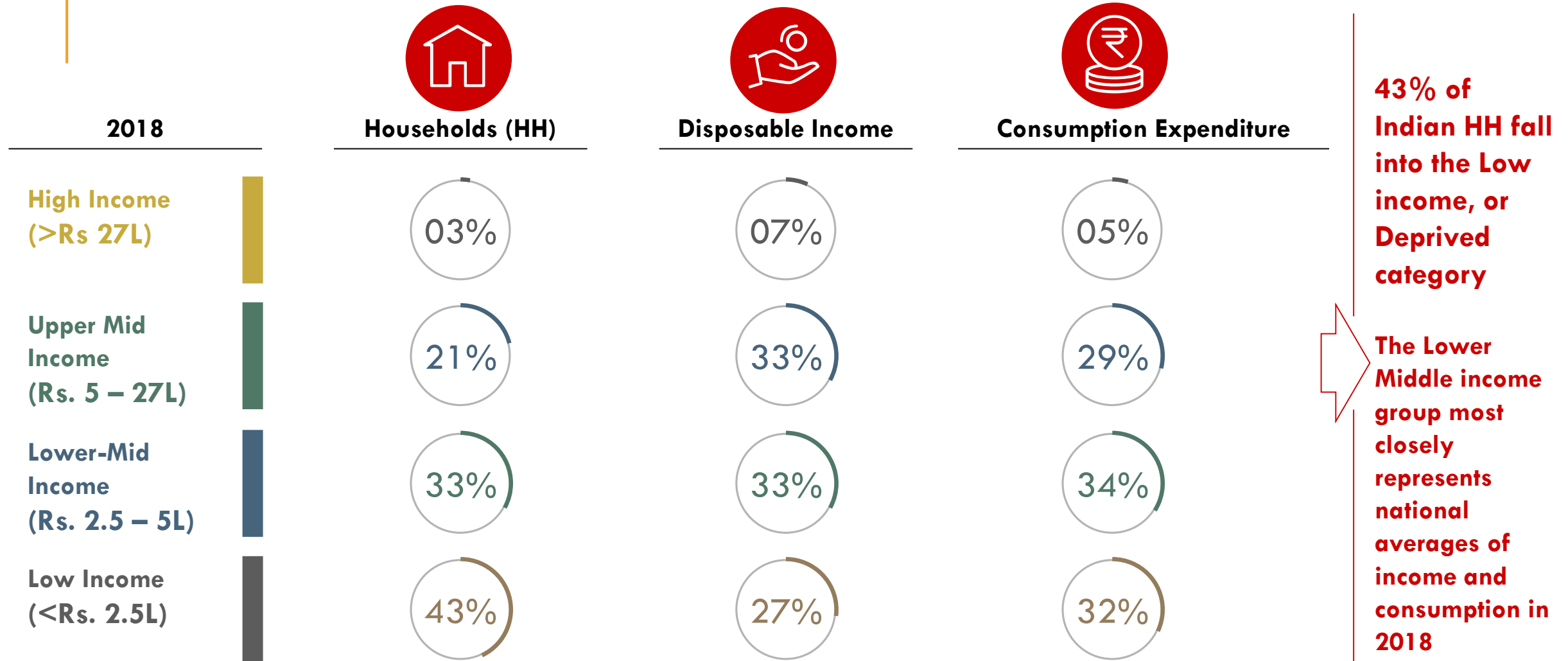
To examine the diversity in gold buying behavior during the survey period **(2011 to 2016)**

