Increasing Demand: Price Thrust and Demand for Gold and Silver in 2025

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Precious metals, especially gold and silver, are often considered at the juncture of economic stability, cultural tradition, and financial strategy. They reflect more than commodity price movements by signalling shifts in macroeconomic confidence, investor sentiment, and policy choices. The first half of 2025 has been marked by unparalleled market activity in both metals, as gold achieved a series of record highs, while silver staged one of its strongest rallies in over a decade, mainly owing to its importance in photovoltaics and electronics. These developments demand a review of recent price dynamics and a deeper examination of demand drivers across key consuming nations in Asia – China, India, and Japan. This is an integrated analysis of gold and silver price trajectories, forward-looking forecasts, and country-specific demand narratives, drawing upon data from the World Gold Council, the Silver Institute, and leading financial media to situate current trends in their historical and policy contexts.

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Source:
1. Gold Demand Trends: Q1 2025, World Gold Council, https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q1-2025
2. Gold Demand Trends: Q2 2025, World Gold Council, https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q2-2025
3. Will gold prices break $4,000/oz in 2026?, J. P. Morgan Global Research, https://www.jpmorgan.com/insights/global-research/commodities/gold-prices
4. Mukherjee, A. A. (2025). Silver surges past $35/oz level to hit a more than 13-year high. Reuters, https://www.reuters.com/business/silver-surges-past-35oz-level-hit-more-than-13-year-high-2025-06-05/#:~:text=June%205%20(Reuters)%20%2D%20Silver,ongoing%20supply%20deficits%2C%2-0analysts%20said.

The investment surge and policy anchors: The demand for gold

The surge in gold prices during 2025 has been remarkable. In the first quarter, the average global spot price stood at USD 2,860 per ounce, representing a 38 per cent year-on-year increase . This was followed by another sharp escalation in the second quarter, with average prices climbing to US$3,280.35 per ounce, a 40 per cent annual increase and a 15 per cent quarter-on-quarter rise . The forecasted average price for the final quarter of 2025 is around USD 3,600/oz, with upside projections approaching USD 4,000/oz by mid-2026 . The surging demand for financial investment and persistent central-bank purchases are expected to drive demand soon.

Several factors underpin this momentum. Foremost among them is sustained geopolitical uncertainty, amplified gold's traditional role as a safe-haven asset. The monetary environment also contributes because, despite modest interest-rate adjustments in the United States, real yields remained low, leaving little opportunity cost to hold non-yielding assets like gold. Central bank purchases, led by emerging market economies, add further pressure on supply. Analysts forecast gold prices to remain elevated through 2025, though volatility is expected to intensify. Since 2022, official sector purchases have diversified away from the U.S. dollar and boosted the legitimacy of gold as a monetary anchor. While Q2 2025 purchases slowed compared to the extraordinary levels of 2023-24, net additions remain robust. The persistence of central bank buying, particularly from China and other Asian economies, provides a structural foundation for demand. At the same time, a softening jewellery sector suggests that consumer affordability constraints could create downward adjustments. On balance, consensus projections place gold in the USD 3,000 to 3,300 per ounce range by year-end, with potential upside should geopolitical shocks deepen. The risks to this bullish outlook are asymmetric. On the downside, a hawkish re-pricing of the U.S. Federal Reserve's policy path, or a faster-than-expected disinflation, could weaken ETF flows and strengthen the dollar, pressuring prices. On the upside, renewed geopolitical tensions or a resumption of accelerated central-bank buying could propel gold to fresh highs.

Demand for an industrial metal: Silver price trends and outlook

If gold's rally was noteworthy, silver's trajectory in 2025 has been even more striking. By June, silver prices had surged past USD 35 per ounce, a level not seen in more than a decade, representing an approximate 24 per cent year-to-date increase . The Silver Institute reports that the average price in 2024 was USD 28.27 per ounce, itself a 21 per cent rise on the previous year, but 2025 has already outstripped those gains . Prices are up around 25 per cent year-to-date, benefiting both from investor inflows and from a persistent structural deficit. The industrial demand of 680.5 million ounces in 2024 also projects another deficit in 2025, the fourth consecutive year.

