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Bringing Home the Gold: Repatriation

Is the repatriation of gold reserves gaining momentum? Or will the number of tonnes be modest in the future?

Last year's Invesco Global Sovereign Asset Management Study highlighted participating central bankers' concern with the US freezing of Russian reserves (including gold). The participants saw the American sanctions as a reason to own gold in a geopolitical uncertain world. It was, however, also seen as a reason to bring the reserve asset back within domestic borders from traditional overseas guardians like the Bank of England, the Bank for International Settlements, and the Federal Reserve Bank of New York. One survey participant said his country brought home their gold "to keep it safe." Overall, 68% of the respondents to the 2023 survey were holding (at least some) gold at home compared to 50% in 2020.

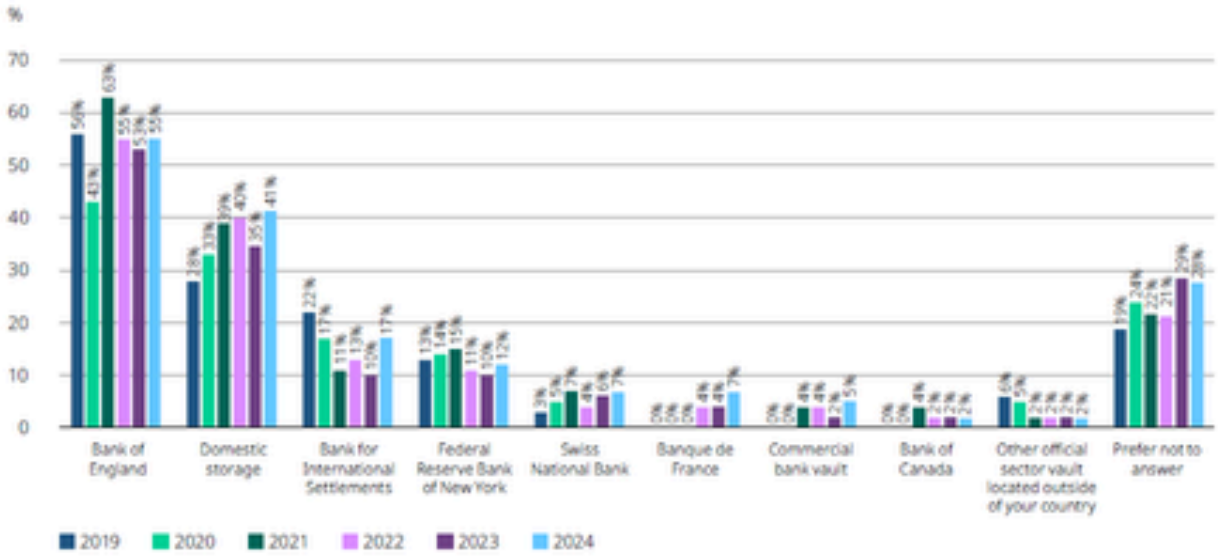
What repatriation activity has occurred in the last year? The most notable is India.

The Reserve Bank of India (RBI) brought home 100 tonnes between April 2023 and March 2024 from its account at the Bank of England. The central bank has added gold reserves every year since 2017, buying a total of 283 tonnes (as of June 2024). RBI Governor Shaktikanta Das said external gold holdings had risen and domestic storage was available, and that nothing more should be read into it. The Times of India suggested that a similar amount might again be repatriated in coming months for 'logistical' and 'storage diversification' reasons. As of June, India owns 840.8 tonnes of gold. For background, since 2017 the country has bought 283 tonnes, including 37.2 tonnes thus far in 2024. Approximately 408 tonnes are stored domestically.

The 2024 Central Bank Gold Reserves Survey published by the World Gold Council (June 2024) shows an uptick in domestic storage:

Q26. Where do you currently vault your gold reserves? (Select all that apply).

The Bank of England continues to be the most popular location for central banks to vault their gold reserves. Domestic storage has witnessed a moderate uptick compared to previous years.