To find out the drivers for households' demand for gold during 2015-16

To evaluate the socio-economic indicators which enabled gold demand



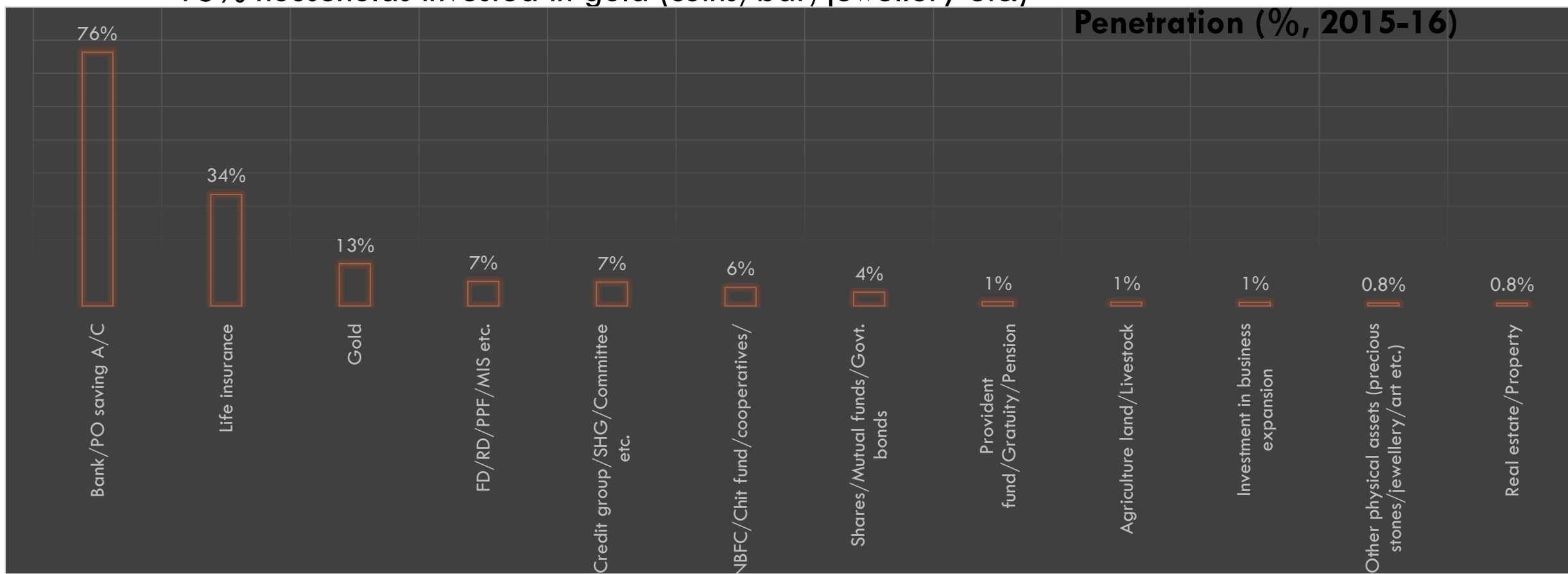
# INDIA HAS 43% OF ITS HOUSEHOLDS IN THE LOW INCOME SEGMENT, 66% OF THE CONSUMPTION IS DRIVEN BY THE LOW INCOME AND LOWER-MIDDLE SEGMENTS



Note: Low income: <\$3.8k, Lower-mid: \$4-8.5K, Upper-mid: \$8.4-40K, High income: >\$40K basis income per household in real terms  
Source: PRICE Projections based on ICE 360° Surveys (2014, 2016, 2018)

# SAVING INSTRUMENTS

- Gold ranks third among different household saving instruments
- 13% households invested in gold (coins/bar/jewellery etc.)



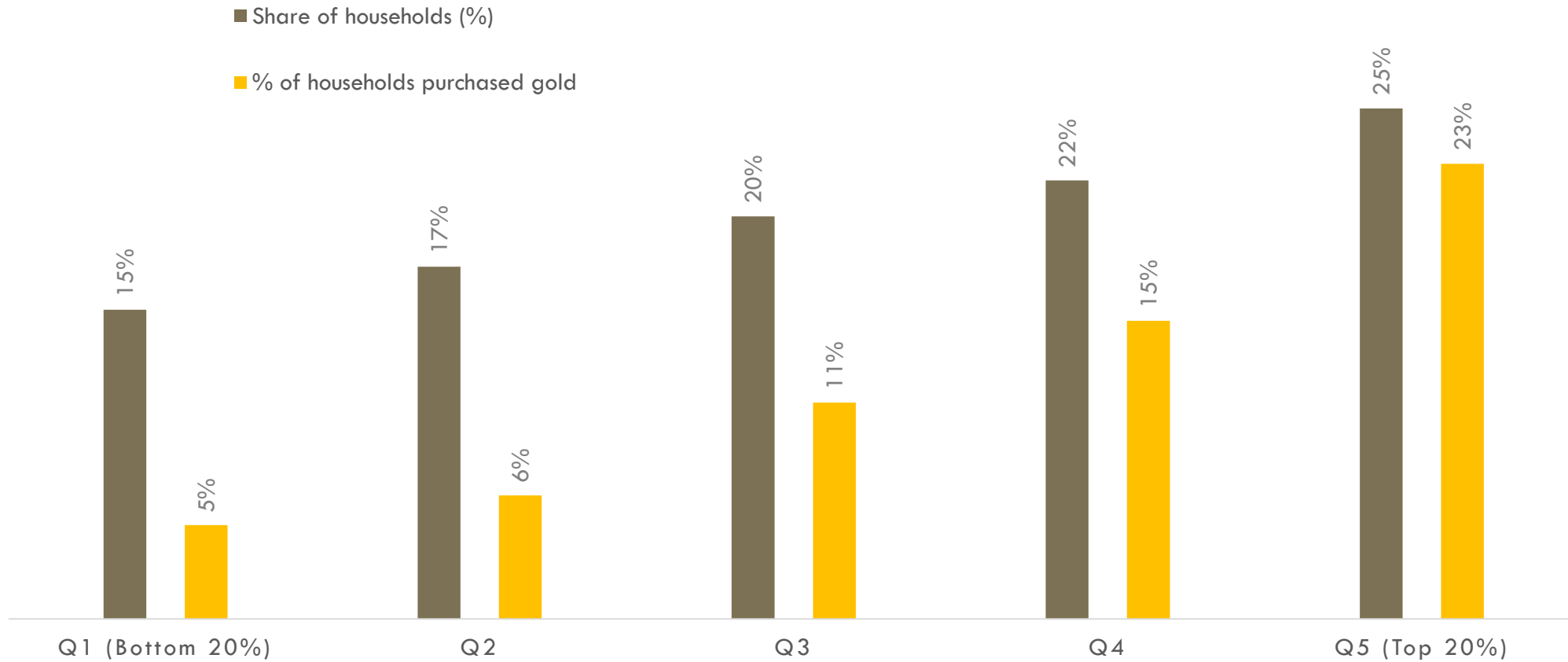
# DISTRIBUTION OF INCOME, EXPENDITURE AND SAVINGS (2015-16)

