# WGC to submit blueprint on spot gold exchange to govt soon

PRESS TRUST OF INDIA

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The World Gold Council (WGC) on Wednesday said it will soon submit the blueprint on spot exchange for yellow metal to the government.

A physical exchange would enable jewellers, retailers, refiners and banks to trade over a regulated platform.

"We have given a blueprint as a steering committee, we have drafted it and it is in the final stages, we will release it shortly," Somasundaram PR, Managing Director-India, WGC, was quoted as saying in a release.

The steering committee comprises all industry stakeholders including WGC, trade associations, key international banks and bullion banks.

At present, the Multi Commodity Exchange (MCX) and the National Commodity and Derivatives Exchange (NCDEX) offer gold futures contracts in the country, but do not have a platform for physical trade.

On gold demand, Somasundaram said the demand is likely to remain subdued this year.

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# WGC's blueprint on spot gold exchange soon

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PTI

# Going back on gold import curbs will be counterproductive, warns WGC

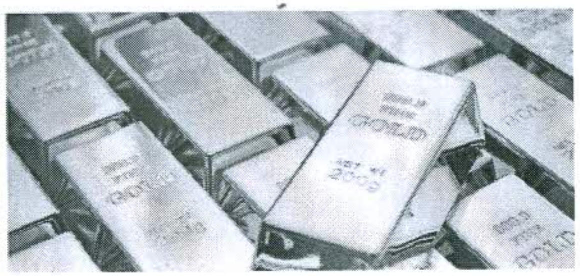
SESA SEN @ Kolkata

THE government's decision to curb high gold imports as part of its exercise to check fall in rupee value and control current account deficit (CAD) may prove counterproductive, warns World Gold Council.

The Finance Ministry had suggested restrictions on gold imports after it more than doubled last month. The gold import bill stood at $3.6 billion in August 2018, up from $1.89 billion last year. Imports were at a 15-month high of 100 tonnes in August as jewellers stocked up ahead of the peak festival season.

"Given the festive season, the import will only increase. So, putting import curb makes sense to check current account deficit and also to arrest the depreciation of Indian rupee against dollar," told a senior official from the Finance Ministry. Currently, there is a three per cent GST on gold in addition to the import duty.

However, experts say that as the demand for the yellow metal is down eight per cent from a year ago, gold was "not at the centre of the current account deficit issue" and the move to impose curb will encourage smuggling, citing the similar move in 2013.



"Putting any curbs on gold will be counterproductive as the demand for gold has been relatively weak, particularly in the last two quarters. Even now, we are only seeing a seasonal jump in demand," said PR Somasundaram, managing director of WGC. On the exports front, he said that any rise in cost would hamper exports and that the industry has just started looking up after a lull in the first three months of the fiscal. In 2013, when rupee witnessed a similar fall, the government had raised import duty on gold to 10 per cent in phases and introduced an 80:20 scheme. Under the scheme, 20 per cent of the gold imported has to be used for exports and the remaining 80 per cent for the domestic market. The scheme, however, failed and opened more smuggling routes.

He further added that regulatory measures such as the goods and services tax (GST) have put a curb on easy money chasing gold. At this juncture, hiking import duty on gold will encourage more smuggling and revive the unauthorised hawala market, defeating the government's plan to transform the gold market. Data from WGC showed that traffickers smuggled some 120 tonnes of gold into India last year, with nearly the same amount expected in 2018.

"This is the right time to press ahead with the already announced reforms than curbs on imports," said Somasundaram, adding that mobilising the idle gold kept in lockers and the gold with temples under the gold monetisation scheme can pare down import bill.

*(With inputs from Anuradha Shukla)*

# Import hit-list ready

OUR SPECIAL CORRESPONDENT

**New Delhi**: The government is looking to hike the import duty on steel and electronics but likely to avoid any action on gold over smuggling fears in the festival season as it looks to check the country's burgeoning current account deficit that is forecast to rise to 2.8 per cent of GDP this fiscal.

"There are always implications of the dollar and rupee exchange rates... this 10 per cent depreciation in last few weeks that is a temporary phenomenon," S.C. Garg, economic affairs secretary, said at an industry event.

He said "very soon" the government intends to impose import curb on non-essential goods. However, he did not give any time frame.

Garg said he was confident the fiscal deficit would be maintained as set in the budget despite pressures.

"Come what may, oil situation, rupee or whatever, the fiscal deficit will not be allowed to slip from 3.3 per cent (of GDP).

"I think all the pain points, all the issues which were earlier thought of as something unknown, whether it's the MSP (minimum support price), all these have now been factored into," he said.

Officials said the steel ministry has proposed an increase in the duty on some items to 15 per cent from current rates ranging from 5 per cent to 12.5 per cent. Officials fear that India which used to be a net exporter of steel will turn into a net importer this financial year.

However, the duty increases will have to be calibrated as the safeguard duties the government have imposed on steel have already been challenged before the WTO by its trading partners.

Besides, higher duties are likely on non-essential items such as luxury cars, high-end mobiles, furniture, electronics as well as food items such as fruits, almonds and others.

The government is also weighing options to increase the import duty on gold as it sees the risk of a possible spike in smuggling if the import duty is too harsh.

"Indian demand is down 7 per cent over last year which itself was down over the previous year.

"There are discussions about non-essential imports, but I still believe and I hope that this does not actually in any sense hit gold this time," World Gold Council India managing director Somasundaram P.R said.

## TOUGH MEASURES

- Govt may raise import duty on steel and electronic items
- Curbs on gold unlikely because of possibility of smuggling
- Steps necessary to check CAD which is seen to rise to 2.8% of GDP