Methodology: Indian gold price premium/discount data set

1 Introduction

1.1 What is this data set?

This Excel-based data measures the difference between the prevailing local gold price paid by Indian consumers and the provides insight into the local gold price that Indian consumers face, and how this can differ from the international gold price (quoted in US dollars).

1.2 Why is this data important?

Unlike London and Shanghai, gold prices in India are not determined through a formal exchange. Rather they are determined by local demand and supply dynamics, as well as any local regulations which might affect that dynamic. In India, some of the factors which contribute to a premium/discount to the international gold price can be: the exchange rate (to US dollar), local taxes, import restrictions and seasonal factors.

This data set helps users to see how the gold price faced by Indian consumers has evolved in relation to the international price of gold.

2 Process

2.1 Where is data sourced?

This data set uses publicly available data. The main sources include the Multi Commodity Exchange of India (MCX), the Reserve Bank of India (RBI) and ICE Benchmark Administration.

2.2 What frequency of data is available?

We publish the data monthly, but the file contains daily data. Where there is a difference in public holidays, for smoothing purposes we will roll forward the previously available data point.

2.3 How is the data compiled?

The premium/discount in the Indian gold market is calculated using the MCX spot price and the landed price of gold in India[1]. The premium/discount is calculated as follows:

Premia/Discount (US$/oz) = MCX Spot Price (INR/10 gm) x FX rate published by RBI (USD/INR) x 0.32150oz/10gm – LBMA AM fix (US$/oz) – Import tax (US$/oz)

Where, Import tax (US$/oz) is calculated as follows:

Import tax (US$/oz) = Custom tariff value (INR/10 gm) x FX rate published by RBI (USD/INR) x Import tax (%) x 0.32150oz/10gm

Note: The tariff value on gold (US$/10gram) and FX rate (USD/INR) for imported goods is published on a fortnightly basis, or whenever there is a sharp fluctuation in international gold price or FX rate. With the tariff value and FX rate, the tariff value on gold is computed in INR/10 gram.

2.4 How are revisions to data handled?

Given the nature of the data, revisions will be rare. In the event of a revision to either of the input data series, our data would be corrected accordingly.

Instances can occur when the MCX spot price may not reflect the fundamentals of the local gold market. For example, after the jewellery industry went on strike at end of February 2016, business came to a standstill and there was hardly any trade in cash. During this time, the price published by

[1] Once import duties have been added to the price of gold, this gives what is known as the "landed" price. For an explanation on Indian gold prices, please see our gold price primer: https://www.gold.org/goldhub/research/market-primer/gold-prices

MCX remained constant. In this case, to calculate premium/discount the near month gold future (most liquid gold contract on MCX) price was taken rather than spot price.

2.5 How is the data checked or verified?

Before it is published, the data is rigorously checked and reviewed to ensure that any errors are caught so users can have confidence in it. These checking and reviewing process includes:

- **Cross-checking raw data with secondary sources**: by cross-checking with secondary sources, we can identify any potential issues with the data before publication. In some instances, this may involve contacting either the MCX or ICE Benchmark administration for confirmation of the data.
- **Manual review:** data is double-checked before publication to minimise the risk of errors, in both the data and the process used to collect, manipulate and aggregate it.

3 Timings

3.1 When is the data set released/published?

Indian premium/discount data is calculated and reported weekly. To be notified of when this data is available, you can register for our newsletter here.