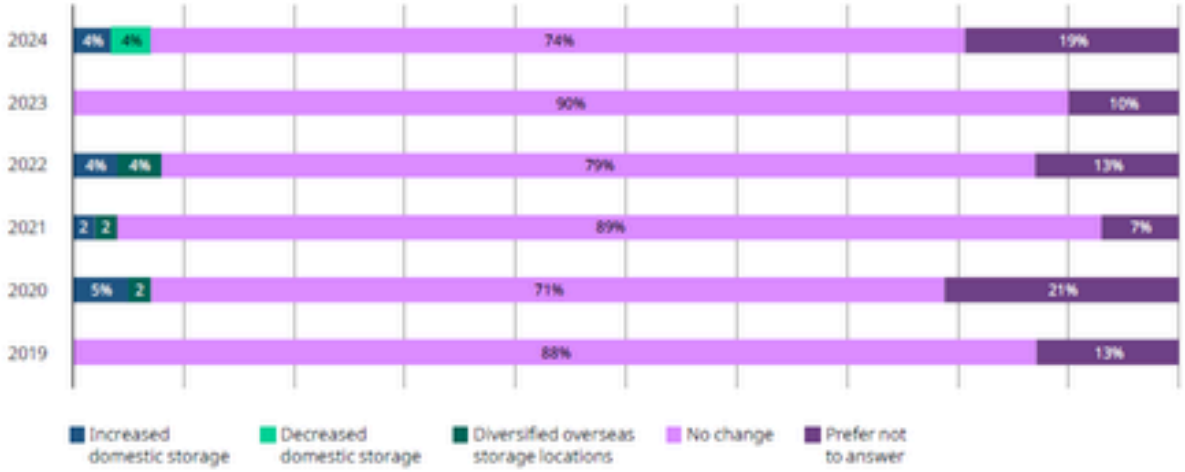
Base: All central banks who hold gold (58); Advanced economy (18); EMDE (40).

Where do you currently vault your gold reserves?
2024 Central Bank Gold Survey, World Gold Council

Despite sentiment that domestic storage might pick up significantly, it hasn't in the past year. 4% of central banks increased domestic storage and the same percentage decreased it:

Q27. How, if at all, have your custody arrangements changed over the past 12 months?

Among respondents, 4% say they have increased domestic storage while 4% say they have decreased domestic storage.



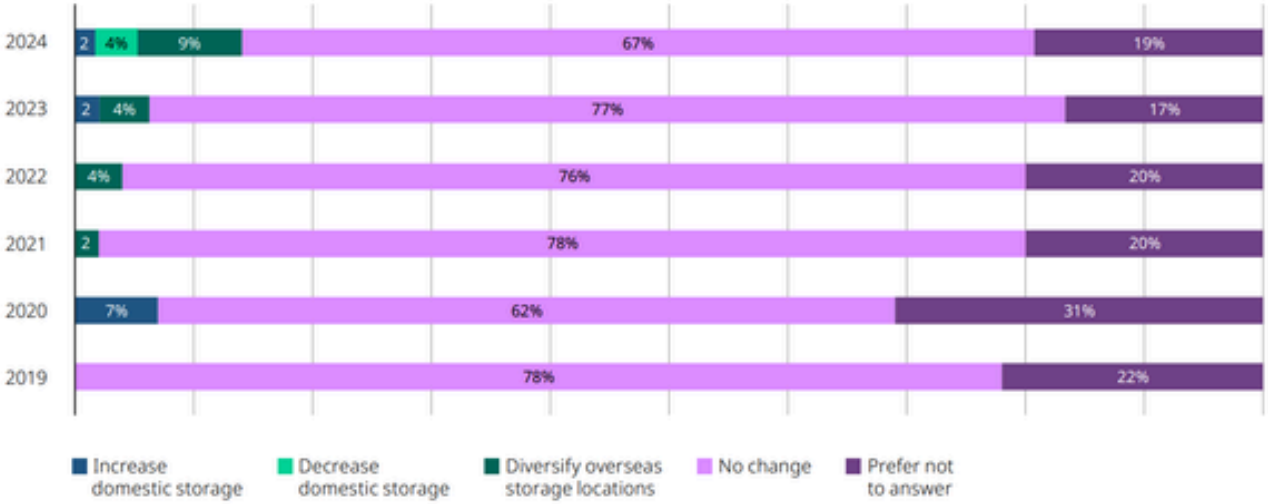
Base: All central banks who hold gold (57); Advanced economy (18); EMDE (39).

How, if at all, have your custody arrangements changed over the past 12 months?
2024 Central Bank Gold Survey, World Gold Council

Moreover, only 2% plan to increase domestic storage in the next 12 months:

Q28. How, if at all, do you intend to change your custody arrangements in the next 12 months?

