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# Soon, direct jewellery export to Pakistan

Business Standard

June 19, 2012, Mumbai: Commencement of direct export of jewellery made of precious metals and stones to Pakistan is likely soon.

Despite similarities in culture, ethnicity and choices in this regard, the annual jewellery trade between the two countries stood at Rs 88.5 crore in 2011-12. While India exported cut and polished diamonds and jewellery worth Rs 87 crore, such imports to India constituted just about Rs 1.5 crore. Since there is no direct access to each other's markets, trades are put through via Dubai, Sri Lanka and other Asian countries.

A 12-member Indian delegation led by Sanjay Kothari, vice-chairman of the apex trade body, the Gems & Jewellery Export Promotion Council (GJEPC), visited Pakistan on June 7-12 and met a number of traders and retailers. They also met Prime Minister Yousuf Raza Gilani and discussed growth in jewellery trade. Kothari says Gilani agreed to look into tax and visa problems faced by the two countries' businesspeople in being able to freely access each other's markets.

"We can tentatively say that direct jewellery export to Pakistan might commence in a couple of months," said Kothari.

While Pakistan would be a new destination for India's jewellery exports (where a lot of Indian cuts and designs are widely accepted), for India the import of some classic colour gemstones would become easier. Pakistan's jewellery market is estimated at \$12 billion, while India's annual jewellery exports are \$32-33 billion.

"We suggested the Pakistani government look into the taxation part, through which they generate just a few lakhs of rupees. Also, value added tax (VAT) is substantially higher, which if they reduce would boost India's direct export exponentially," said Kothari. In Pakistan, the government has levied five per cent on income tax in addition to 19 per cent of VAT on the trade. In India, VAT is only one per cent.

Direct access to Pakistan's jewellery markets would partly compensate the export deficit to European countries, significantly down due to the ongoing economic crisis there. Also, Pakistan has a good amount of reserves of colour gemstones, which Indians may import for processing here. About nine-tenths of all the diamonds mined in the world are processed in India. Cutting and polishing of Pak colour gemstones would help growth in India's manufacturing sector to some extent, said Rajiv Jain, chairman of GJEPC.

However, the export trade to Pakistan would be restricted to the business-to-business sector. Kothari said it would be impossible for Indian jewellery exporters to go directly to consumers as they do in other markets. Growth possibilities, Kothari said, would depend on how soon the Pak government reduced tax barriers.

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# Gold imports fall 35% in July on near-record prices

Bloomberg

Mumbai, July 29, 2012: Gold imports by India, the world's biggest buyer, probably declined as much as 35 per cent this month as near-record domestic prices trimmed demand, an industry group said.

Purchases may drop to 40 tonnes to 50 tonnes in July, Prithviraj Kothari, president of the Bombay Bullion Association, said without giving figures for last year. "Inflation is high, the equity market is negative and the real estate market is on the downside, so it all impacts the purchasing power."

Buying in India may fall for a second year as consumers cut spending and switch to cash because of concern about the economy, Ajay Mitra, managing director, Middle East and India at the World Gold Council said July 16. The economy grew 5.3 per cent in the first quarter, the slowest pace in nine years, and inflation exceeded seven per cent for a fifth month in June. Poor monsoon rains will also cut demand in a country where according to UBS AG rural areas account for about 60 per cent of gold buying.

"Demand may see some improvement by the first week of September because of festivals, but not in a great way," said Bachhraj Bamalwa, chairman of the All India Gems & Jewellery Trade Federation. The festival season, which runs from August end to November, is the peak demand period as buying gold is considered auspicious.

## *Weak monsoon*

Prices rallied after the rupee depreciated against the dollar and the government doubled the import duty on the metal, Kothari said. The rupee fell to a record 57.3275 per dollar on June 22, lifting the cost of commodities priced in the greenback.

The country's monsoon, which accounts for more than 70 per cent of annual rainfall, may be below normal for the first time in three years at 92 per cent of a 50-year average, D S Pai, head of long-range forecasting division at the India Meteorological Department, said July 24. Rains were 21 per cent below average since June 1, the forecaster said on its website.

"Demand from rural India is very poor right now," Bamalwa said. A weak monsoon and high prices will weigh on purchases, and total imports will be much lower this year, he said.

India imported a record 969 tonnes of gold last year, while domestic demand was 933.4 tonnes, down from 963.1 tonnes in 2010, according to the World Gold Council.

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