



## RBI'S GOLD ASSET: ECONOMY

**NEWS:** Why is reserve bank bringing back its gold assets to India?

### WHAT'S IN THE NEWS?

The RBI is bringing gold reserves back to India to strengthen its financial stability and reduce dependence on foreign assets. This move is intended to increase liquidity in the domestic economy, making assets more accessible during financial difficulties.

### RBI's Strategy of Gold Repatriation

- **Objective:** The Reserve Bank of India (RBI) is repatriating gold assets to India as part of its strategy to enhance financial stability, strengthen its reserves, and increase accessibility to these assets in times of financial challenges.
- **Reduced Reliance on Foreign Holdings:** This shift reduces dependence on gold stored in foreign vaults, reflecting a move toward prioritizing domestic security and management of national assets.

### Boosting Economic Confidence and Liquidity

- **Increased Domestic Accessibility:** By bringing more of its gold reserves to India, the RBI aims to ensure easier access during economic crises, enhancing liquidity in the domestic economy.
- **Support for Financial Stability:** Domestic gold holdings are seen as a buffer in challenging economic times, boosting confidence in India's financial resilience amidst global uncertainties.

### Recent Gold Acquisitions by the RBI

- **New Gold Purchases:** In the first half of FY25 (April-September 2024), the RBI purchased 32.63 tonnes of gold, bringing its total reserves to 855 tonnes, with a significant portion held domestically.
- **Domestic Storage Increase:** As of September 2024, 510.5 tonnes of RBI's gold reserves are now stored within India, marking a strategic rise in domestic holdings.

### Economic and Geopolitical Factors Driving Gold Repatriation

- **Rising Inflation and Geopolitical Tensions:** Recent increases in gold prices due to inflation and geopolitical uncertainties, particularly in the Middle East, have prompted the RBI to secure more gold assets as a hedge against economic instability.

### Large-Scale Repatriation Efforts

- **Significant Movement of Gold:** Since September 2022, the RBI has repatriated 214 tonnes of gold from overseas to safeguard India's assets amid heightened global tensions.



- **Recent Logistics:** Earlier this year, the RBI moved about 100 tonnes of gold from the UK, with another similar-sized shipment anticipated, marking the largest such repatriation since the 1990s.



## Role of Foreign Gold Storage

- **Strategic Reserves:** India still holds around 324 tonnes of gold in the UK (at the Bank of England and the Bank for International Settlements). This storage provides access to the highly liquid London bullion market.



- **Benefits of London Storage:** The London bullion market offers unmatched liquidity, allowing the RBI to engage in trading, swaps, and other financial transactions with ease. This flexibility supports the RBI's ability to respond swiftly to financial needs and market opportunities.

## Practical Benefits of Maintaining Some Gold Abroad

- **Global Market Flexibility:** Storing a portion of India's gold in foreign vaults allows the RBI to trade, swap, or use gold as collateral, providing strategic flexibility in international financial markets.
- **Ease of International Transactions:** The RBI frequently purchases gold from international markets, so storing some of it abroad simplifies these transactions and supports rapid response to global financial developments.

**Source 1:** <https://economictimes.indiatimes.com/news/economy/policy/rbis-secret-mission-this-dhanteras-brought-back-another-102-tonnes-of-gold-from-england/articleshow/114765172.cms?from=mdr>

**Source 2:** <https://tradebrains.in/why-did-rbi-bring-back-102-tons-of-gold-to-india-and-is-this-a-precautionary-measure/>

**Source 3 :** <https://www.newindianexpress.com/business/2024/Oct/30/rbi-brings-back-102-tonnes-gold-from-boe-60-per-cent-reserves-in-india>