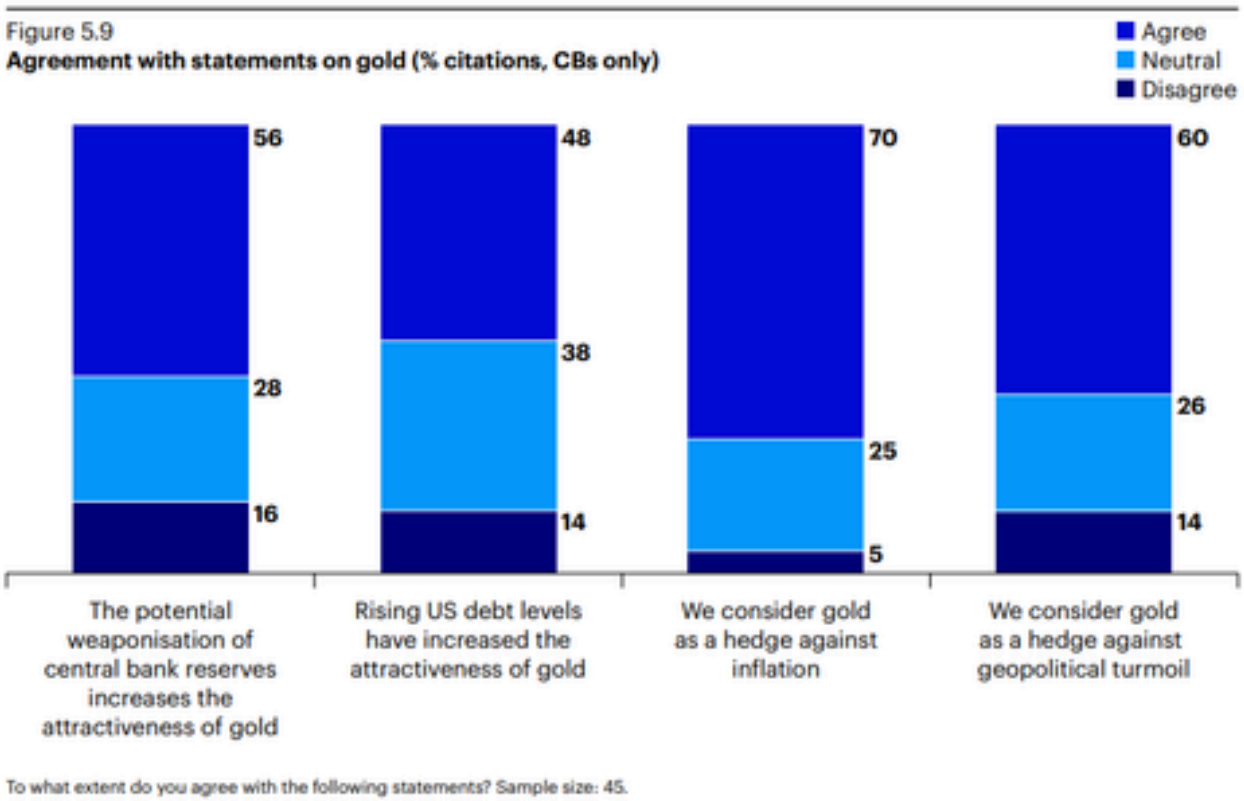
Among respondents, 2% say they plan to increase domestic storage, 4% say they plan to decrease domestic storage, and 9% say they plan to diversify overseas storage locations. Overall, 15% of respondents say they have plans to change their custody arrangements in some way, an increase compared to previous years.



Base: All central banks who hold gold (57); Advanced economy (18); EMDE (39).

How, if at all, do you change your custody arrangements in the next 12 months?
2024 Central Bank Gold Survey, World Gold Council

But despite the indication that much gold won't be onshored soon, central bankers in this year's Invesco study remain concerned about the weaponization of the US dollar. 56% think that makes gold more attractive:



To what extent do you agree with the following statements? Sample size: 45.

Agreements with statements on gold
2024 Central Bank Gold Survey, World Gold Council

To answer the question of whether the repatriation of gold reserves is gaining momentum, we must acknowledge India's actions (even though they said not to read anything into it) and the Times of India's suggestion that RBI is not finished bringing home gold. We should consider that movements of large amounts of gold require extensive planning and international coordination and time to execute safely. Consider that when Germany moved 674 tonnes home, it started in 2013 and finished in 2017. In other words, it is possible plans for gold transfers are in the works. Additionally, countries may opt to diversify their international storage for safety and convenience instead of repatriating it. Maybe there will be some central bank gold in the belly of a plane you are on, or maybe it will be in a security truck next to you on the highway.

In any event, less financial integration like international gold storage does not seem to be beneficial to economic and political harmony and would suggest decreasing trust. Let's keep an eye on central bank activity, not only their buying and selling, but their repatriation acts as well.

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[1] Central Bank Gold Survey, World Gold Council, 2024

[2] Central Bank Gold Survey, World Gold Council, 2024

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