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Structural Gold Accumulation by Central Banks: A Strategic Shift in Reserve Composition

 By Joshua Barone | Aug 11, 2025

A Structural Shift in Global Reserves

Over the last two years, a quiet but profound realignment has been taking place in global monetary reserves. Central banks are steadily reducing their exposure to fiat-denominated sovereign debt—particularly U.S. Treasuries—and increasing their holdings of physical gold.¹ This is not a fleeting or tactical hedge against inflation; it is the manifestation of a structural and strategic evolution in reserve management.

Several forces are driving this shift. First, fiscal conditions in major developed economies, particularly the United States, are deteriorating. Exploding debt levels, rising interest costs, and heavy Treasury issuance are creating long-term doubts about the sustainability of the “risk-free” asset paradigm. Second, monetary volatility and delayed policy reactions from central banks—combined with an overhang of post-pandemic liquidity—have reinforced the appeal of real, unencumbered assets. Third, geopolitical tensions and the increasing politicization of the global financial system have accelerated de-dollarization efforts, led by the BRICS bloc and other emerging markets. And fourth, regulatory changes like Basel III, which classify physical gold as a Tier 1 asset with zero-risk weighting for banks, are reinforcing gold’s status as a core reserve instrument.²

This evolving landscape reflects a loss of confidence in the dollar-centric financial system that has defined the post-Bretton Woods era. The Biden administration’s policies—leveraging the SWIFT network for sanctions, freezing foreign reserves, and failing to renegotiate the petrodollar agreement with Saudi Arabia—have only reinforced the perception that dollar assets can be weaponized.³ In response, reserve managers are turning toward a monetary asset without counterparty risk: gold.

Record Central Bank Gold Purchases

The World Gold Council reports that net central bank purchases exceeded 1,100 metric tons in 2023, the second highest total in modern records.⁴ Crucially, this buying is led by BRICS nations—Brazil, Russia, India, China, and South Africa—along with associated emerging-market and non-aligned nations such as Turkey and the Gulf states. Developed-market central banks, while stable holders, are no longer the primary drivers.

This pattern signals more than inflation hedging. It reflects a long-term effort to diversify reserves away from the U.S. dollar, reduce counterparty risk, and guard against the geopolitical weaponization of traditional reserve assets. With Basel III elevating physical gold to Tier 1 status, central banks are not only protecting reserves from political risk but also enhancing balance sheet resilience.² Since 2022, China’s central bank has been incrementally buying physical gold to add to its reserves. The PBoC reported total gold purchases of 62 metric tons in November and December 2022, 225 metric tons to its gold reserves the following year, and 44 metric tons of gold in 2024.⁵ Russia has similarly been increasing its investments in gold over that timespan.⁶

Fiscal Dominance and Treasury Fragility

The United States has entered a period of fiscal dominance, where debt servicing needs increasingly dictate monetary and financial policy. Gross interest expense has surpassed \$1.3 trillion annually, consuming a growing share of federal revenues.⁷ As interest costs approach 20% of total tax receipts, the Treasury is forced to issue record volumes of short-term and intermediate debt to manage cash flow, while avoiding the long end of the curve to reduce immediate borrowing costs.⁸

A notable dynamic, referred to as Ferguson’s Law after historian Niall Ferguson, is that U.S. interest expense has now overtaken defense spending.⁹ This inversion signals a structural vulnerability: the government is paying more to service past debt than to defend its future. Historically, this pattern has preceded periods of monetary strain, forcing governments to either inflate away the debt or accept a loss of global credibility.

This short-term focus also creates rollover risk: trillions of dollars of debt must be refinanced every one to two years, leaving the U.S. acutely vulnerable to spikes in interest rates.¹⁰ The Fed and Treasury are increasingly constrained, as any meaningful rise in yields could quickly overwhelm the federal budget. For foreign reserve managers, this fiscal dynamic undermines the perception of Treasuries as the ultimate “risk-free” asset and accelerates the structural pivot toward gold as a non-liability reserve.

Former Fed Chair Alan Greenspan famously remarked in 2014: “Gold is money. Everything else is credit.”¹¹ His words resonate today as central banks lean on gold to offset the growing vulnerability of debt-based reserve assets.

Yellen Fed and the 2-Year Note

A critical signal of this fragility is that the Federal Reserve, under Secretary Yellen’s Treasury coordination, is effectively operating only in the very short end of the market, concentrating activity in the 2-year Treasury note.¹² This reliance on short-duration markets reflects the government’s need to roll debt quickly and avoid locking in higher long-term rates, leaving the Treasury curve vulnerable to refinancing risk.

In testimony to Congress in 2023, Janet Yellen admitted: “We are managing a significant volume of short-term debt issuance, and market conditions require us to be flexible in our maturities.”¹³ Such comments underline the precarious nature of the current funding model.

For foreign reserve managers, this dynamic underscores the fragility of U.S. debt as a store of value and reinforces the shift toward gold.

Strategic and Market Implications

BRICS-led diversification is hastening the emergence of a multipolar reserve architecture, redirecting flows away from Treasuries and reducing Western monetary leverage. Central bank accumulation now provides a structural, non-speculative bid under the gold market, supporting prices even in periods of market consolidation. Meanwhile, the reduced marginal demand for U.S. debt leaves domestic institutions and the Federal Reserve increasingly responsible for absorption, which will likely lead to higher term premia and greater yield volatility.¹⁴ This erosion of dollar hegemony has been amplified by the Biden administration’s reliance on dollar-based sanctions, SWIFT exclusions, and its failure to secure a renewed petro-dollar agreement.³

Official-sector demand now serves as a durable floor for gold, and as reserve diversification continues, sustained buying pressure from BRICS and emerging markets could push prices toward new nominal highs, particularly during episodes of dollar volatility. Reduced foreign participation in U.S. debt markets implies more unstable yields, and with the Fed and Treasury concentrated in the 2-year sector, rollover risk and rate sensitivity are heightened. For investors, this environment favors increasing exposure to real assets, including gold and select commodities, as the definition of a “risk-free asset” evolves into one based on trust rather than credit alone.

Gold as the Neutral Anchor in a Politicized Monetary World

The surge in central bank gold buying is not a fleeting trend—it is a structural response to fiscal fragility, policy uncertainty, and the weaponization of the U.S. dollar. This wave of accumulation marks a historic shift back toward tangible reserves as the foundation of monetary security.

Gold’s reemergence as a Tier 1 asset under Basel III formalizes what the market has long understood: in periods of political tension and fiscal stress, gold is the ultimate form of sovereign insurance.² BRICS nations and other emerging markets are signaling that the era of unquestioned dollar dominance is ending, replaced by a more fragmented, multipolar system where trust in fiat obligations is no longer absolute.

For policymakers, the message is clear: continued reliance on fiscal expansion and financial repression comes at the cost of reserve credibility. For investors, gold is once again a core allocation in an environment where financial assets are increasingly politicized. Its role as a neutral, liquid, and non-counterparty reserve asset makes it the perceived ultimate hedge against the twin risks of debt saturation and geopolitical fragmentation.

The lesson echoes across history: when confidence in paper promises erodes, nations and investors alike turn back to gold. In the years ahead, this structural shift may define not just central bank reserve policy, but also the evolution of the global monetary order.

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