GoldSquawk

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Eastern demand is shifting from jewellery to investment and reserves

GoldSquawk Research

Key takeaways

- Global gold demand has held up despite weaker jewellery: Q2 2026 total demand including OTC was 1,268.9t, flat year-on-year, even as jewellery consumption fell 17% to 278.2t; central-bank net purchases of 288.9t and OTC demand of 327.1t provided the main offset.[1]
- India's slowdown is clearest in tonnage rather than spending. Q2 2026 Indian gold demand was 131t, down 6% y/y, with jewellery at 75.1t, down 15% y/y, while spending still reached a record INR1,979bn as higher prices supported value but hurt volume.[2]
- China is not offsetting India through jewellery. Mainland China's Q2 2026 jewellery demand fell 28% y/y to 50.0t, but bar-and-coin demand remained 107t in Q2 and 314t in H1, the strongest first half on record, showing the shift into investment channels.[3,4]
- Official buying is the cleanest macro offset. Central banks bought 288.9t net in Q2 2026, up 62% y/y, while reported global net buying was 39t in August; China alone added 20.2t in August and SAFE data show another increase in September reserves.[1,5,6,7]

India's jewellery slowdown is real, but the weakness is price-led

- India's total gold demand was 131t in Q2 2026, down 6% y/y and 13% q/q, while jewellery demand fell to 75.1t, down 15% y/y. At the same time, spending reached a record INR1,979bn, up 35% y/y, indicating that value held up while physical volumes weakened.[2]
- WGC attributes the pressure mainly to high local prices: domestic Indian prices were 59% higher y/y in Q2, with the mid-May import duty increase and rupee depreciation keeping local prices elevated even as international prices eased somewhat.[2]
- The more recent market signal remains soft. WGC said festive-season strength seen from late August had softened in recent weeks, leaving consumers in wait-and-watch mode; domestic discounts widened to US$78/oz as of 11 September, nearly 2% below import parity, helped by old-for-new exchanges and ample local supply.[8]
- August imports fell to US$2.3bn, down 45% m/m and 58% y/y, with estimated gross volumes of 15-20t, suggesting existing domestic supply was sufficient for expected demand. At the same time, Indian gold ETF inflows rose 67% m/m to INR25.97bn in August and holdings increased to 121.3t, pointing to some migration from jewellery into financial gold.[8,9]

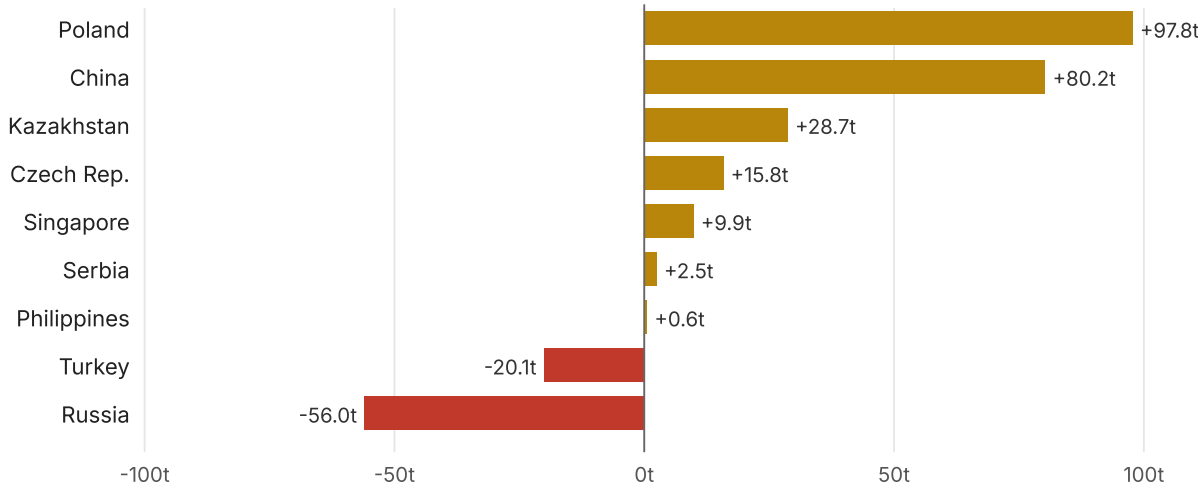
China can offset India only through investment demand, not jewellery

