



A gold necklace is displayed inside a jewellery store in the old quarters of Delhi, India, on Monday. Gold is in high demand in India, particularly for weddings. BHAWIKA CHHABRA/REUTERS

## Modi urges pause on gold buying in India to protect rupee

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Indian Prime Minister Narendra Modi's call to avoid gold purchases for a year to help protect foreign exchange reserves fuelled concerns of higher import tariffs on the metal, sending shares of Indian jewellery retailers lower.

The Iran war has sent oil prices surging and that in turn has resulted in mounting pressure on India's balance of payments and the rupee. India is the world's third-largest oil importer and consumer, meeting more than 90 per cent of its crude oil needs and about half of its natural gas demand through imports.

Mr. Modi's remarks about gold on Sunday came along with a range of other measures he urged, including fuel conservation, increasing working from home and limits on travel and imports.

Gold is in high demand in India, particularly for weddings where gold jewellery is seen as a crucial part of a bride's attire and is a popular gift from family and friends. While it is the world's second-largest gold consumer, India relies on imports to meet nearly all of its demand.

Shares of jewellery makers such as Titan, Senco Gold and Kalyan Jewellers fell between 6 per cent and 9 per cent on Monday.

"There are concerns that the government might sharply increase import duty on gold for a year to discourage imports," said Surendra Mehta, national secretary at the India Bullion and Jewellers Association. "Duties could be raised even higher than levels seen in recent years."

In 2012 and 2013, New Delhi hiked tariffs on gold imports to stabilize a rapidly depreciating rupee. Now, jewellers fear that duty cuts made in 2024 to 6 per cent from 15 per cent to curb smuggling could soon be reversed.

A government source said on Monday, however, that India has no plans to raise duties on gold and silver imports.

India's balance of payments is expected to deteriorate sharply this April-March fiscal year to a deficit of about US\$66-billion to US\$70-billion, compared with an estimated US\$26-billion to US\$28-billion in 2025-26.

Pressure on the rupee has prompted the central bank to sell the dollar and limit the size of trading positions that banks can take. It has also clamped down on arbitrage trades.

The Indian rupee closed at a record low of 95.31 to the U.S. dollar on Monday.

Senior government officials said on Monday India has sufficient gasoline and diesel supplies.

But, fuel retailers incur losses of about 100 rupees (\$1.43) a litre on diesel and 20 rupees (29 cents) a litre on gasoline by selling the fuels below market rates.

State retailers have not raised gasoline and diesel prices since April, 2022.

Mr. Modi will embark on a five-nation tour taking in the United Arab Emirates and Europe from May 15 to 20, India's foreign ministry said in a state-

ment on Monday.

Mr. Modi is to visit the UAE on Friday and subsequently travel to the Netherlands, Sweden, Norway and Italy, the statement said.

Mr. Modi and UAE President Mohammed bin Zayed Al Nahyan will exchange views on bilateral issues, in particular energy co-operation, as well as "regional and international issues of mutual interest," the statement said.

The European leg of the trip will be to deepen India's trade and investment ties with these countries, following up on the India-EU trade deal agreed upon earlier this year, the statement said.