

Silver Imports Curbed: Govt Moves to Curb Silver Imports Amid Rupee Stress

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Silver Imports Latest News

- The government placed **silver imports for domestic consumption** under the **restricted category**, requiring prior government approval from the Directorate General of Foreign Trade (DGFT).
- This is the latest in a series of steps taken to discourage precious metal imports amid the ongoing West Asia war and mounting pressure on India's current account and foreign exchange reserves.

Key Policy Measures Taken Recently

- The government has taken a rapid succession of steps within days to manage external sector stress:
 - **Raised customs duty** on gold and silver from 6% to 15%, and on platinum from 6.4% to 15.4%, to moderate non-essential imports amid the West Asia crisis.
 - Imposed a **quantitative limit** of 100 kg on gold imports under a key export scheme to curb misuse of duty-free import facility meant for value-added exports.

- Placed silver bars (up to 99% purity) imported for domestic consumption under the **restricted category**, requiring prior government approval through DGFT.

What the Silver Restriction Covers — and What It Exempts

- The restriction applies specifically to silver imported for domestic consumption.
- However, several categories remain exempt from the restriction:
 - Silver imported for processing and value-added exports as jewellery — continues to be unrestricted.
 - Imports by 100% Export-Oriented Units (EOUs) — exempt from restrictions.
 - Imports by units in Special Economic Zones (SEZs) — exempt, provided imported goods are not sold in the Domestic Tariff Area (DTA).
 - DTA — The area within India outside of SEZs and EOUs where normal customs duties apply. Sales from SEZs into the DTA are treated as imports and attract duties.
- This design ensures that India's export competitiveness in gems and jewellery is not affected while curbing purely consumption-driven forex outflows.

Rationale Behind These Steps

- **Silver Imports**
 - Silver imports **surged 150%** to \$12.05 billion in 2025-26.
 - In volume terms, the increase was 42%, reaching 7,334 tonnes.
 - International silver prices rose 74% during the year.
 - Even in April 2026, silver imports jumped 157% year-on-year to \$411 million.
- **Gold Imports**
 - Gold imports rose 24% to \$71.98 billion in 2025-26.
 - This occurred despite a 4.7% drop in import volume to 721 tonnes — reflecting how sharply gold prices rose (30% during the year).
 - In April 2026 alone, gold imports surged 81.7% year-on-year to \$5.6 billion.
- These figures illustrate that **price-driven import inflation** — not just volume increases — is a major driver of forex outflows in precious metals.

The Broader External Sector Crisis

- **Pressure from West Asia War** – Since the onset of the West Asia war on February 28, India's external sector has come under severe stress.
 - Forex reserves have plummeted by \$32 billion in just 10 weeks.
 - Crude oil prices continue to hover above \$100 a barrel — directly inflating India's import bill as a major oil-importing nation.
 - Supply-side disruptions are adding to inflationary pressures and widening the Current Account Deficit (CAD).
- **Rupee Depreciation Adding to the Burden** – A depreciating rupee is compounding the problem — making all imports more expensive in rupee terms, further straining the external account.

- **Liberalised Remittance Scheme (LRS) Outflows** – Over recent years, India has also seen significant forex outflows through overseas travel spending under the **LRS** — adding another layer of pressure on foreign exchange resources.
 - **LRS** – RBI’s scheme allowing Indian residents to remit up to \$250,000 per year abroad for permissible transactions including travel, education, and investments.

Prioritising Essential Imports

- The government’s logic is clear and well-articulated.
- Precious metals, while culturally and financially significant, are “predominantly consumption and investment driven” — meaning they do not directly contribute to productive capacity or export competitiveness.
- In contrast, India’s limited foreign exchange must be prioritised for essential imports including crude oil, fertilisers, industrial raw materials, defence requirements, critical technologies, and capital goods.
- In such circumstances, prudent management of the country’s external sector becomes essential.

Source: IE

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