

India's gold market update

Mixed demand



Highlights

- Gold rallies again after losing steam in May, up over 30% y-t-d¹
- Jewellery sales slow but physical investment stays healthy and gold-linked lending strengthens
- Gold ETFs snap two-month outflow streak with modest inflows in May
- The RBI holds back on gold buying but gold's share in forex reserves grows to 12%
- Gold imports moderates in May, suggesting demand softness

Looking ahead

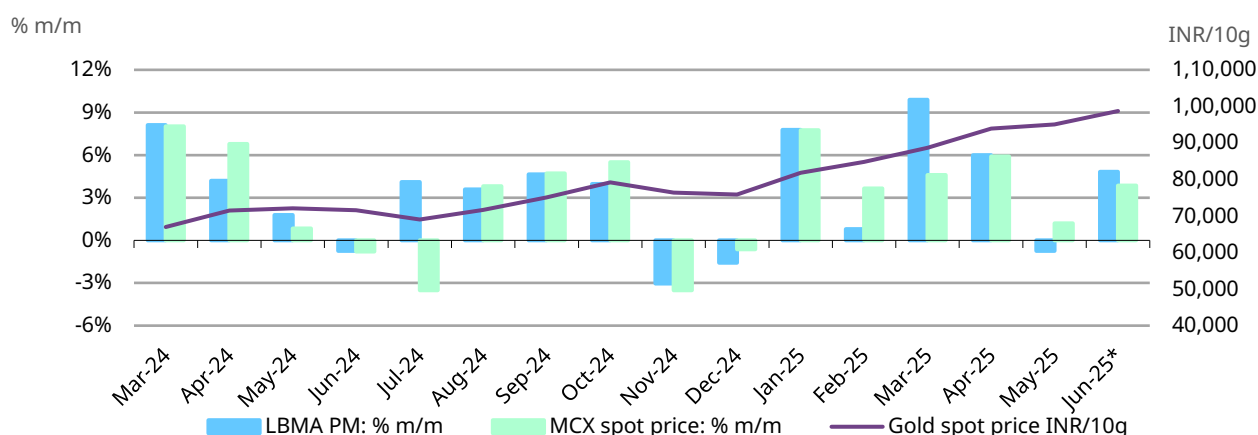
- The June-July period typically marks the off-season for gold in India, particularly for jewellery. A recovery in demand is anticipated with the onset of the festive and auspicious buying season from mid-August.
- Investment demand for physical gold and gold-linked financial products is expected to remain resilient, supported by sustained investor interest.

Gold pauses in May, shines again in June

Gold prices in May saw a pause in the uptrend after four consecutive months of gains, ending the month nearly flat just below US\$3,300/oz.² Trading was largely range bound, with gains capped by global gold ETF outflows and the strong returns of April. At the same time, tariff-related policy risk, a weaker US dollar, and rising inflation expectations supported prices. Gold regained momentum in June, rising 5% month-to-date to US\$3,435/oz,³ driven by the flare-up in geo-political tensions following the Israel-Iran attacks and a rebound in ETF demand. Year-to-date, gold remains a standout performer, up 32% in USD terms.

Chart 1: Gold regains momentum

Monthly LBMA Price PM and domestic spot price changes and movement*



*Based on the LBMA Gold Price PM in USD and MCX spot gold price as of 13 June 2025.
Source: Bloomberg, World Gold Council

1. As of 13 June 2025.
2. LBMA Gold Price PM as of 30 May 2025.
3. As of 13 June 2025.



Domestic gold prices broadly followed international trends, closing May 1% higher and moving in the INR92,000–97,000/10g range.⁴ So far in June, prices have risen by 4%, reaching INR98,732/10g.⁵ Domestic prices however, have continued to trade at a discount to international benchmarks (after adjusting for exchange rate and taxes),⁶ primarily due to subdued jewellery demand. The average discount has widened significantly – from US\$12/oz in mid-March to over US\$38/oz by 13 June.⁷

