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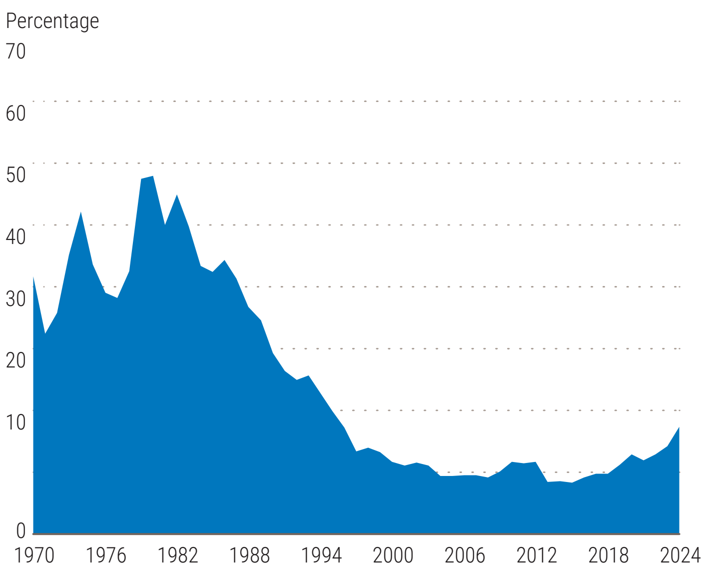
Gold reserves are increasing at central banks

Central banks around the world traditionally hold international reserves to facilitate exchange rate management, meet external obligations, maintain a buffer against external shocks, and support economic and financial stability. Among the components of these reserves, such as foreign currency-denominated assets, Special Drawing Rights (SDRs), and others, gold has traditionally held an important role, with a share that has recently begun to rise after a gradual decline (figure 1). Under the gold standard, which dominated the global economy until the First World War, currency values were pegged to a fixed quantity of gold. As a result, central banks were required to maintain sufficient physical gold reserves in order to ensure their ability to convert fiat money into gold. These reserves supported currency and price stability, but, on the other hand, imposed significant constraints on monetary policy. The gold standard severely limited central banks' flexibility in adjusting the money supply, thereby restricting their ability to smooth economic fluctuations. The accumulation of gold reserves was driven by fluctuations in countries' current account balances.

Figure 1
Share of gold in total international reserves



Source: UN DESA, based on data from the World Bank World Development Indicators database.
Note: The shares have not been adjusted to reflect fluctuations in gold prices.

KEY MESSAGES

- In a reversal of a decades-long trend, central banks in many developing and some developed countries have increased their gold purchases over the past several years.
- The purpose of this policy is to enhance the diversity and stability of reserves: the share of the United States dollar in the international reserves of many central banks has been declining.
- Fluctuations in sovereign gold holdings are driven by both cyclical factors, like changes in the rate of return on financial assets, and structural factors, such as evolving expectations of long-term asset value and safety.

About 50 years later, the establishment of the Bretton Woods system in 1944 which pegged global currencies to the United States dollar, and the United States dollar to gold, necessitated large gold holdings by the United States Federal Reserve. Although many years have passed since the gold standard was effectively abandoned in 1914 and the Bretton Woods system ended in the early 1970s, central banks continue to hold significant quantities of physical gold as part of their reserves. At present, about 20 per cent of all the gold ever produced is held by central banks around the world.

As a legacy of the gold standard, the largest share of these holdings belongs to the central banks of developed countries (figure 2). For these central banks, which issue currencies that are commonly used in international transactions and foreign exchange reserves, gold constitutes up to 80 per cent of their own international reserves.[1] For example, France, Germany, Italy and the United States hold approximately 70 per cent of central bank reserves in gold, compared with only around 10 per cent for China.[2]

1 International reserves of central banks primarily consist of gold, foreign currencies, securities issued by foreign governments or international organizations, Special Drawing Rights (SDRs), and other assets, such as a country's reserve position in the IMF. Part of these reserves, referred to as the foreign exchange reserves component consist of claims on non-residents in the form of currency and deposits, securities, financial derivatives, and other claims.

2 In September 1999, the European Central Bank (ECB) and national European central banks signed the first Central Bank Gold Agreement, also known as the Washington Agreement on Gold, agreeing that gold should remain an important element of global monetary reserves and preventing uncoordinated central bank gold sales. The fourth Central Bank Gold Agreement was signed in May 2014 by the ECB and national European banks.

