

INDIAN GOLD JEWELLERY RETAIL INDUSTRY

Post the strong growth in Q1 FY2023,
industry likely to contract over the next
two quarters; consumption to record
moderate growth of ~10% YoY in FY2023

AUGUST 2022



ICRA expects domestic gold jewellery retail industry to contract by ~8% in Q2 FY2023 on the back of tepid demand conditions as a result of volatility in gold prices, increase in import duty by 5% and inflationary scenario, coupled with a high base of Q2 FY2022.

Nevertheless, the overall industry growth in FY2023 is expected to be moderate at ~10% YoY, driven by strong performance in Q1 FY2023 and steady momentum in wedding/ festive purchase.



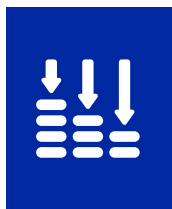
- The jewellery retail sector witnessed a healthy growth of ~90% YoY in Q1 FY2023, higher than the previously expected growth of ~45% YoY, on the back of robust demand during *Akshaya Tritiya* season and continued momentum in wedding purchases.



- The industry is, however, expected to contract by ~8% in Q2 FY2023 owing to demand being constrained by the recent increase in import duty on gold by 5%, inflationary impact on disposable incomes and higher consumer spending on travel and other discretionary items.



- Industry is expected to contract by ~15% in Q3 FY2023 on the back of a high base in Q3 FY2022 and is likely to remain flat in Q4 FY2023 despite the year-ago quarter being impacted by the pandemic. The downward revision in growth forecasts follows the recent increase in import duty by 5 percentage points and inflationary scenario, among other factors.



- Nevertheless, the industry is expected to witness moderate growth of ~10% in FY2023 (industry had grown by ~25% YoY in FY2022), supported by robust consumption growth in Q1 FY2023 and steady purchase in the upcoming wedding and festive season. Demand in FY2023 is estimated to be at a healthy ~30% higher than the pre-Covid level seen in FY2020.



- **Given the expected steady growth in revenues and earnings estimated in FY2023, ICRA's outlook on the sector remains Stable.**



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