

Physical Investment Demand For Gold Bars And Minted Products At Elevated Prices

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It is said, all assets get eroded in value with time except gold, which never loses its worth and continues to shine permanently. The price of gold has increased exponentially during the past year. The price of 10gm-24karat gold has increased from approx. Rs. 64000/- a year ago to Rs. 103000/- representing an approx. 61% increase.

The obvious question is if with such a high rise in price, that too during a short period of time, can the demand sustain?

Gold is considered as a hedge against inflation and in India, where households are estimated to hold more than 25000 tons of gold, and gold has intimate relationship with India's lifestyle and goes back hundreds of years of rich heritage of our country, elevated price has limited effect on its physical demand.

Though demand for jewellery has slightly slowed down with the increase in price but it is for only a short duration.

Indians view gold as a long-term investment, store of value and shield at the time of economic uncertainty. In India gold has inelastic demand. Elevated gold price has on the other hand led to more purchase for investment purposes as it is presumed to lead to higher returns, making gold a more attractive investment option and boosting investment demand through gold ETF and coins. A slight decrease in demand was observed in June 2025 Quarter, (approx. 10%) but it is because there had been substantial rise during the previous price rise period of March 2025 quarter, when demand skyrocketed by 170% which seems to be mainly for investment purposes due to bulk purchases of gold bars and minted products



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The slight decrease in the jewellery sector and demand slackness of June 2025 quarter shall be compensated during the coming festival and wedding season in India. In India, no marriage is complete without exchange of gold ornaments. Further, the continuous good monsoon, resulting in higher farmers income, is set to boost purchases by rural people notwithstanding elevated prices.

Overall, gold demand in India is expected to remain the same as in the earlier years between 700-800 tons in 2025. Even at record high price levels, Indians are holding on to their gold, reaffirming its status as a prized asset.

India firmly believes in the adage "Gold is the only money, everything else is credit"