Population QUINTILE based on PCI	Population (Million)	Share of each quintile to total (%)			Rural-urban household split (%)
		Income	Expenditure	Savings	
<b>Q1 (Bottom 20%)</b>	<b>266</b>	<b>7.0</b>	<b>9.5</b>	<b>2.0</b>	<b>89:11</b>
<b>Q2</b>	266	10.8	13.5	5.7	82:18
<b>Q3</b>	266	15.2	17.7	10.4	70:30
<b>Q4</b>	266	22.1	23.0	20.4	58:42
<b>Q5 (Top 20%)</b>	<b>266</b>	<b>44.9</b>	<b>36.3</b>	<b>61.5</b>	<b>44:56</b>
<b>All India</b>	<b>1330</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>66:34</b>

**Source:** ICE 360° Survey (2016) from People Research on India's Consumer Economy (**PRICE**).



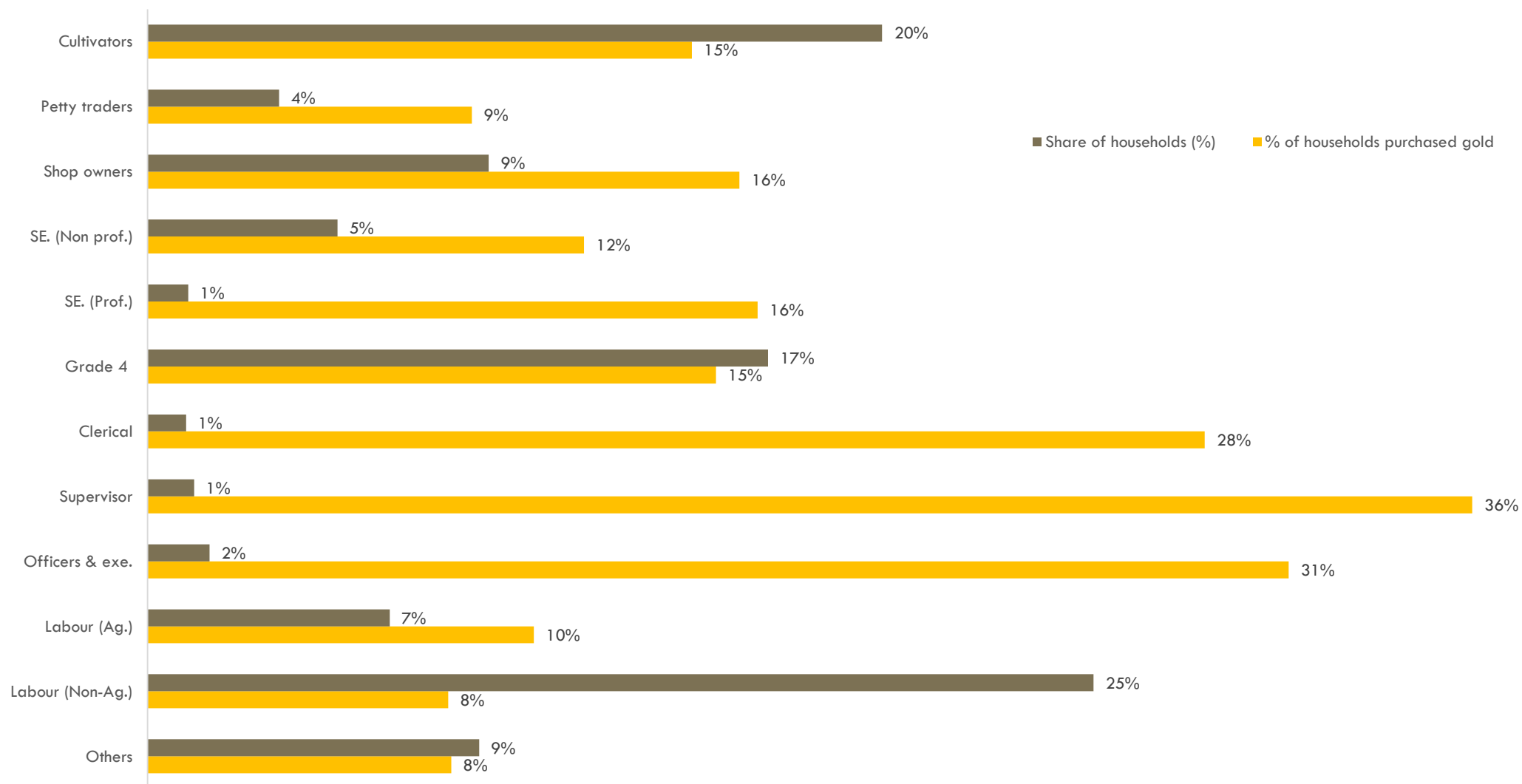
# PENETRATION OF GOLD BY QUINTILE



**Source:** ICE 360° Survey (2016)

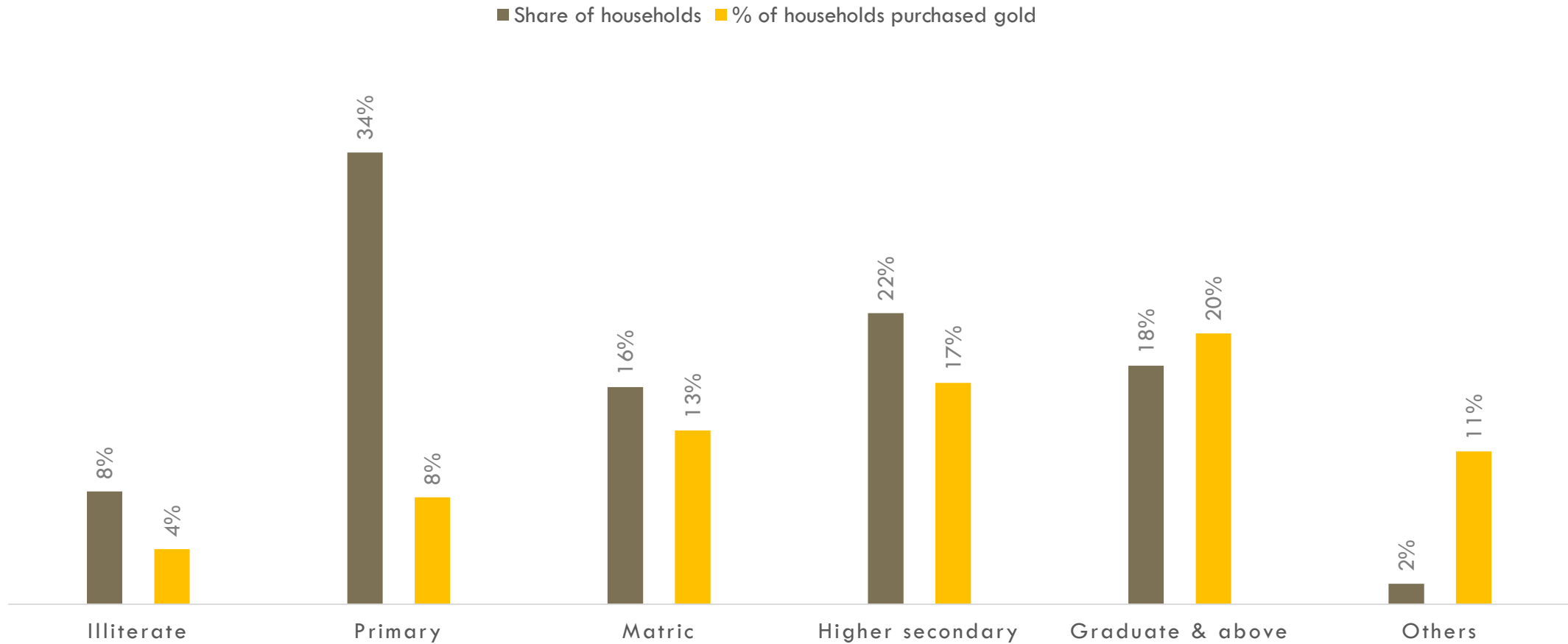
# Penetration of gold by occupation

(42% are self-employed, 20% are salaried, 32% are labourers)



Source: ICE 360° Survey (2016)