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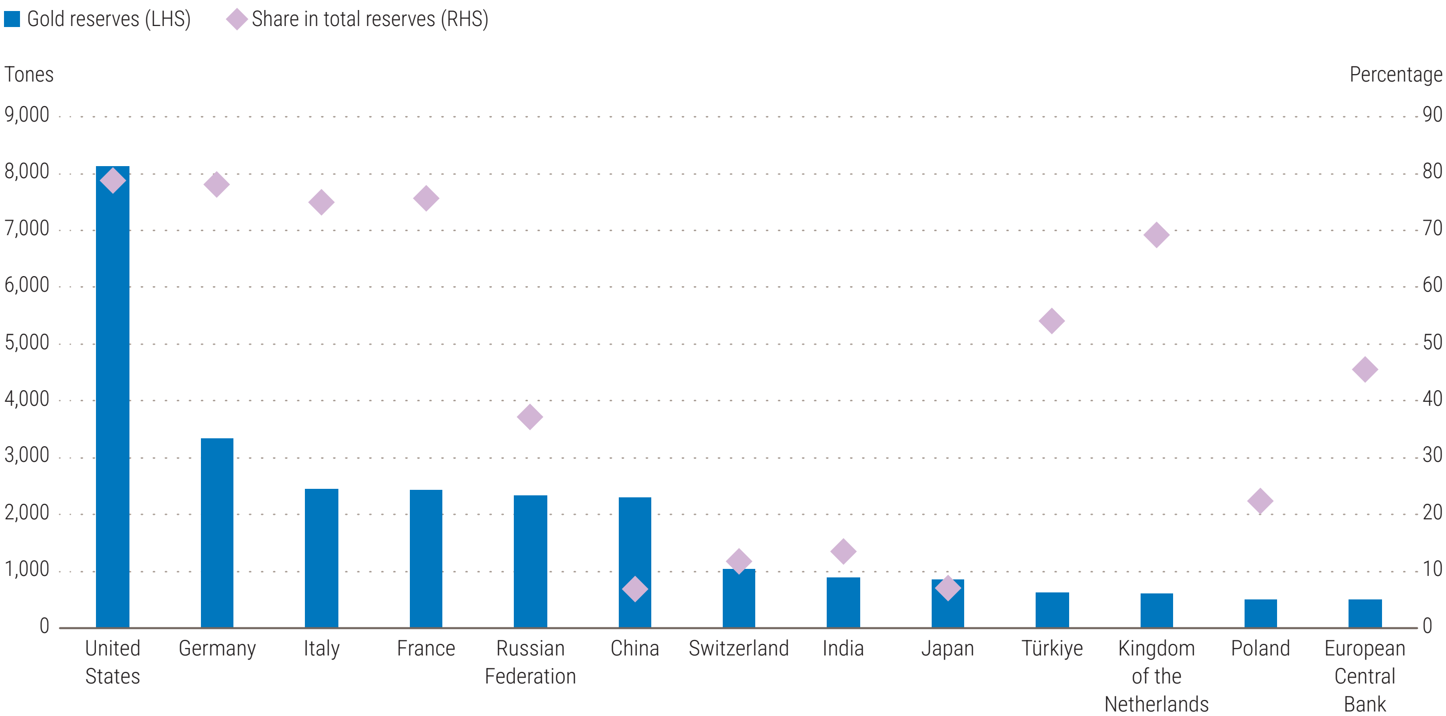
Figure 2

Official gold holdings of countries with largest holdings (including the European Central Bank)



