

Insights Unwrapped

Gold Prices & Policy Reforms: Driving India's Consumption Surge



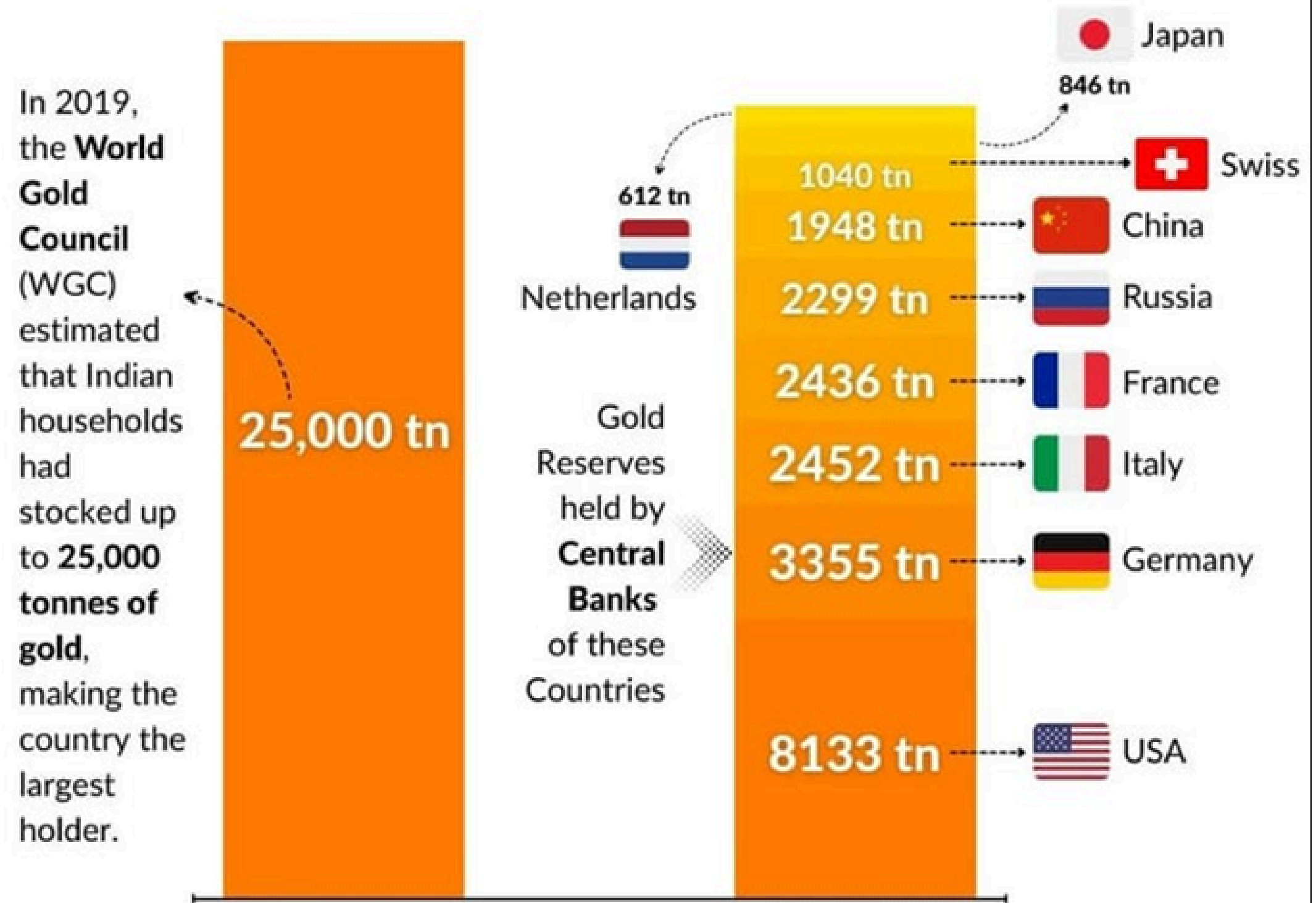
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Indian households own significantly more gold than the collective reserves of the world's top 10 central banks, with estimates around 25,000 tonnes, dwarfing the holdings of even the United States Federal Reserve.

