



# *Rodney's Take*

July 10, 2023

## India's Long Golden Moment

Gold doesn't have a ton of industrial uses, and it has not been the official coin of any realm for more than half a century. That leaves gold subject to the whims of those who buy it for jewelry or use it to store wealth. Luckily for the barbaric metal, there's one nation where people use gold for both, and it happens to be the most populous country on the planet. Add to that rising GDP growth and increased government policies meant to capture more taxes, and you get 1.4 billion people who'd like to own a little more of something shiny.

In 2010, the Indian government announced a biometric digital identity system that would capture the entire population, making the distribution of benefits easy and efficient. It was a huge undertaking that has almost reached its goal. In addition to the ID system, the Indian government also developed a Unified Payments Interface (UPI) for cashless payments, meant to make transactions as seamless, painless, and cost-free as possible while also tracking transactions to levy taxes. The third layer of what was known as the "[India Stack](#)" was the DigiLocker, which holds digital documents verified by the government. These three systems working in concert allow the average Indian citizen to receive benefits, make payments, and provide verified documents, all from a smart phone.

Indians are keen on the ID system and like the verified digital document vault. They even enjoy the government-run, cashless payment system. But they would rather not send all of their transactions through the UPI, because then the government will know how much they receive and spend, opening them up for greater tax liabilities. In a nation with a long history of tax avoidance, this one will take some getting used to.

At the same time, Indians show their wealth and accumulate wealth through gold and use it at weddings to set up new couples for their lives together. In 2021, Indians spent a record \$55.7 billion on imported gold, as the number of weddings surged after COVID in 2020. Gold volume reached 1,050 tons, the highest amount in a decade. While that has been great for gold dealers, it poses a problem for the government. The more gold and other imports that Indians buy, the lower the rupee falls against foreign currencies. When gold imports surged in the past, the government would crack down on metals dealers, reducing sales and propping up the currency.

That might not be as big of a problem today as in the past.

With the Russian war in Ukraine and subsequent sanctions, India has become one of the biggest buyers of Russian oil, which they buy at a big discount to prevailing world prices. Indian oil importers refine some, store the rest, and then blend a small amount of gasoline and oil from other regions with the Russian stock. The resulting “blend” is then sold at prevailing world prices, which nets the Indian companies significant sums of hard currencies. With foreign money pouring in from other sources, the Indian government might be less inclined to crack down on gold dealers and buyers.

If the current trends continue, Indian gold sales could have a golden moment that lasts for years.

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*Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).*