Soft jewellery sales, healthy investment and credit flows

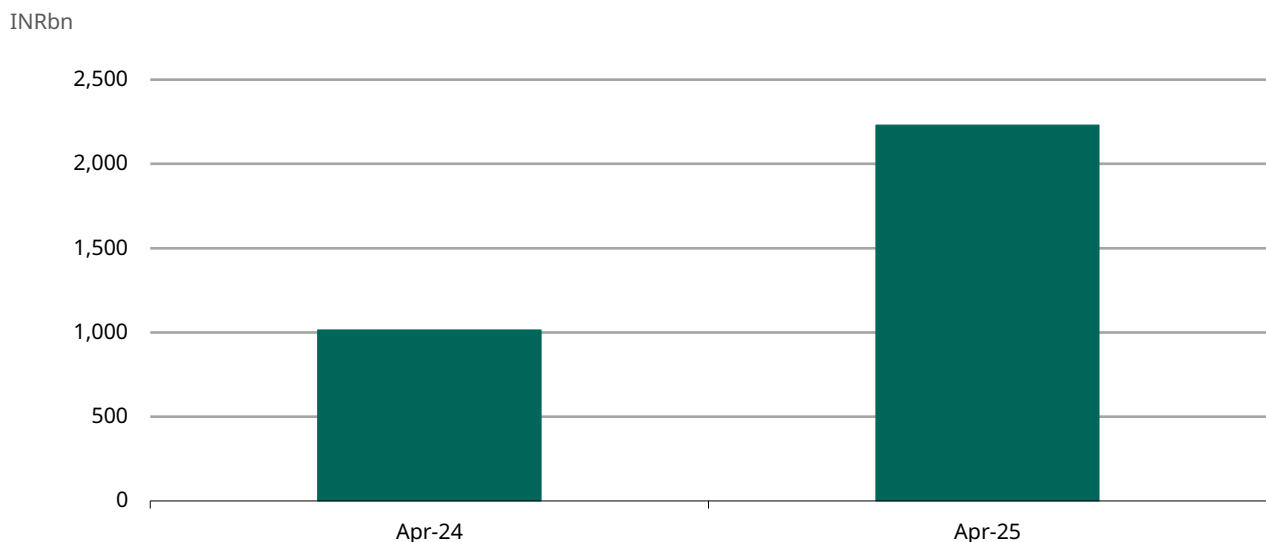
Jewellery demand has been underwhelming following the April-May wedding season. According to market reports, softer prices in May boosted store footfalls, particularly for larger retailers offering promotional campaigns. Despite this, demand remained subdued and was largely centred around need-based purchases.

In contrast, physical investment demand for gold bars and coins, which account for nearly 30% of consumer demand, has been sustained, supported by positive price momentum. There has been a steady and gradual uptick in demand for these products, underpinned by expectations of further increase in gold prices and relatively lower fabrication costs. Notably, demand has been concentrated in lower-grammage coins, particularly those weighing less than 10g.

Anecdotal reports suggest that consumers are increasingly monetising their existing gold jewellery holding, either by exchanging them for new pieces, liquidating them, or using them as collateral for loans. The RBI's recent relaxation of norms for loans against gold jewellery is expected to further support this trend.⁸ As of end-April lending by commercial banks in this segment had surged nearly 120% y/y to INR2,230bn (US\$26bn).

Chart 2: Monetising gold jewellery

Loans against gold jewellery by scheduled commercial banks



Source: RBI, World Gold Council

Gold ETF inflows resume

Indian gold ETFs regained momentum in May, recording net inflows of INR2.9bn (US\$34mn) after two consecutive months of outflows. The inflows, though modest compared to the 10-month average of INR15.3bn (US\$181mn) up to February, exceeded our initial estimate - based on early data,⁹ and reflected renewed investor interest. This was likely supported by sustained safe-haven demand amid ongoing geopolitical turmoil and market volatility. Preliminary data indicates that the trend of net inflows persisted through the first half of June.

According to data from the Association of Mutual Funds in India (AMFI), the cumulative assets under management (AUM) of the 20 gold ETFs rose to INR624bn (US\$7.3bn), marking a 97% y/y and 2% m/m increase. Total gold holdings inched up to 64.65t, with an addition of 0.2t during the month. Investor participation also continued to grow, with 0.22mn new

4. MCX spot gold price in May 2025.

5. As of 13 June 2025.

6. The premium/discount of local gold prices is based on the LBMA Gold Price AM adjusted for import taxes and exchange rate, which is also referred to as the 'landed price'.