The value of India's household gold is ~ USD 3.2 trillion, equivalent to roughly 74% of India's nominal GDP.

How Much Gold

Do Indians Have?



Increase in Household Gold Wealth in India

Particulars	Units	Value
Gold Ownership with Indian House	Tonnes	25,000
No of Indian Households (nos)	Mn	300
Gold Penetration in Households		90%
Average Gold holdings/household	Gms	92.6
Gold price (per gram) in Sept'22	INR	5,054
Gold price (per gram) in Sept'24	INR	7,185
Gold price (per gram) in Sept'25	INR	10,514
Average Increase in Household's gold value in 3-Year	INR	5,05,556
Average Increase in Household's gold value in 1-Year	INR	3,08,241
Data Source: The World Gold Council, World Population review, bullions.co.in		

The 108% rise in gold prices over 3-Yr period (about INR 5.0 lakhs per household, assuming 90 grams of gold) has significantly boosted Indian household wealth, with a 46% surge since September 2024, adding INR 3.0 lakhs to average holdings.

Gold loans grew 34.6% YoY in June 2025, far exceeding the 14.5% YoY growth in consumption loans, highlighting a wealth effect with gold loans as a key outlier. (Source: CRIF High Mark)

8th Pay Commission: Catalyst for Consumer Demand

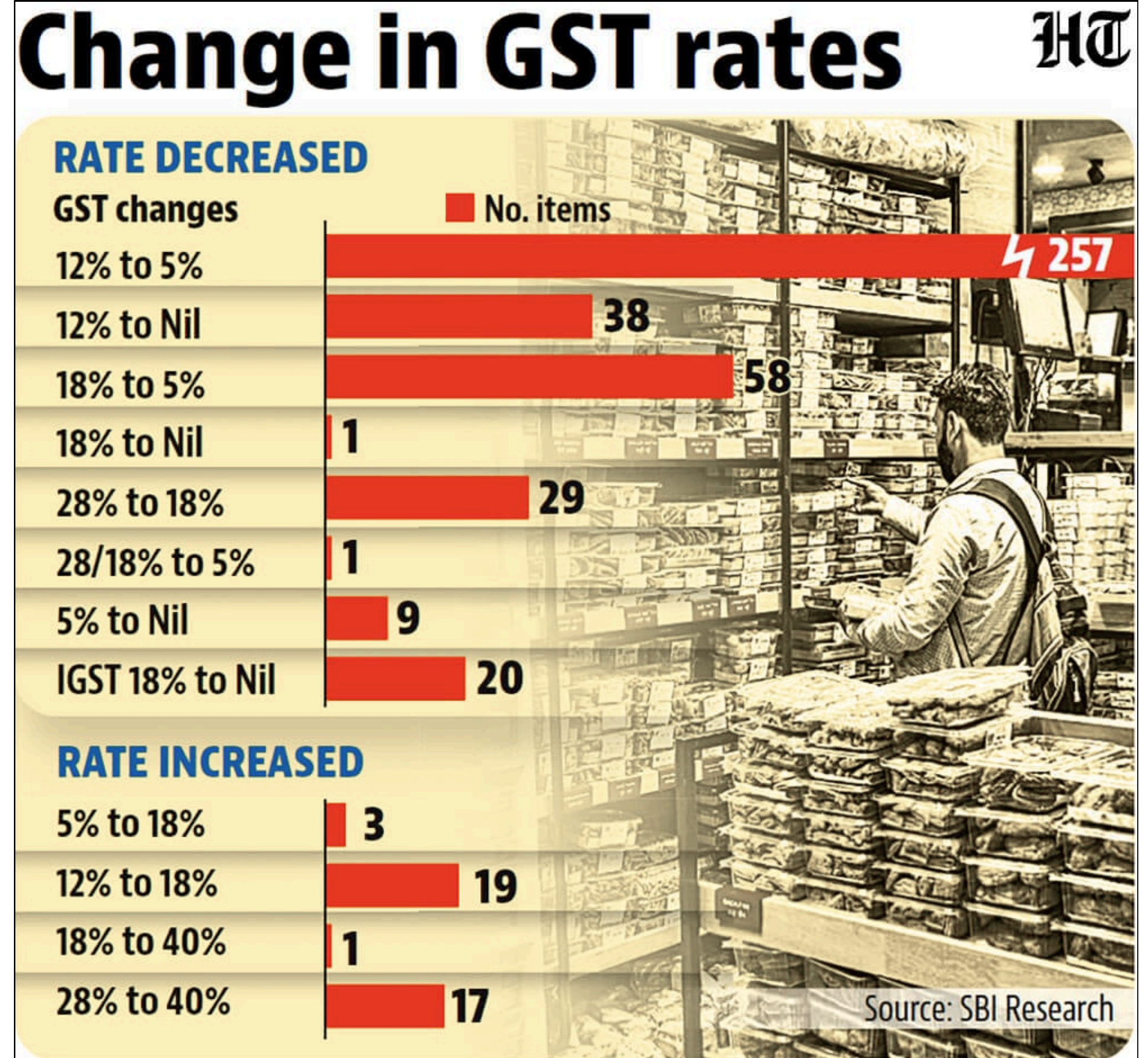
- The proposed 8th Central Pay Commission (CPC) is expected to generate a **\$35-37 billion (approximately INR 3-3.15 lakh crore) surge in consumption and savings** due to higher disposable income, benefitting around 11.2 million government employees and pensioners.
- **Comparison to 7th CPC:** The 7th CPC, with a 14% salary hike, led to a INR 1 lakh crore expenditure increase. The 8th CPC's 30–34% hike could result in a 2–3 times larger consumption boost relative to the 7th CPC, adjusted for inflation and population growth.

