

Falling Rupee to Hurt Jewellery Demand

Demand for gold, diamonds to weaken by 2-4% in CY2018: Icra



Wait and Watch

Industry continues to remain susceptible to the regulatory risks

Icra, estimates growth in value terms during the year at 5-7%

It expects the gold jewellery retail industry to record a 6-7% volume growth

Reasons for growth

- Stable rural demand
- Wedding season
- Cultural affinity for gold
- Rising disposable income
- Favourable demographic profile

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Kolkata: A depreciating rupee is expected to slow down the sale of gem and jewellery at the retail end as prices of diamond and gold are inching up. Jewellers, diamond traders and analysts said that demand is likely to be lower by 4-5% in the second quarter of calendar 2018, compared with the same period last year.

Rating agency Icra said on Monday that it expects demand for jewellery growth to weaken by 2-4% for CY2018 owing to higher gold prices, and a subdued financing environment. The industry continues to remain susceptible to the regulatory risks, which has affected both demand and supply, it said.

"A depreciating rupee is expected to bring cheers to exporters, but it will have a sluggish effect on domestic demand. We have to see how the rupee behaves against the dollar in the coming days. Also, a lot will depend on how crude oil prices move," said Vipul Shah, past chairman of Gem & Jewellery Export Promotion Council (GJEPC).

The rupee was down 0.4% to 67.13 at around 2:25 pm in Mumbai, breaching the 67-to-a-dollar mark for the first time since February 2017. Gold, however, fell on Monday, snapping three days of gains as the dollar index climbed back towards its

2018 peak. Spot gold was down 0.1% at \$1,313.03 an ounce, but in the Indian market, price of gold did not drop as the rupee weakened against the dollar.

"Gold prices have increased steadily in the last three months, which coupled with fewer auspicious days, impacted jewellery demand. Also, financing to the gems and jewel-

ventory quality, lenders are also more cautious of the sector. We expect the tightened credit availability to affect the working capital position of jewellery retailers, especially the unorganised ones," said K Srikumar, vice-president, Icra.

Icra, however, has estimated growth in value terms during the year at 5-7%. Over the medium to long term, Icra expects gold jewellery retail industry to record a 6-7% volume growth, supported by stable rural demand and the wedding season, cultural affinity for gold, rising disposable income, and favourable demographic profile.

Vijay Jain, CEO, ORRA, said diamond prices will rise as the rupee has weakened. "Earlier, the wholesalers and retailers would absorb the price rise. But since the margins have become slender, retailers will pass on the price rise to consumers. For the time being, it will have a sluggish impact but eventually the market will recover," Jain said there was good buying of jewellery in April-June last year.

VOLUME GROWTH

Over the medium to long term, Icra expects gold jewellery retail to record a 6-7% volume growth

lery sector has been under increased scrutiny in the recent months following reporting of fraud by few lenders on their exposures to the sector. With enhanced due diligence and checks on credit quality and in-