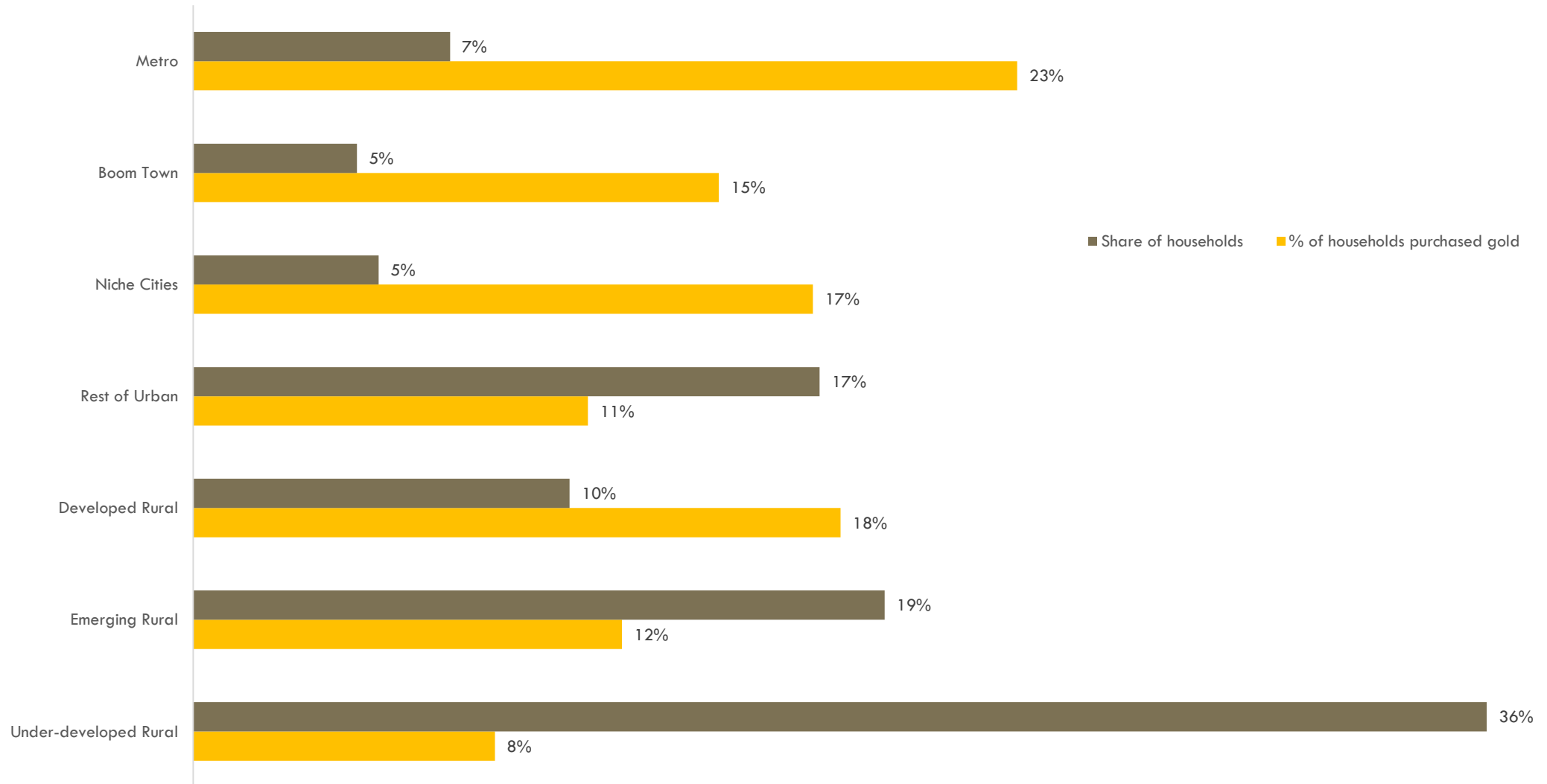
# PENETRATION OF GOLD BY EDUCATION



**Source:** ICE 360° Survey (2016)



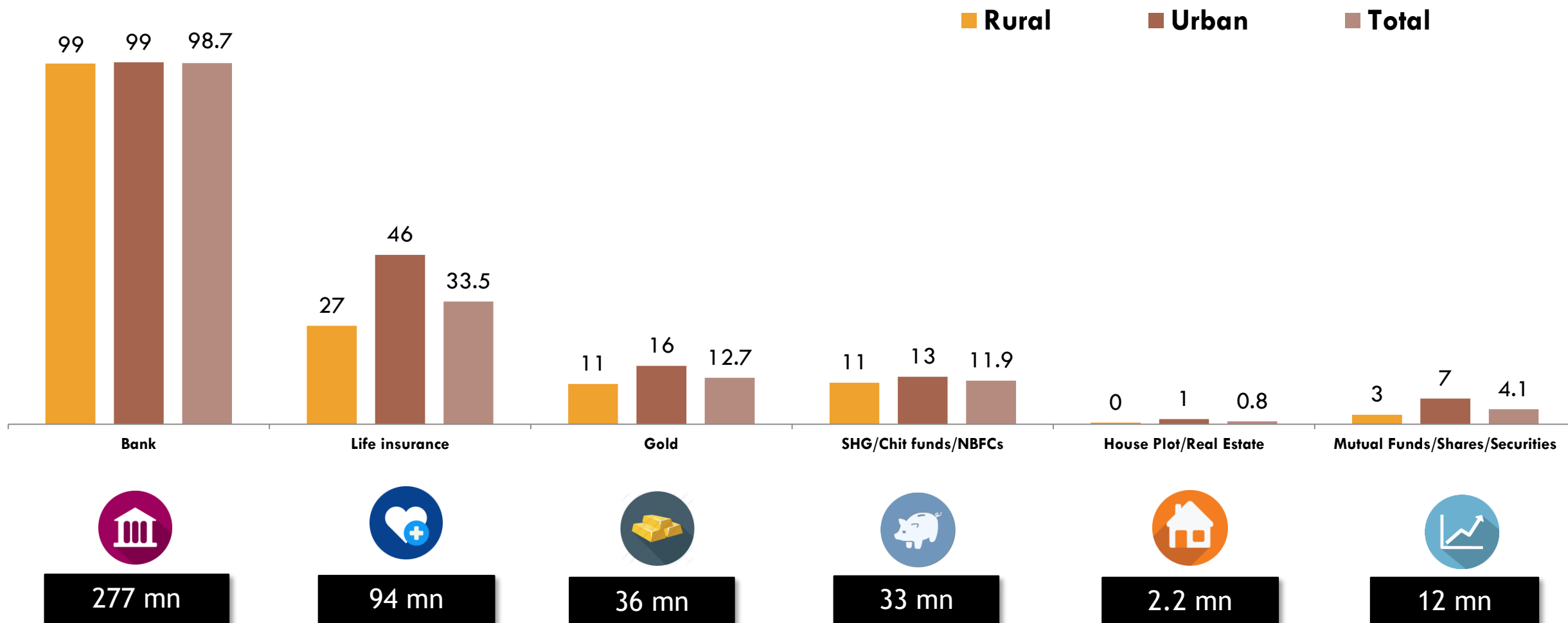
# PENETRATION OF GOLD BY GEOGRAPHY



**Source:** ICE 360° Survey (2016)

# HOW INDIA SAVES