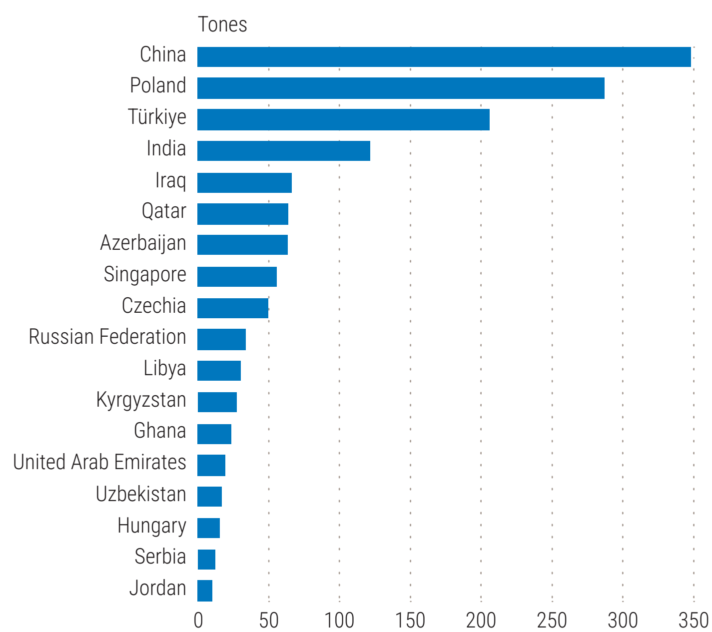
Source: UN DESA, based on data from the IMF International Financial Statistics database.
Note: LHS = left-hand-scale, RHS = right-hand scale.

Central banks significantly intensified their gold purchases since mid-2022, contributing towards a sustained upward movement in gold prices that has repeatedly set new records. And for this recent round, as central banks worldwide—along with some national wealth funds—have significantly increased their gold holdings, most of these purchases have been attributed to developing and a few small developed countries, while gold holdings by leading central banks have largely remained flat (figure 3).

In 2024, central bank purchases of gold reached a record high of 1,086 tons, bringing global gold reserves to levels not seen since the late 1970s. Among the largest buyers was the National Bank of Poland, where gold now accounts for 22 per cent of total reserves—even surpassing the corresponding holdings of the European Central Bank (ECB).[3] Other countries with significant central bank gold purchases included China, Hungary, India, Jordan, Kazakhstan, the Russian Federation, Serbia, and Türkiye. In May 2025, the National Bank of Kazakhstan was the most active gold buyer, increasing its holdings by 7.4 tons to a total of 299 tons. Several African central banks, including in Kenya, Madagascar, Namibia,

Figure 3

The largest increases in gold reserve holdings of central banks and state funds, March 2022–May 2025



Source: UN DESA, based on data from the World Gold Council.
Note: Data for Azerbaijan refers to the State Oil Fund of Azerbaijan.

3 As of July 2025, the National Bank of Poland held 515.3 tons of gold, versus 506.5 tons held by the ECB.

Rwanda, and Uganda, have recently also announced plans to boost gold reserves in the medium term.

