# Central banks double gold purchases in 2023 amid waning trust in cryptocurrencies



As global economic uncertainties loom large, gold has sharply reclaimed its status as a formidable asset, prompting reflections from economist Peter Schiff. He points to a significant trend: instead of diversifying into cryptocurrencies like Bitcoin, central banks are amassing gold reserves at an unprecedented pace. Reports indicate that in 2023 alone, central banks purchased over 1,000 metric tonnes of gold, a figure that more than doubles the historical norm. This surge, particularly led by the People's Bank of China, which increased its holdings by 225 tonnes to a total of 2,235 tonnes, showcases an evident preference for gold amidst a waning trust in fiat currencies, notably the U.S. dollar.

This strategic shift towards gold isn't purely a reaction to the present economic climate; it has roots in a longer-term strategy. Countries like Russia have been stockpiling gold since 2014, largely as a buffer against sanctions and geopolitical isolation. As the world grapples with heightened tensions and uncertainties—exacerbated by fluctuating tariff policies in the U.S.—more nations appear to be following suit, echoing Schiff's concern: if Bitcoin truly represents the future of currency, why are governments still choosing the age-old allure of gold?

Emerging market banks, in particular, are cited as being significantly underexposed to gold, with analysts like Michael Widmer from Bank of America suggesting they may soon triple their gold allocations. This insight underscores a critical narrative: when faced with potential instability, institutions appear more inclined to hedge their bets with gold rather than crypto. Schiff emphasizes the inherent risks associated with Bitcoin, highlighting its volatility and a concentrated investor base in the U.S. This raises questions for those who see it as a viable alternative; while Bitcoin may be experiencing short-term gains, its susceptibility to dramatic price fluctuations can deter institutional investment focused on stability.

Despite Schiff’s scepticism, there are voices within the market advocating for Bitcoin's potential as a safe haven. CNBC's Ran Neuner argues that the digital asset could emerge as a robust counterforce to gold, particularly as tech-savvy investors seek to navigate the future of finance. Yet, the prevailing consensus among central banks, at least for now, is evidenced by their prioritisation of gold over cryptocurrencies. The World Gold Council corroborates this trend, reporting a record net purchase of gold by central banks for the second consecutive year, signalling a strong shift in the landscape of reserve assets.

As confidence in the U.S. dollar dwindles—its global reserve share has shrunk from over 70% in 2000 to approximately 55% today—central banks in advanced economies are increasingly vocal about their intentions to elevate gold's status in their portfolios. A recent survey indicated that nearly 60% of these institutions foresee a rise in gold holdings over the next five years, reflecting a robust alignment with strategies traditionally favoured by emerging markets.

Amidst this evolving landscape, higher gold prices have led to a reconsideration of its role as a viable investment, despite some critics labelling it as a "pet rock." Many still recognise gold's resilience as a store of value, especially during crises. Just recently, prices reached record highs of around $2,500 per ounce, spurred on by government mistrust and increasing demand from central banks. This raises the question: as institutions spin their narratives around digital assets, will gold continue to stand the test of time? For now, it appears to be the asset of choice amid growing economic turbulence, providing a clear signal regarding market sentiments on stability.

In this climate, the juxtaposition of gold’s enduring allure against Bitcoin’s potential risks highlights a pivotal moment in asset management strategies globally. Investors, both institutional and individual, must weigh the arguments, considering gold's proven track record against the speculative nature of cryptocurrency, as they chart their course through the choppy waters of the current economic landscape.

## Reference Map:

* Paragraph 1 – [[1]](https://cryptodnes.bg/en/central-banks-are-buying-gold-not-bitcoin-peter-schiff-says-that-speaks-volumes/), [[2]](https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2023/central-banks)
* Paragraph 2 – [[1]](https://cryptodnes.bg/en/central-banks-are-buying-gold-not-bitcoin-peter-schiff-says-that-speaks-volumes/), [[3]](https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q3-2023/central-banks), [[5]](https://www.ft.com/content/578237db-be6e-4df7-a1bc-0e72e8837636)
* Paragraph 3 – [[1]](https://cryptodnes.bg/en/central-banks-are-buying-gold-not-bitcoin-peter-schiff-says-that-speaks-volumes/), [[2]](https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2023/central-banks), [[4]](https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q1-2024/central-banks)
* Paragraph 4 – [[1]](https://cryptodnes.bg/en/central-banks-are-buying-gold-not-bitcoin-peter-schiff-says-that-speaks-volumes/), [[5]](https://www.ft.com/content/578237db-be6e-4df7-a1bc-0e72e8837636), [[6]](https://www.ft.com/content/ea844ebd-1238-4463-ad8a-4b87e7cb0d60)
* Paragraph 5 – [[1]](https://cryptodnes.bg/en/central-banks-are-buying-gold-not-bitcoin-peter-schiff-says-that-speaks-volumes/), [[7]](https://www.reuters.com/markets/commodities/chinas-gold-buying-break-seen-fleeting-given-its-long-term-needs-2024-07-17/)

