

VAT and Higher Prices Suck Glitter out of Gold

2018/1/7

Source: Gulf News

All the glitter has gone out of the UAE's gold and jewellery sales since the start of the year, with leading retailers confirming sales declines — in volume terms — by more than half of what it used to be in the fourth quarter of 2017. Average daily sales are now at about 500g to 1kg of gold (including in jewellery format) as against the 2-3kg before the New Year.

The difference in consumer demand is starker when compared with the volumes jewellery retailers were drawing between December 26 and December 31, 2017, which was when the Dubai Shopping Festival (DSF) 2018 took off with 1kg of gold being raffled out each day.

During those six days, leading retailers were averaging between 7 and 12kg each day across their store networks, making it the best sales phase ever since early 2016, when international bullion prices slipped suddenly and sparked off a retail buying surge in the UAE.



"Yes, VAT [value-added tax] has affected — but UAE shoppers had already done a lot of pre-VAT buying of gold right through December," said Abdul Salam K.P., Director at Malabar Gold & Diamonds.

"The early January drop had all to do with UAE residents taking time out to absorb how VAT will affect their day-to-day expenses. Once those adjustments are made, they will return to jewellery buying," said Cyriac Varghese, General Manager at Sky Jewellery.

So far, most jewellery retailers have refrained from absorbing VAT related costs across the board. Instead, they are focusing their attention on payments through instalments and through promotions. Some retailers, like Pure Gold and Sky Jewellery, have announced limited-time VAT-free campaigns. In Sky's case, all purchases done at its Gold Souq store will have the retailer absorb the VAT charge.