- Chinese jewellery demand remains weak. Mainland China's Q2 2026 jewellery demand was 50.0t, down 28% y/y and the lowest second quarter since 2004; H1 demand was 136t, down 30% y/y, as fragile consumer confidence and elevated, volatile prices weighed on purchases.[3]
- By contrast, China remained the largest global bar-and-coin market in Q2. Demand was 107t in Q2, down from a very strong 207t in Q1 but still only 7% lower y/y, while H1 bar-and-coin demand

reached 314t, the strongest first half on record.[4]

- WGC links this investment demand to safe-haven buying, subdued local yields, weakness in property, concern over the economic outlook and continued PBoC purchases. It also notes that VAT treatment is redirecting some investment-motivated buying away from jewellery and towards bars and coins.[4]
- Recent data show a mixed but still supportive picture: August SGE withdrawals fell unseasonally, signalling cooler bullion demand and continued jewellery weakness, yet Chinese gold ETFs added 11t in August, lifting holdings to 293t, and July net imports were still 34% higher y/y at 118t despite a month-on-month slowdown.[6]

Figure 1: Official buying remains a substantial offset in 2026



Source: IMF International Reserves and Foreign Currency Liquidity data; GoldSquawk calculations, as of 11 October 2026.

Official-sector buying is large enough to absorb softer jewellery demand

- At the macro level, official demand is already large enough to offset the loss from softer Indian jewellery demand. India's jewellery demand fell by 13.7t y/y in Q2, from 88.8t to 75.1t, while global central-bank net purchases reached 288.9t in the same quarter, almost matching total global jewellery consumption of 278.2t.[1,3]
- Reported global central-bank buying stayed firm into late summer: WGC put August net purchases at 39t and year-to-date buying at 170t on reported data, even after Q1 2026 demand was later revised down to 56.5t, underlining both the strength of the official bid and the need to allow for revisions.[10,5]
- China is central to that support. The PBoC reported a 20.2t addition in August, the largest monthly increase since October 2023, taking official holdings to 2,387t by end-August and raising gold's share of FX reserves to 9% from 8% in July; SAFE data then showed reserves rising again to 77.47mn oz in September.[6,7]
- The wider official backdrop remains constructive: 89% of reserve managers in WGC's 2026 survey expect global central-bank gold holdings to increase over the next 12 months, and 45% expect their own institution to raise holdings.[11]

Scenarios

- **Offset holds:** Indian jewellery demand remains soft because high local prices, import-duty effects and recycling restrain fresh tonnage, but global demand stays supported as Chinese bars, coins and ETFs remain firm and official-sector buying continues at a solid pace.[8,4,6]

- **Offset weakens:** The balance becomes less supportive if Indian festival demand disappoints further while China's investment bid cools at the same time, as already hinted by unseasonally weak August SGE withdrawals and sensitivity to price volatility.[8,4,6]
- **Consumer rebound narrows the gap:** If Indian wedding and festive demand improves as prices stabilise, the narrative shifts from substitution to broadening demand, with jewellery recovering alongside continued institutional and investment buying.[2]

Levels to watch

- Gold last close: $4,216.3/oz (09 Oct 2026).
- 50-day moving average: $4,377.0/oz.
- 200-day moving average: $4,548.0/oz.
- 52-week low: $3,960.5/oz.
- 52-week high: $5,318.4/oz.

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Glossary

OTC demand: Over-the-counter demand: gold trading and transactions conducted privately rather than on a public exchange.[3]

Import parity: The domestic price level implied by importing gold, including relevant costs and taxes; trading below it can signal soft local demand or ample supply.[5]

SGE withdrawals: Gold withdrawn from the Shanghai Gold Exchange, widely watched as an indicator of wholesale physical demand in China.[9]

Bar-and-coin demand: Retail investment demand for physical gold bars and coins, distinct from jewellery demand.[8]

FX reserves: Foreign-exchange reserves held by a central bank, which can include gold alongside foreign currencies and other reserve assets.[10]

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