AND INVESTS

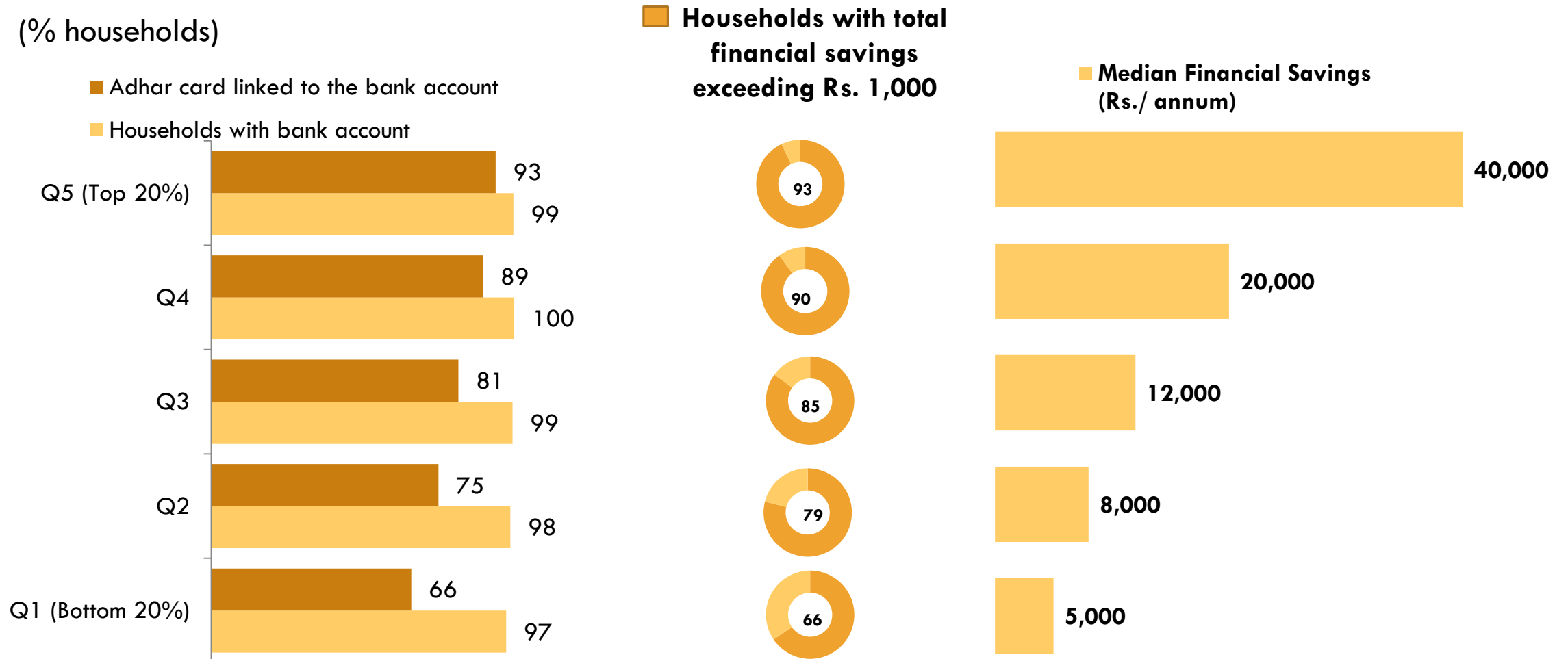
(PENETRATION OF FINANCIAL INSTRUMENTS, IN %, 2015-16)



# BANKING ACCESS...

Among every households in the bottom quintile has a bank account but only 2/3rd has financial saving exceeding Rs. 1000.

