

# INDIAN GOLD JEWELLERY RETAIL INDUSTRY

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**Domestic jewellery industry retains its sheen in Q2 FY2023; industry demand expected to grow by ~12% YoY in FY2023**

**NOVEMBER 2022**



# Summary – Industry Trends

ICRA expects the domestic gold jewellery retail industry to contract by ~10% YoY in Q3 FY2023, on an extraordinarily high base, with demand being impacted by the rising inflationary scenario, volatility in gold prices and weak rural economic recovery due to erratic monsoons.

Nevertheless, the overall industry growth in FY2023 is expected to be ~12% YoY, driven by strong performance in Q1 FY2023 and steady momentum in wedding/ festive purchases.



- The jewellery retail sector is estimated to have contracted by ~2% YoY in Q2 FY2023 against ICRA's earlier expectations of ~8% YoY contraction in the quarter. This contraction was largely on account of a high base (industry had grown by ~70% YoY in Q2 FY2022) due to pent-up demand post the lifting of the pandemic-induced restrictions last year. The sector is estimated to have grown by ~60% compared with Q2 FY2020 (pre-Covid). Demand during the quarter was supported by continued recovery in urban demand, aided by range-bound gold prices.
- The industry is expected to contract by ~10% YoY in Q3 FY2023, lower than earlier expectations. While steady demand during the *Dussehra* and *Diwali* season, coupled with steady urban demand, is expected to have supported growth, high domestic inflation, volatility in gold prices, cautious consumer sentiments and weak rural economic recovery due to erratic monsoons are likely to constrain demand. Nevertheless, demand in Q3 FY2023 is likely to be ~20% higher than the five-year average of Q3 demand before the pandemic (FY2016-FY2020). Industry growth is expected to remain flat in Q4 FY2023 (up 3% YoY), compared to ~20% YoY degrowth on account of a high base and impact of the omicron wave in Q4 FY2022.
- Nevertheless, the industry is expected to witness a growth rate of ~12% YoY in FY2023 (industry had grown by ~25% YoY in FY2022), supported by healthy consumption growth in Q1 FY2023 and buoyant demand in the ongoing wedding and festive seasons. Demand in FY2023 is estimated to be a healthy ~35% higher than the pre-Covid level 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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