

Gold Crosses ₹1 Lakh

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Gold Crosses ₹1 Lakh: A Reflection of Global Economic Shifts

Context:

Gold plays a dual role in the global economy — as a **safe-haven investment** during times of crisis and a **cultural and financial asset** in countries like India. Recently, gold prices in India crossed the ₹1 lakh per 10 grams mark for the first time, reflecting significant economic and geopolitical shifts globally.

This development holds relevance for **UPSC aspirants**, especially under topics related to **Indian Economy, International Trade, Monetary Policy, and Global Economic Trends**.

Recent Development: Record Gold Prices in India

- In **April 2025**, the price of **24-karat gold** in Mumbai reached **₹1,01,350 per 10 grams**, while **22-karat gold** touched **₹92,900**.
- This marks the **first-ever breach of the ₹1 lakh mark** for gold in India.

Reasons Behind the Surge in Gold Prices

1. Global Price Rally

- International gold prices soared to **\$3,400 per ounce**, a historic high.
- A weakening **US dollar** made gold cheaper for international buyers.
- The dollar fell to its **lowest level since 2022**, driven by policy uncertainty in the US.

2. Uncertainty Over US Monetary Policy

- President **Donald Trump's announcement** to overhaul the **Federal Reserve** created

financial market instability.

- Trump's **criticism of Fed Chairman Jerome Powell** and demand for lower interest rates raised doubts about the Fed's **independence**.
- Markets reacted to possible disruptions in monetary policy, shifting capital towards gold.

3. Geopolitical and Inflationary Concerns

- Ongoing **Russia-Ukraine tensions** and **persistent inflation fears** have boosted gold's safe-haven status.
- The **US Federal Reserve warned** that proposed tariffs could hinder its economic goals, further driving investors toward gold.

4. Central Bank and Institutional Buying

- Increased gold purchases by **China**, other **global central banks**, and **institutional investors**.
- Concerns about the **US debt crisis** and **slowing global growth** led to higher gold accumulation.

5. Analyst Observations

- Experts cite **escalating trade tensions**, **uncertain US economic direction**, and **sustained buying by major players** as key reasons behind the surge.

India's Gold Market: Structure and Significance

India's Position in the Global Market

- India is the **second-largest gold consumer** globally, after **China**.
- In **2024**, India's gold demand was **802.8 tonnes**, up from **761 tonnes in 2023**.
- China topped with **985 tonnes** of demand.

Monetary Value of Gold Demand

- Total value of gold demand in India increased by **31%** in 2024.
 - It rose to **₹5.15 lakh crore**, up from **₹3.92 lakh crore** in 2023. (Source: World Gold Council)
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Gold's Cultural and Financial Importance in India

Traditional and Cultural Significance

- Gold holds deep cultural roots in Indian society.
- Widely used in **weddings, festivals, and inheritances**, symbolizing wealth and prosperity.

Gold as a Financial Asset

- Used as a **collateral for loans** during times of financial need (e.g., education, healthcare).
 - Especially vital during **economic slowdowns**, inflation, and uncertain global trade scenarios.
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Rise in Gold Loans and Fintech Integration

- **Gold loans** have become a stable and preferred financing option.
 - Rise in **digital platforms, apps, and fintech solutions** has increased access to gold loans, even in **remote and rural areas**.
 - This has further strengthened the relevance of gold as a liquidity provider in times of need.
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Conclusion: UPSC Relevance and Broader Implications

- This event reflects the **interlinkages between global policy decisions and domestic markets**.

- For UPSC, it highlights issues related to:
 - **Global monetary policy**
 - **India's external sector**
 - **Commodity markets**
 - **Socio-economic dynamics of asset ownership**
- The surge in gold prices is not just a market trend but a **symptom of deeper global economic anxieties**.



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