



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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### **RBI Working Paper Series No.14 for September 2011**

The Reserve Bank of India today placed Working Paper titled "[Recent Global Crisis and the Demand for Gold by Central Banks: An Analytical Perspective](#)" by A Karunakaran. In the wake of the global financial crisis, a number of investors including central banks seem to augment their reserves of gold perhaps affecting its price. India also purchased gold in October 2009 from IMF. Against this background, the paper examines whether RBI's purchase of gold was a reserves management strategy and whether such purchases affected the gold price trend.

In the course of analysis, the paper has discussed related issues like optimum size of gold in the composition of foreign reserves, rationale for central banks buying gold with special reference to the global crisis etc.

The findings of the Study show that central banks in most of the EMEs and advanced economies had either bought fresh stock of gold or stopped selling their existing stock of gold in the wake of the recent global crisis. Further, the paper has stated that India's purchase of gold apparently did not have any impact on the gold price trend and hence the stock of gold is in line with the global accumulation trend. The paper states that it is difficult to address the 'optimum level of gold' for India, though there is a strong economic rationale to hold sufficient quantity of gold as part of official reserves, especially during the uncertain periods like global financial crisis.

In its conclusion, the paper has emphasized that the recent global financial crisis has reiterated that gold, as part of foreign exchange reserves, continued to play a key role in the macroeconomic management.

The Reserve Bank of India introduced in April this year, a 'RBI Working Paper Series' (RBI - WP) to provide a platform to the Reserve Bank Staff for presenting their research studies as well as to receive feedback from informed researchers.

The views expressed in all the research publications of the Reserve Bank, including the RBI Working Papers Series, do not necessarily reflect the views of the Reserve Bank and as such should not be reported as representing the views of the Reserve Bank of India.

Feedback, if any, on the papers could be addressed to the respective authors of the research studies.