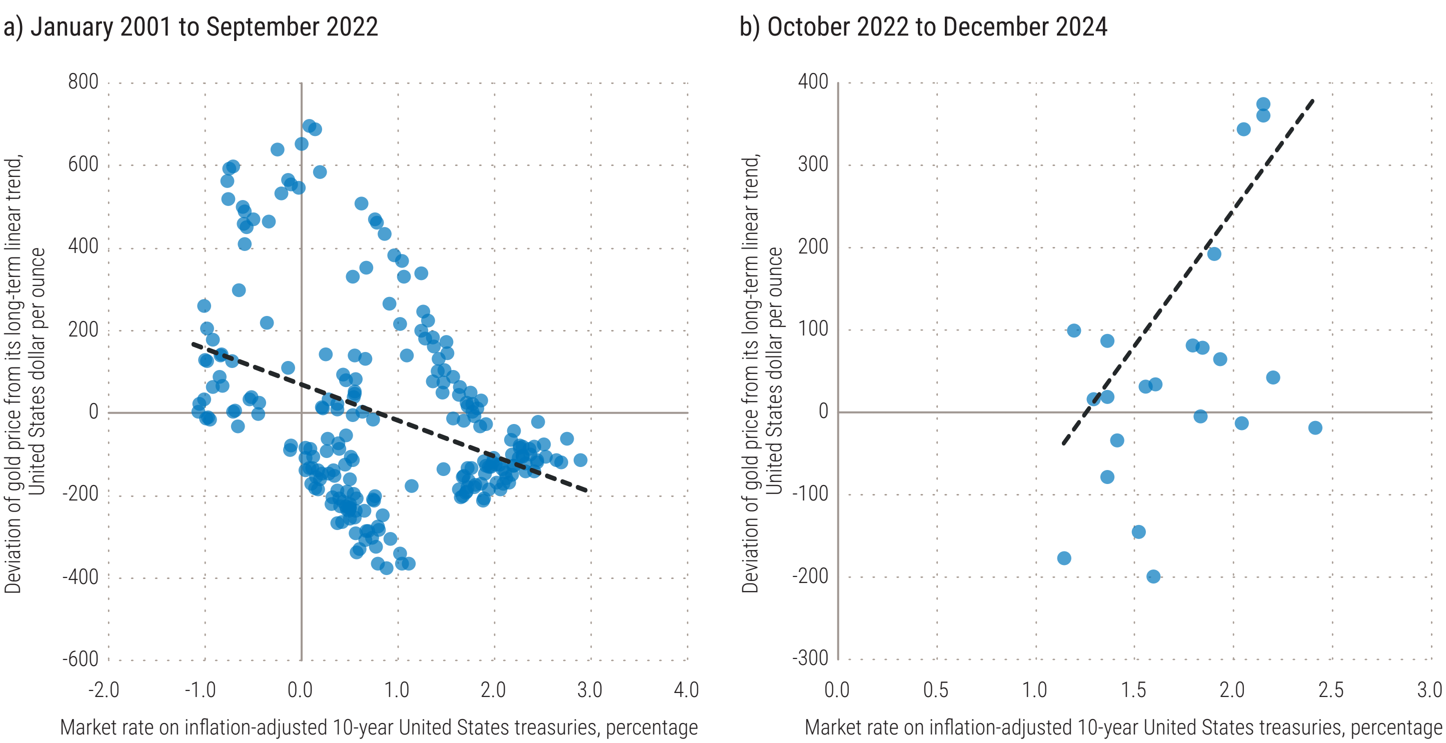
Additionally, a World Gold Council survey of 73 central banks, conducted between February and May 2025, found that 48 per cent of respondents from emerging economies expect their gold reserves to increase in the next twelve months.[4] In total, 76 per cent of survey respondents anticipate their gold holdings to increase over the next five years, while at the same time nearly 75 per cent expect a decline in the share of dollar-denominated reserves. Similarly, according to the Invesco survey conducted in 2025 among 83 sovereign wealth funds and 58 central banks, 53 per cent of respondents expect their gold reserves to increase in the next three years.[5]

There are numerous compelling reasons for developing economies to hold sovereign gold reserves. Chief among these is the strong perception of gold as a safer asset compared to other reserve holdings. Gold reserves are not claims on any legal entity and are therefore not subject to exchange rate, credit or default risk. Gold is also durable and, unlike currencies, bonds and stocks, its value is unaffected by any single country's economic policy. For developing countries, holding gold reserves can enhance the credibility of monetary authorities and positively impact sovereign credit ratings. Historically, gold has performed well during periods of economic crises, making it an attractive option for preserving the real value of reserves. Inflation hedging is another reason for plans to accumulate more gold in the coming years—as the purchasing power of fiat currencies during periods of accelerated inflation declines, the value of gold usually increases.[6]

In the World Gold Council survey, 85 per cent of responding central bankers indicated gold's performance in times of crisis as the most important factor for holding it, while 81 per cent highlighted its role as a portfolio diversifier and 80 per cent considered it as an effective store of value. According to the Invesco survey, the top two reasons to justify gold acquisition were the role of gold as a safe haven during financial instability (80 per cent of the responders) and concerns about geopolitical volatility (63 per cent). And while physical gold constitutes

Figure 4

Market rate on inflation-adjusted 10-year United States treasuries and deviation of gold price from its long-term linear trend



Source: UN DESA, based on data from Federal Reserve Economic Data (FRED), Trading Economics and the World Bank.

4 World Gold Council (2025), Central Bank Gold Reserves Survey 2025.

5 Invesco (2025), 2025 Invesco Global Sovereign Asset Management Study.

6 Worthington, Andrew, and Mosayeb Pahlavani (2007), Gold investment as an inflationary hedge: cointegration evidence with allowance for endogenous structural breaks, *Applied Financial Economics Letters*.

the large share of most reserve portfolios, central banks are expanding their gold management strategies, planning to increase use of derivatives, exchange-traded funds, and swaps.

