GoldSquawk

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Asia's gold demand is shifting rather than disappearing

GoldSquawk Research

Key takeaways

- China's modest positive local premium into mid-October points to continued wholesale demand, but it sits alongside very weak jewellery tonnage and stronger investment demand rather than broad-based retail strength[1,2,3].
- In China, H1 2026 jewellery consumption was the weakest first half in tonnage since 2006, yet investors bought 342t against 136t of jewellery demand and spending value still rose, showing a shift in mix rather than a collapse in gold appetite[3].
- India's market adjusted sharply after the mid-May import-duty increase from 6% to 15%, moving from an average premium of about US$14/oz to a discount of nearly US$150/oz before narrowing to about US$25/oz by 15 June as recycling, prior imports and some buying helped rebalance supply[4,5].
- Indian demand became more tactical: jewellery buying improved after the June price fall, imports fell further in June amid soft demand and ample domestic supply, then rebounded in July as lower, steadier prices encouraged buying and festive restocking[6,7].
- The UAE is acting as a fast-moving retail release valve for regional demand: when Dubai 24K slipped below Dh500/g on 29 September, local and tourist buying accelerated, while India's higher import duty improved the relative appeal of UAE purchases[8,9,10].

China: positive premiums, but demand is shifting away from jewellery

- China's local premium remained modestly positive into mid-October, consistent with WGC's directional premium series updated to 16 October 2026. That suggests local wholesale demand still required supply, but not severe tightness[1].
- The broader demand mix remains skewed away from jewellery. WGC says H1 2026 Chinese jewellery consumption was the weakest first half in tonnage since 2006, while investors bought 342t in H1 versus 136t of jewellery demand[3].
- Q1 reinforces the same pattern: jewellery demand fell 32% y/y to 85t, yet consumer spending on gold jewellery rose 16% y/y to US$13bn as buyers shifted to smaller and lighter pieces[11].
- WGC also points to substitution into lower-premium investment products, old-for-new exchange and ETF buying, while October seasonality and September SGE withdrawals supported wholesale activity even as jewellery weakness weighed on Q3 demand[12,2,13].

India: premiums, recycling and imports now move with affordability windows

- India's market structure changed after the mid-May 2026 duty increase from 6% to 15%, which WGC described as the steepest increase on record. The immediate effect was weaker demand, a swing into deep discount, greater use of inventories and recycled supply, and cooler official imports[4].

- WGC says the market had averaged about a US$14/oz premium before the duty hike, then moved to nearly a US$150/oz discount before narrowing to about US$25/oz by 15 June. The rebalancing reflected weaker opportunistic supply, some recovery in buying, prior dealer imports and old jewellery exchanged for new[5].
- Demand then became more tactical. By 14 July, the international gold price had fallen more than 11% to around US$4,000/oz and domestic prices were near INR141,000/10g, after which jewellery buying picked up even though June demand had been subdued[6].
- By August, WGC said jewellery demand strengthened on lower and more stable prices, retailers and manufacturers replenished inventories ahead of festivals, and imports rebounded in July. This supports the view that India is buying weakness rather than chasing higher prices continuously[7,6].

UAE: promotions and cross-border demand cushion high-price pressure

- The UAE retail market has shown quick sensitivity to lower prices. On 29 September, Dubai 24K fell below Dh500/g to Dh497.25/g and 22K to Dh460.50/g, which local coverage described as among the lowest rates in more than seven weeks[8].
- By 4 October, local reporting said families were bringing forward festive purchases as prices stayed below Dh500/g, with retailers citing stronger NRI and Indian tourist buying. A Dubai Jewellery Group Diwali campaign was scheduled for 24 October to 12 November 2026[9].
- This matters regionally because India's higher import duty improved the relative appeal of buying gold in the UAE, according to WGC. That makes the UAE both a domestic retail market and a cross-border outlet when India's tax wedge is high[10].
- Retailer competition through promotions and charges appears to be part of the adjustment process: when affordability is challenged, demand is stimulated through timing, campaigns and lower transaction frictions rather than through lower bullion prices alone[9].

Figure 1: Gold remains below key moving averages



Source: COMEX gold futures daily closes via Yahoo Finance; GoldSquawk calculations, as of 19 October 2026.

What premiums and imports now do — and do not — tell investors

- Local premiums in China and India should be treated as directional rather than precise measures of physical tightness; WGC explicitly describes these series as indicative. In current conditions, they can reflect seasonality, inventory management, recycling flows, policy changes and shifts between jewellery and investment products[1].

- Imports are also a less reliable standalone demand signal, especially in India. Since the duty hike, official import trends have been affected by recycling, old-for-new exchange, policy tightening and the relative attraction of buying outside India, including in the UAE[4,10].
- The broader price backdrop remains demanding for consumers. Gold closed at US$4,161.5/oz on 19 October, below both its 50-day moving average of US$4,369.6/oz and 200-day moving average of US$4,539.8/oz, after a 6.0% fall over one month but a 2.1% rise over three months [chart].
- For physical markets, that kind of pullback matters because recent evidence from India and the UAE shows buying has become more responsive to price corrections and periods of stability than to momentum at record highs[6,8,9].

Scenarios

- **Adaptation continues:** China's local premium stays modestly positive, investment demand continues to offset weak jewellery tonnage, and India's festive demand remains firm enough to support replenishment despite high duty. In this setting, physical demand remains selective and price-sensitive rather than broad-based[1,2,3,7].
- **Affordability pressure returns:** If high local prices re-intensify without a fresh affordability window, jewellery demand could weaken again, especially in China where confidence is already soft and in India where recent improvement followed lower and more stable prices. That would favour recycling, lighter-weight purchases and lower-premium investment formats over heavy jewellery buying[3,6,11,12].
- **Policy and cross-border distortion deepens:** India's high import duty and anti-smuggling backdrop could further weaken the link between official imports and real consumption, while the UAE captures more tourist and NRI demand at the margin. In that environment, premiums and imports become noisier indicators of underlying Asian demand[4,14,10].

Levels to watch

- Gold last close: US$4,161.5/oz
- 50-day moving average: US$4,369.6/oz
- 200-day moving average: US$4,539.8/oz
- 52-week low: US$3,960.5/oz
- 52-week high: US$5,318.4/oz

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Glossary

Premium/discount: The local gold price relative to the international benchmark after adjusting for costs. A premium can suggest stronger local demand or tighter supply, while a discount can indicate weaker demand or excess supply [10].

SGE withdrawals: Gold taken out of Shanghai Gold Exchange vaults, often used as a proxy for wholesale physical offtake in China [11].

Old-for-new exchange: A retail practice where consumers trade in existing jewellery towards a new purchase, reducing cash outlay and increasing recycled supply [6][3].

Landed price: The cost of imported gold after including charges such as duty and related import costs [3][5].

IFSC: International Financial Services Centre. In this context it refers to India's bullion-market framework, including new Good Delivery guidelines issued in October 2026 [14].

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