The gains in silver can be attributed to two major forces. Firstly, silver benefited from the 'safe-haven halo effect' generated by gold's record run, and secondly, and probably more critical, was industrial demand. Silver's unique role in photovoltaic cells for solar panels has created an industrial consumption boom, with demand from the solar sector growing by over 150 per cent between 2019 and 2023. Emphasis on solar energy and, therefore, photovoltaic applications remains the single largest growth segment for silver as solar panel capacity expands rapidly in China, Europe, and India. Japanese fabrication demand, particularly for electronics and power-electronics components, has been highlighted as a durable source of silver consumption. As a result, the balance of risks points to tightness in the physical market. Investors have increasingly viewed silver as a leveraged play on gold, with its dual industrial and monetary identity ensuring that dips attract both industrial buyers and financial participants.
However, the silver demand surge coincided with relatively flat mine output, resulting in four consecutive years of supply deficits. Even though the mine supply is forecast to rise modestly in 2025 by 1.9 per cent,

5. World Silver Survey 2025, The Silver Institute, https://silverinstitute.org/wp-content/uploads/2025/04/World_Silver_Survey-2025.pdf
6. Ibid
7. Lee, J. (2024). Why silver is having a golden moment. The Wall Street Journal, https://www.wsj.com/finance/commodities-futures/why-silver-is-having-a-golden-moment-bf91bb17
8. World Silver Survey 2025
9. Ibid

this is insufficient to offset demand growth . The 2024 deficit stood at 148.9 million ounces, while the 2025 shortfall is forecast at nearly 118 million ounces. Analysts caution that silver's volatility will likely remain higher than gold's, given its dual role as an investment and an industrial input. Nevertheless, structural deficits and expanding green-energy demand suggest that silver could outperform gold in percentage terms over the medium term, with some projections targeting the USD 38 to 40 per ounce range before year-end.

Major markets in Asia: The demand narratives

CHINA

China remains the global gold demand anchor, reflecting cultural affinity and strategic policy choices. Jewellery demand softened in 2025, falling to approximately 69 tonnes in Q2, as high prices curtailed retail consumption, and this became the fifth straight quarter of double-digit declines . Imports corroborate this weakness, with June shipments halving month-on-month to 50 tonnes and H1 imports down 62% year-on-year.

Nevertheless, the downfall was offset by resilient investment flows. Chinese bar and coin demand exceeded 115 tonnes in the same quarter, reflecting investor appetite for tangible assets amidst financial uncertainty. Equally significant has been the People's Bank of China's steady accumulation of gold reserves, which now exceed 2,300 tonnes . This policy has been interpreted as a diversification strategy away from the U.S. dollar and as a hedge against global financial instability. The combination of official and private investment channels ensures that China will continue to play an outsized role in shaping the global gold market. China has shifted from adornment to an explicitly financial and policy-driven asset. Unless prices undergo a sharp correction, jewellery will remain structurally weak, but investment and official sector demand will continue to anchor aggregate consumption.

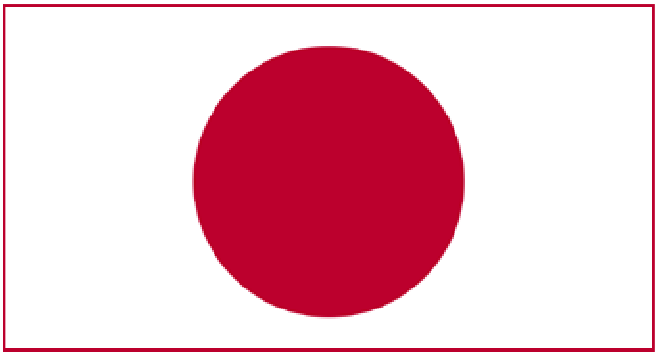
INDIA

While cultural demand for jewellery remains the backbone of consumption in India, recent data highlight the growing financialisation of gold holdings. In Q2 2025, overall gold demand fell by ten per cent year-on-year to 135 tonnes, though in financial terms, demand rose by 30 per cent because of higher prices . At the same time, jewellery consumption was exceptionally constrained, with buyers delaying purchases or shifting to lighter products. By June 2025, Indian gold ETFs held 66.7 tonnes, with assets under management rising 42 per cent year-on-year to nearly INR 648 billion . This represents a significant leap from 28 tonnes at the end of 2020 and 38 tonnes in 2022.