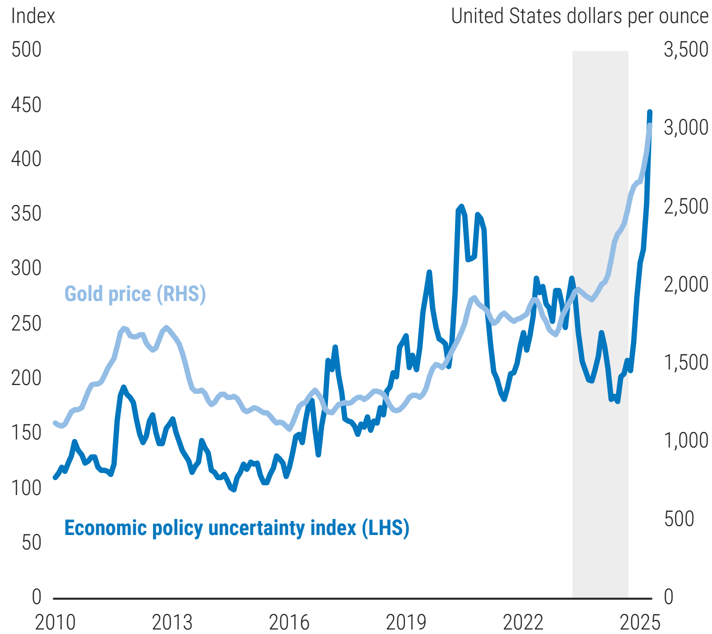
Holding gold can also come with drawbacks that central banks need to assess as they determine their optimal portfolios of international reserves.[7] Gold prices still may fluctuate and may even decline significantly in absolute terms, as observed between 2012 and 2019. Additionally, holding gold comes with an opportunity cost as it forfeits the interest income that could be earned on other assets. In most cases, developing country central banks hold fixed-interest rate assets that are considered safe, offering relatively low but still positive returns, for example medium- and long-term government bonds, including United States Treasuries, German Bunds, Japanese Government Bonds and British Guild. For gold reserves stored domestically, there are logistical challenges for conducting international transactions.

Beyond the basic arguments for holding gold, certain circumstances may lead central banks to adjust the proportion of gold in their total reserves. Historically, demand for gold by both central banks and other investors (including retail investors) has been driven by cyclical factors. Typically, gold prices rise (at least in relative terms) during economic downturns (e.g., the global financial crisis of 2008–2009) as demand increases, particularly when prices of other assets, such as stocks, decline. Gold demand, among other factors, is also linked to economic growth expectations. In addition, movements in gold prices have also traditionally shown a somewhat negative correlation with real central bank interest rates, especially in the United States (figure 4a). Higher returns on financial assets reduce gold's attractiveness as an asset, while lower returns enhance it. However, this traditional relationship has apparently been broken from mid-2022 until mid-2024 (figure 4b). During the period of significant monetary tightening since mid-2022 and a strong United States dollar, gold prices began to climb, driven by a range of factors including central bank purchases.

Moreover, while gold prices typically rise during periods of heightened economic policy uncertainty, this relationship appears to also have temporarily broken from 2022 to 2024 (figure 5). This shift, among other factors, was partly driven by the strong demand for gold from central banks. Although central bank purchases are not the only factor influencing gold prices, they play a significant role. From the third quarter of 2022 to the first quarter of 2025, central banks accounted for approximately 25 to 30 per cent of total demand for gold, on par with demand from jewellery fabrication.[8]

Figure 5

Economic policy uncertainty index and gold price



Source: UN DESA, based on data from Economic Policy Uncertainty and World Bank.
Note: Both indicators are based on a three-month moving average.

Many observers have linked the start of intensified central bank gold purchases in mid-2022 to the imposition of economic sanctions against the Russian Federation for the war in Ukraine, applied through international financial and payment systems. The immobilization of approximately $300 billion of foreign exchange reserves of the Russian Federation—about 50 per cent of its total reserves, held in various locations—likely contributed to the increased interest towards gold.

The shift in monetary policy by leading central banks toward a more accommodative stance since mid-2024 further fuelled large-scale central bank gold purchases. This trend has also sparked speculative interest towards gold.[9] For example, Chinese investors have been reallocating funds from property and stock markets to gold throughout 2024 and this trend was maintained in 2025.[10]

7 See, for example, Zulaica, Omar (2020), What share for gold? On the interaction of gold and foreign exchange reserve returns, BIS Working Papers No. 906, November.

