

# COMMODITIES INSIGHT



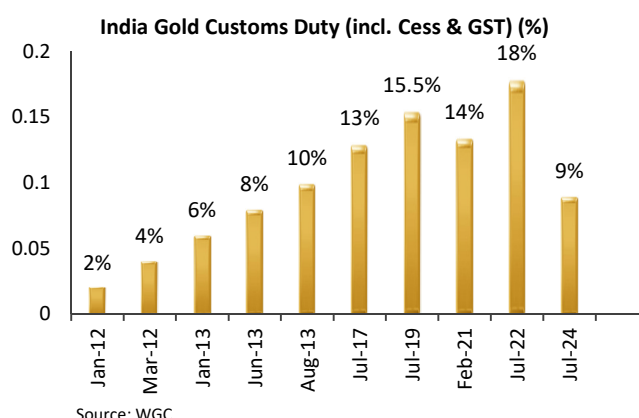
**MOTILAL OSWAL**  
WEALTH MANAGEMENT

30<sup>th</sup> January 2025

## **Budget'25: Expectations for Gold and Silver!!!**

After an interim budget of the new government in July 2024, FY2024-25, presented by Finance Minister Nirmala Sitharaman on 23<sup>rd</sup> July 2024, market is ready for the annual Union budget for FY 2025-26.

In the interim budget for CY 2024, customs duty on both gold and silver was reduced by 9% to 6% (including 1% AIDcess). This decision took market participants by surprise, driving the prices down by more than 10% in both metals. As we approach the Union Budget for FY 2025-26 on 1<sup>st</sup> Feb 2025, let's look at some expectations that bullion investors have:



### **Numbers to watch:**

- India's Current Account Deficit accounted for 1.2% of the country's Nominal GDP in Sep 2024, compared with a 1.1% deficit in the previous quarter.
- Forex reserves of India in 2024 started the year at \$617B, made a high of \$705B, and closed the year at \$640B.
- The rupee also depreciated by more than 3% in 2024, marking a low of around 86.
- In 2024, imports of gold and silver were reported at above 700 and 6000 tonnes, respectively.

### **Things to look at:**

- This is going to be an interesting Budget; market participants are divided on certain aspects.
- *India has announced two cuts in basic customs duty, i.e., on Feb '21 and Jul '24, as against eight hikes in last 10 years.*
- There could be some changes regarding the CEPA agreement. Currently, a 1% leeway is allowed from the current rate on 200 tonnes of imports from UAE.
- Along with budget expectations, geopolitical tensions, commentary from President Trump, changes in rate cut expectations, and volatility in the Dollar Index are also important to keep an eye on.
- Market chatters, believe there could be a reduction in customs duty; however duty was recently revised lower in Jul'24, hence reducing it once again could increase volatility in prices.

### ***Scenario and Impact analysis:***

Indian Budget Announcement (1 <sup>st</sup> February, 2025)	
Scenario	Impact
Scenario 1: Customs Duty Reduced by 2% or More	Immediate price drop, prices are partially discounting a cut
Scenario 2: No Change in Customs Duty	Minimal market reaction. - Gold prices may rise by Rs. 500- 600 as expectations for a cut wear off.

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