

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2255
ANSWERED ON:10.03.2006
PRICES OF GOLD/SILVER
Singh Shri Mohan

Will the Minister of FINANCE be pleased to state:

- (a) whether there has been unprecedented increase in the prices of gold and silver in the country during the last two years;
- (b) if so, the reasons therefor;
- (c) whether India is the largest consumer of gold in the world;
- (d) whether the Government is aware of the average consumption of gold in the country and the parts of demand met through imports and indigenous production; and
- (e) the steps being taken by the Government to boost the indigenous production of gold and also to check its spiralling prices?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): The average price of gold per 10 grams in India rose from Rs. 5192 in April 2003 to Rs. 6551 in November, 2004, but eased lower during the subsequent months to Rs. 6058 in July 2005. The price thereafter firmed up to reach a high of Rs. 7925 in January 2006. Silver prices were also generally easy during 2003 but gained during 2004. The price was subdued during most of 2005, but showed a firm trend towards the year-end, with the price reaching Rs. 12983 per kg in January, 2006. The movements in prices of gold and silver in India are generally in tandem with similar movements in international markets. The rise in the prices in the recent periods in India largely reflects the rise abroad.

(c), (d) & (e): According to World Gold Council, total consumer demand of gold in India during 2005 amounted to 724 tonnes. The major portion of gold jewellery demand in India is met out of imports, as domestic production is almost negligible. According to the `Committee to examine the regulatory structure of the Gold industry to make India a gold trading hub` the domestic production of gold is only around 2 tonnes per year. In the Budget 2006-07, Government has reduced import duty on gold concentrate to 2 per cent. Provisions are there in the Mineral policy, 1993 in which preference is given to those who propose to take up mining for captive use.