8 See, World Gold Council (2025), Gold Demand Trends: Q1 2025.

9 See, for example, Investing.com (2025), CFTC Gold speculative net positions, August.

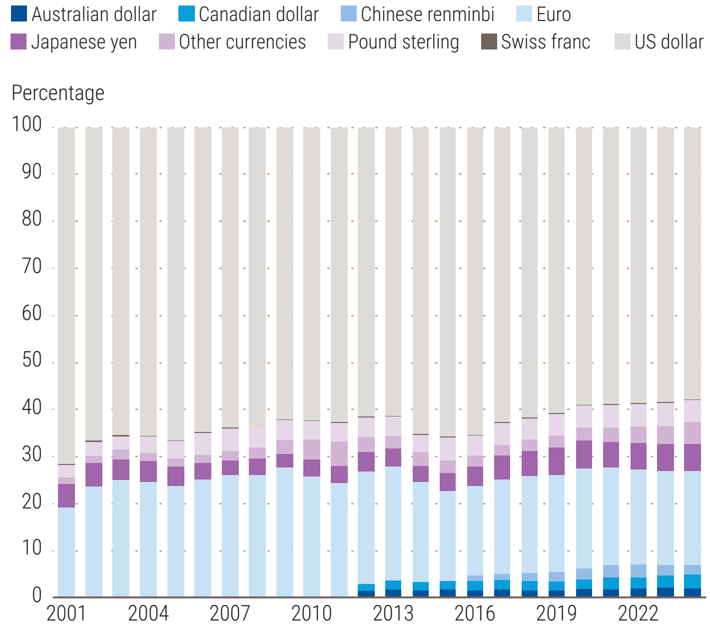
10 See, Wakabayashi, Daisuke, and Claire Fu (2024), China is buying gold like there is no tomorrow, The New York Times, May, and Cheung Kong Graduate School of Business (2025), CKGSB Releases Investor Sentiment Survey Found More Chinese Investors Retreat to Safe Assets in Q1 2025, May.

Central bank managers have been reporting increasing appetite for diversification of their international holdings, at least partly as a risk mitigation strategy. Gold has now become the second-largest asset held by central banks, after foreign exchange reserves,[11] with its share—while still far below the levels seen in mid-1970s—steadily increasing. Meanwhile, the share of the United States dollar in the foreign exchange component of reserves has been steadily declining— from over 70 per cent in 2001 to just 57 per cent in 2025 (figure 6), with one recent survey finding that 72 per cent of central bankers are expressing rising concerns about the impact of United States fiscal dynamics on the long-term outlook for the dollar.[12] Such apprehensions have been intensified by recent United States legislation that sharply increased its projected public debt.[13] While the euro and the pound sterling have traditionally been part of central bank holdings, other currencies, such as the Australian pound, the Canadian dollar and the renminbi have been gradually gaining importance.[14] Of late, some central banks are reportedly considering crypto assets as well.

While United States dollars will retain an outsize share of any optimally re-balanced central bank portfolio, the growing share of gold reverses a long running trend, portending a new source of continuing demand for the metal.

Figure 6

Currency composition of allocated foreign exchange reserves



Source: UN DESA, based on the IMF COFER dataset comprising 149 reporters (those include sovereign funds).

Note: Allocated reserves is the category in which reporting countries identify and report the currency of denomination of their foreign exchange reserves; unallocated reserves is a residual COFER dataset category.

11 Foreign exchange reserves are reserve assets other than monetary gold, Special Drawing Rights (SDRs), and reserve position in the IMF, and consist of the monetary authorities' claims on non-residents in the form of currency and deposits, securities, financial derivatives, and other claims.

12 Invesco (2025), 2025 Invesco Global Sovereign Asset Management Study.

13 According to the United States Congressional Budget Office, passing the "One Big Beautiful Bill Act" in May 2025 and making certain tax provisions permanent will raise debt-service costs by an estimated $687 billion over the 2025–2034 period. Additionally, debt held by the public at the end of 2034 is projected to increase to 127.7 per cent of GDP. See, Congressional Budget Office report, 12 June 2025.

14 See, Eichengreen, Barry, et al. (2022), The stealth erosion of dollar dominance and the rise of nontraditional reserve currencies, *Journal of International Economics*, September.