(% households)

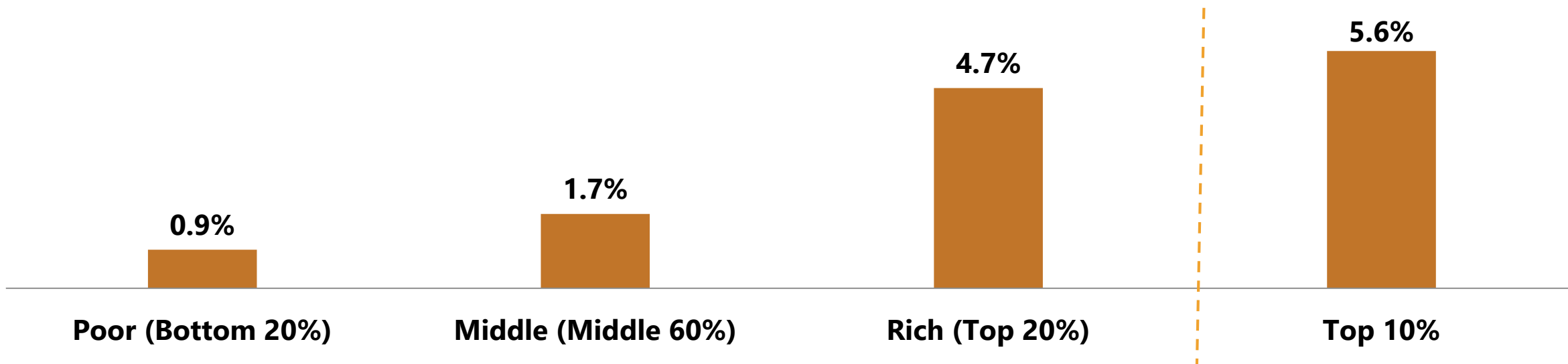




# DEMAND FOR GOLD: 2011 TO 2016

- Half of India's total households (50%) purchased gold at least once between 2011 and 2016
- Of those who purchased, 98% bought jewellery; 2.5% coin/bar and 0.7% securities/-bonds/ETFs.
- Demand for jewellery is similar irrespective of place of residence, economic status, occupation and education level of the household
- Demand for gold in coin/bar/bonds/securities varies considerably with economic status.

**% Households who purchased gold coin/bar/bonds/securities**



# REASON FOR PURCHASE OF GOLD JEWELLERY:

## RICH VS. POOR

- Across rich and poor, around half of the buyers purchased gold for purely for adornment purpose
- A much higher share of rich households buy gold jewellery for gifting (Poor: 10%, rich: 17%) as well as purely as an investment (Poor: 0.2%, rich: 4%)

Reason for purchase	Bottom 20%	Middle 60%	Top 20%
Gift to someone	9.9	11.0	16.7
Wear myself	45.8	52.1	49.2
Wedding purpose	42.2	30.7	22.9
Purely as an investment	0.2	2.0	3.9
It is auspicious to buy gold during festival time	0.9	1.6	2.7
Other reasons	1.0	2.6	4.6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

# DISTRIBUTION OF TOTAL SAVING & INVESTMENT

## (%) — LOCATION

Sl. no.	Saving Modes	Metro	Niche cities	Developed rural	Under-developed rural
1	Banking instruments	43.9	62.6	60.4	62.8
2	Life insurance	16.7	13.0	10.9	10.0
3	<b>Gold</b>	<b>13.3</b>	<b>9.3</b>	<b>9.4</b>	<b>7.7</b>
4	Keep cash at home	5.1	4.6	7.4	7.9
5	Informal savings	5.8	2.2	2.4	4.9
6	Business expansion (inc. real estate)	6.9	3.2	5.3	1.8
7	Capital market	5.8	3.2	2.2	0.8
8	Provident fund/Gratuity	2.1	0.9	0.6	0.6
9	Agricultural land/livestock	0.1	0.2	1.2	2.7
10	Other precious gems/Art	0.2	0.9	0.3	0.9
	<b>Total household saving/investment</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



**WHICH PART OF THE SEGMENT GOING TO SPEND  
IN FUTURE**

# India Unbound: Income Growth and a Middle Class led future

India's **consumption story will be shaped by rising incomes and middle class** expansion. The transformation from a Bottom of the Pyramid to a Middle-Class led economy will have the following implications for consumption

India will add ~140M middle class, ~30M high income households, who will drive **growth in specific categories** as they

**Spend 2-2.5x higher than today on essential products** (food & beverages, transport & communication, apparel & personal care)

**Spend 3-4x higher than today on services** for well-being (healthcare, education), fun (travel, entertainment), household services

**Drive 15-20 percentage point higher durables penetration**, primarily led by durable purchasing by the upper-mid and high incomes

**Premiumization of products and services consumed, led by the Top 2 income segments**

Nearly **one third of the incremental consumption** by 2030 will be driven by **consumers upgrading** their consumption choices (buying more premium or new categories of products/services), a trend strongest in the upper-middle and high income segment