Historically, Indian demand displays strong seasonality, with festive windows significantly lifting jewellery consumption. Traders report that when rupee gold prices dip, dealer discounts narrow and footfall improves. Hence, Q4 2025 may see stronger jewellery demand if global and rupee-denominated prices stabilise . Although elevated prices have dampened physical jewellery purchases, particularly in rural markets where affordability is most sensitive, policy initiatives, including facilitating digital gold investment and integrating the IIBX, are reshaping the structure of Indian gold demand. Over the medium term, India will likely see a steady rebalancing between physical and financial demand channels.

In terms of silver, with more than half of its silver needs met by imports, the country is highly exposed to global market dynamics. With industrial silver use continuing to rise worldwide, India faces higher import costs and heightened competition for supply. This has strategic implications for its renewable-energy ambitions, since silver is a key input for PV capacity expansion.

10. Gold Demand Trends: Q2 2025
11. Mukherjee, A. A. (2025)
12. Gold Demand Trends: Q2 2025
13. China's central bank adds gold in nine-month buying streak, Bloomberg, https://www.bloomberg.com/news/articles/2025-08-07/china-s-central-bank-adds-gold-in-nine-month-buying-streak
14. Gold Demand Trends: Q2 2025



JAPAN

Japan's gold demand in 2025 reflects its unique macroeconomic position, as its gold demand dynamics differ from those of its Asian peers. A weak yen has made gold particularly attractive to domestic investors as a store of value, and households tend to sell to take advantage of a long-standing practice of profit-taking in a high-price environment. Retail bar and coin demand has been modest, partly due to profit-taking after recent price surges, but ETF inflows have remained positive. Japanese households have historically preferred cash and deposits, but recent inflationary pressures and currency depreciation have nudged a segment of savers into precious metals. While Japan's share of global demand is smaller than China's or India's, its behaviour provides an important case study in how advanced economies adapt gold investment strategies under currency stress.

Silver, by contrast, benefits from Japan's strength in high-value manufacturing. The demand for fabrication in Japanese electronics and power electronics has remained resilient, driven by AI-related data centre expansion and renewable-energy applications. This positions Japan as a consistent industrial demand centre for silver, irrespective of price cycles.

The Review

The precious metals market in 2025 is defined by record-breaking prices, shifting demand structures, and a rebalancing of traditional consumption patterns. Gold remains the ultimate safe-haven asset, supported by central bank purchases and investor flows, though its jewellery base has weakened under the weight of high prices. Silver, meanwhile, is carving out a dual identity as both a financial hedge and a critical industrial input, with green-energy transitions driving robust consumption growth. Country-specific patterns represent this intricacy. China's policy-driven accumulation, India's gradual financialisation of demand, and Japan's currency-hedging behaviour collectively illustrate how diverse the drivers of precious metals can be. In the future, both metals are likely to sustain elevated prices through the remainder of 2025, albeit with intermittent volatility. For policymakers, investors, and industry participants, the lesson is clear that precious metals cannot be understood in isolation from broader economic, cultural, and geopolitical currents.

15. Khanna, S. (2025). ETFs own 67 tonnes of gold as holdings rise by 42% YoY. The Economic Times, https://economictimes.indiatimes.com/mf/mf-news/etfs-own-67-tonnes-of-gold-as-holdings-rise-by-42-yoy/articleshow/123389353.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst
16. Gold investment market and financialisation: India gold market series 2023, World Gold Council, https://www.gold.org/goldhub/research/gold-investment-market-and-financialisation-india-gold-market-series
17. Jadhav, R & Choubey, A. (2025). Volatile prices stifle gold demand in top Asian hubs. Reuters, https://www.reuters.com/markets/stocks/volatile-prices-stifle-gold-demand-top-asian-hubs-2025-08-22/
18. World Silver Survey 2025