7. Based on NCDEX data as of 13 June 2025.

8. Reserve Bank of India (Lending Against Gold and Silver Collateral) Directions, 6 June 2025

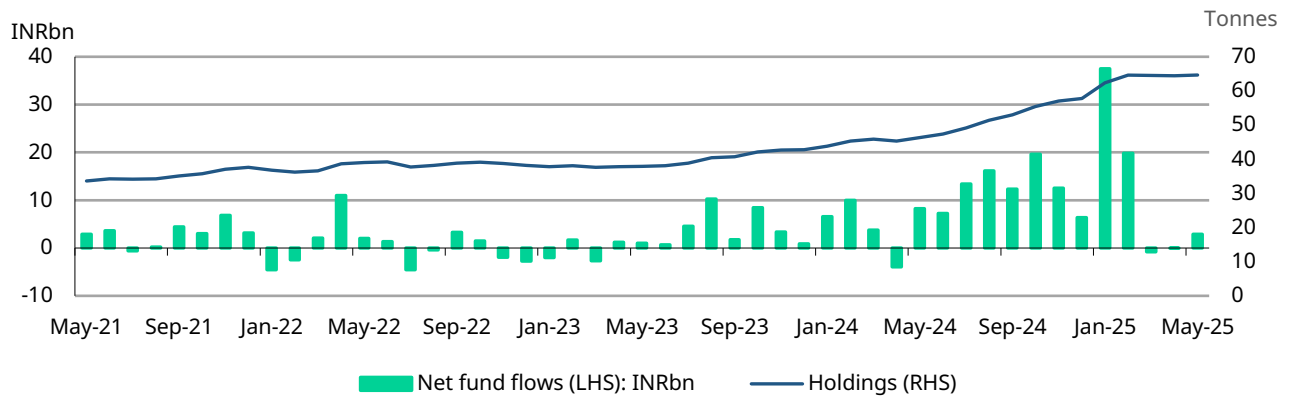
9. Our initial estimate based on preliminary and partial information available at the time pointed to an outflow of US\$72mn.



accounts (or folios) added during the month, bringing the total number to 7.3mn, a 38% y/y growth, signalling continued and broadening investor interest in gold as a financial asset.

Chart 3: Gold ETFs flows turn positive

Monthly gold ETF fund flows in INRbn, and total holdings in tonnes*



*As of end May 2025

Source: AMFI, ICRA Analytics, CMIE, World Gold Council

RBI extends gold buying pause

The RBI has stayed on the sidelines of gold buying since March, adding just 3.4t so far this year,¹⁰ sharply lower than the 30.6t purchased during the same period last year. This pause could likely be linked to the steep rise in gold prices since the beginning of the year, a trend we have observed among some other central banks too.

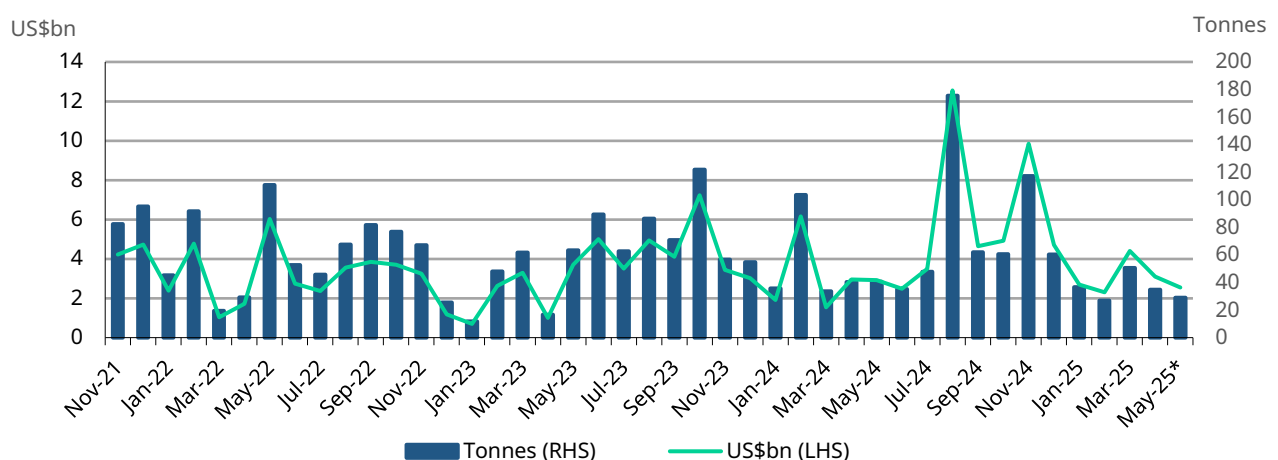
However, despite the lower purchases, India's gold reserves have climbed to a record 879.6t, now accounting for 12.3% of total foreign exchange reserves, up from 8.7% a year ago. This marks the highest ever share of gold in the reserves, underscoring its growing strategic role in the RBI's reserve mix.

Imports soften further

Gold imports in May totalled US\$2.5bn, marking a 13% y/y decline and an 18% drop from one month ago. This represents the second consecutive month of decline and aligns with a softer domestic demand environment. Based on our estimates, import volumes for the month were in the range of 27t to 32t, down from 35t in April and significantly lower than the 41t recorded in May 2024.

Chart 4: Imports slow

Monthly gold imports in tonnes and US\$bn*



* Includes World Gold Council estimates

Source: Ministry of Commerce and Industry, CMIE, World Gold Council

10. Up to 6 June 2025.



World Gold Council

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We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

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