Personal Tax Cuts: Igniting Consumer Spending

- The personal income tax cuts in Union Budget 2025 have put an **extra Rs 1 lakh Cr (USD 11-12 Bn) into the hands of India's urban middle class.** One lakh crore tax cut is projected to increase consumption by approximately INR 2.5 lakh crore in the Indian economy due to the multiplier effect.
- The multiplier hinges on two ideas: (i) the marginal propensity to save, and (ii) the marginal propensity to consume.

GST Reductions: Propelling India's Consumption

- The GST overhaul, streamlining tax slabs from four (5%, 12%, 18%, 28%) to two (5% and 18%), is projected to boost consumption by approximately INR 0.7–1 lakh crore (roughly USD 8.4–12 billion) in the second half of FY26.
- If businesses fully pass on the tax reductions to consumers, these cuts could also lower inflation by 1.1 percentage points (Source: TOI)



Summary: India's Consumption Surge

S.No.	Consumption Surge in India	USD (Bn) (approx.)	INR (Lakh Cr) (approx.)
i)	Appreciation in Gold Holding with households within a year	1000 (approx. INR 3 Lac per Indian Household)	85500
ii)	8th Pay Commission	35-37	3-3.15
iii)	Personal Income Taxes	11-12	1.0
iv)	GST Cuts	8.5-12	0.7-1
Potential Disposable Income boost through policy measures (ii+iii+iv)		~ USD 55-60 Bn	~ INR 4.7-5 Lakh Cr

Rising gold prices, anticipated consumer spending, and supportive policy measures are projected to enhance economic consumption over the next 1.5–2 years. The RBI's liquidity initiatives, including rate cuts and open market operations, are further injecting funds into the system. This liquidity, combined with robust gold loan growth, underscores a clear wealth effect, likely to drive spending on discretionary goods, real estate, and aspirational products.

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