

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3333

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RISE IN PRICES OF GOLD AND SILVER

Chowdhury Shri Adhir Ranjan;Nikhil Kumar Shri ;Pingle Shri Devidas Anandrao;Singh Shri Mohan

Will the Minister of FINANCE be pleased to state:

- (a) whether the prices of gold and silver are rising in the country tremendously;
- (b) if so, the reasons for this increase;
- (c) the steps taken by the Government to bring down the prices of gold and silver;
- (d) whether the Government is aware that unaccounted money is being invested in these two precious metals; and
- (e) if so, the steps taken/being taken to arrest this phenomenon?

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. 8985 in April 2006. The gold prices touched the figure of Rs 10,000 per 10 gm in Kolkata on May 3, 2006. However, it came down to Rs. 9970 per 10 grams on May 8, 2006. Silver prices were generally stable during 2003 at an average of Rs.8130 per Kg, but gained during 2004 to Rs.10550 per Kg. The price was subdued during most of 2005, but showed a distinct firm trend towards the year-end and the start of the current year, with the price reaching at Rs. 19545 per kg in April 2006. On May 3 2006 in Mumbai, the silver prices for immediate delivery touched to Rs 21,435 per kg. However, it eased lower to Rs. 20975 per kg on May 8, 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 in international markets.

(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.