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## Bibliography

1. <https://cryptodnes.bg/en/central-banks-are-buying-gold-not-bitcoin-peter-schiff-says-that-speaks-volumes/> - Please view link - unable to able to access data
2. <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2023/central-banks> - The World Gold Council's 'Gold Demand Trends Full Year 2023' report highlights that central banks collectively purchased 1,037 tonnes of gold in 2023, marking the second consecutive year of over 1,000 tonnes in net purchases. The People's Bank of China (PBoC) was the largest buyer, increasing its gold reserves by 225 tonnes, bringing its total to 2,235 tonnes. Other significant buyers included the National Bank of Poland, which added 130 tonnes, and the Monetary Authority of Singapore, which purchased 77 tonnes. This sustained demand underscores gold's role as a safe haven asset amid global economic uncertainties.
3. <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q3-2023/central-banks> - In the 'Gold Demand Trends Q3 2023' report, the World Gold Council notes that central banks collectively bought 337 tonnes of gold in the third quarter, the second-highest third-quarter total on record. The People's Bank of China continued its buying spree, adding 78 tonnes, bringing its year-to-date total to 181 tonnes. The National Bank of Poland also increased its holdings by 57 tonnes, aligning with its goal of adding 100 tonnes to its reserves. This trend reflects central banks' ongoing commitment to diversifying their reserves and mitigating reliance on the U.S. dollar.
4. <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q1-2024/central-banks> - The 'Gold Demand Trends Q1 2024' report from the World Gold Council reveals that central banks added a net 290 tonnes of gold to their reserves in the first quarter, setting a new record for Q1 purchases. The People's Bank of China continued its buying trend, increasing its reserves by 27 tonnes. Other active buyers included Turkey and India, indicating a broad-based demand for gold among central banks. This sustained purchasing activity highlights gold's enduring appeal as a hedge against economic uncertainties and currency fluctuations.
5. <https://www.ft.com/content/578237db-be6e-4df7-a1bc-0e72e8837636> - An article from the Financial Times discusses how rich countries are increasingly planning to purchase more gold, with central banks in advanced economies expecting gold's share of global reserves to rise at the expense of the US dollar. Nearly 60% of these central banks believe this shift will occur over the next five years, a significant increase from 38% last year. Additionally, 13% of advanced economies plan to increase their gold holdings in the coming year, following the lead of emerging market central banks. This increased demand for gold comes despite record high prices, driven by efforts to diversify holdings away from the US dollar, partly due to US sanctions against Russia. The dollar's share of global reserves has decreased significantly, down from over 70% in 2000 to about 55%. The survey by the World Gold Council, which indicates a record number of central banks intend to raise gold reserves, highlights the enduring value of gold during crises and its role as an effective diversifier. This trend reflects a broader convergence in the approach to gold between advanced and emerging market economies.
6. <https://www.ft.com/content/ea844ebd-1238-4463-ad8a-4b87e7cb0d60> - In this episode of the Unhedged podcast, Katie Martin and Robert Armstrong discuss the recent surge in gold prices, which have reached a record high of around $2,500 an ounce. They examine the polarizing perspectives on gold, from those who dismiss it as a 'pet rock' to others who see it as a reliable store of value, particularly in times of crisis. The hosts note gold's historical performance during market downturns and its current rally despite the absence of immediate global crises. They discuss factors contributing to the surge, including government mistrust, central bank purchase trends, and the unique position of gold as a quasi-commodity. Additionally, there is speculation on the future of gold prices, with considerations of geopolitical factors and economic stability. The episode also lightly touches on the gold market's similarities to Bitcoin and the challenges faced by gold miners. The discussion wraps up with opinions on Nvidia's forthcoming earnings report, reflecting broader stock market sentiments.
7. <https://www.reuters.com/markets/commodities/chinas-gold-buying-break-seen-fleeting-given-its-long-term-needs-2024-07-17/> - China's recent pause in gold purchases seen in May and June is likely temporary according to experts, as the country continues to see gold as a necessary diversifier from its extensive U.S. dollar-denominated reserves. China’s gold reserves, currently at a record high of 4.9% of total reserves, remain lower compared to the global average of 16%. The People's Bank of China (PBOC) was the largest gold buyer in 2023, driven by geopolitical tensions stemming from the Russia-Ukraine conflict and Middle East unrest. High gold prices were cited as the cause for the recent buying halt. Analysts expect China will continue purchasing gold to mitigate reliance on the US dollar and protect against potential sanctions, reflecting a long-term strategy to enhance security by maintaining assets that are insusceptible to foreign interference.