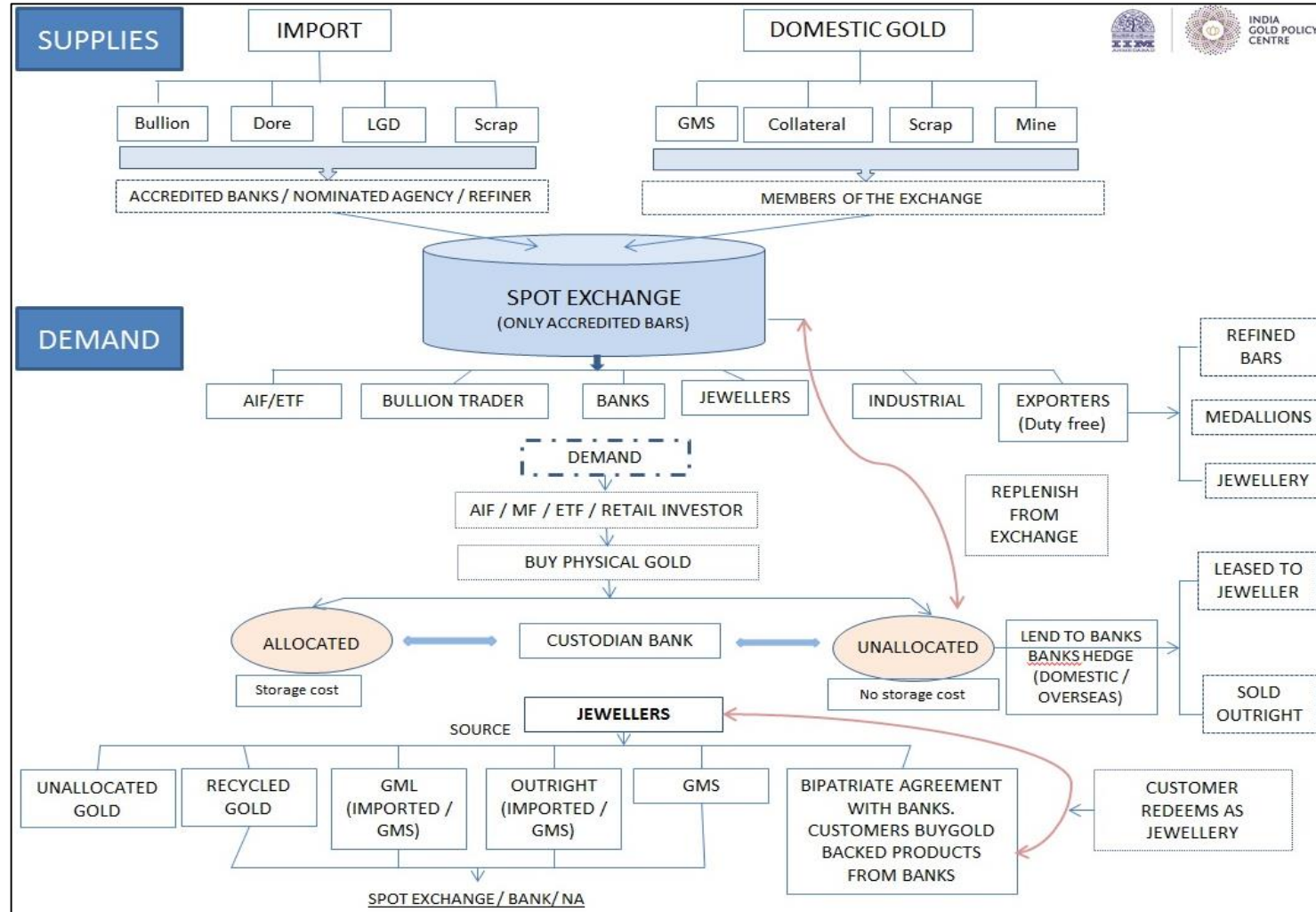
**Apparel, Personal Care and Food & Beverages** (both at home and dine-out) will especially see a significant trend of premiumizing

**Aggregate growth in consumer-spend however, will be in the mid-priced segment**



**FOR A NEW INDIA THE GOLD TRADING ALSO NEEDS TO  
EVOLVE, WHICH IMPRESSES ON THE NEED FOR A NEW  
GOLD POLICY**

# HOW GOLD WILL BE TRADED FOLLOWING CHANGE IN THE POLICY



Spot Exchange is one of the means of getting to a more robust, organized, traceable and liquid gold market within India. However, a spot exchange needs to be supported with appropriate India Good Delivery Standards, a robust Gold Monetization system, and bullion banking supported by appropriate technology to achieve broader policy objectives that also lead to a world-class market in India that supports the cause of nation building.



INDIA GOLD POLICY CENTRE  
INDIAN INSTITUTE OF MANAGEMENT, AHMEDABAD  
FACULTY BLOCK, NEW CAMPUS, VASTRAPUR  
AHMEDABAD 380015  
TELEPHONE: +91 79 66324410

[HTTPS://WWW.IIMA.AC.IN/WEB/AREAS-AND-CENTRES/RESEARCH-CENTERS/IGPC](https://www.iima.ac.in/web/areas-and-centres/research-centers/igpc)