

## **The Global Gold Rush: Malaysia Sitting on the Sidelines?**

By Mohd Khairul Ramli

In recent years, a quiet but significant shift has taken place within the global financial landscape. Central banks across emerging markets, particularly in Asia, have been stocking up on gold reserves, pushing up demand for the precious metal. This phenomenon, though gradual, signals a rethinking of the global monetary order with particularly a reconsideration of the US dollar's dominance. The current rush towards gold can be seen as a reflection of increasing geopolitical uncertainty and a growing need for diversification among emerging economies. Nations, especially in Asia and among the BRICS+ alliance, are leading this global gold accumulation drive, recognizing gold as a stabilizing asset in times of economic uncertainty.

### ***Gold as a Safe Haven***

Historically, gold has played a unique role in times of crisis. Throughout history, whenever nations faced financial instability, currency devaluation, or economic recession, gold emerged as a symbol of security and value preservation. Its intrinsic value, limited supply, and universal appeal make it an ideal hedge against inflation and a reliable store of wealth. Gold's status as a "safe haven" asset comes into sharper focus when financial markets are volatile, or when geopolitical tensions flare up.

The trend of increasing gold reserves has been particularly noticeable among nations such as, China, India, Turkey and Singapore in which countries that have made large purchases of gold in recent years.<sup>1</sup> The central banks in these countries, along with others, are now hoarding gold at unprecedented levels, signalling a diversification away from the US dollar. In fact, the demand for gold from central banks reached levels not seen in decades, driven by the desire to avoid "overconcentration" in dollar reserves.<sup>2</sup>

For instance, the Reserve Bank of India (RBI) has recently moved 100 metric tonnes of gold from the Bank of England back to Indian vaults.<sup>3</sup> This move, one of the largest gold movements by India since its 1991 foreign exchange crisis, reflects both cost-saving measures and a desire for more direct control over its reserves. India's total gold reserves now stand at

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<sup>1</sup> <https://www.visualcapitalist.com/countries-bought-the-most-gold-2013-2023/>

<sup>2</sup> <https://markets.businessinsider.com/news/commodities/de-dollarization-global-central-banks-are-hoarding-gold-like-never-before-2023-10>

<sup>3</sup> <https://www.reuters.com/world/india/india-cenbank-moves-100-tons-gold-uk-domestic-vaults-toi-reports-2024-05-31/>

over 820 metric tonnes with much of it still stored abroad, though this trend could shift towards domestic stockpiling amidst rising uncertainty in global geopolitics.

Similarly, Singapore has rapidly increased its gold reserves, surpassing Thailand to become the Southeast Asian nation with the largest bullion stockpile, boasting 236.60 tonnes as of early 2024.<sup>4</sup> In comparison, Malaysia's reserves, at 38.88 tonnes, are modest but most importantly, highlighting a disparity in regional attitudes toward gold accumulation.

### ***De-Dollarization Movement***

A broader global shift is also contributing to the rising demand for gold. We have witnessed the slow but steady movement of countries seeking alternatives to the hegemony of the US dollar. The global de-dollarization campaign, driven by both geopolitical and economic considerations, is gaining momentum.<sup>5</sup> Countries across Asia, the Middle East, and even Europe are actively pursuing strategies to diversify their reserve holdings. Gold accumulation has become central to the BRICS' strategy of countering Western economic influence and creating parallel financial structures.

At the heart of this trend lies the growing perception that the US dollar may not be as dominant in the future as it has been for much of the last century. The dollar's share of global foreign exchange reserves has fallen from over 70% in 2000 to just about 55% today.<sup>6</sup> While the dollar remains the world's leading reserve currency, this decline reflects an emerging awareness of its vulnerabilities. For emerging market central banks, the desire to reduce reliance on the US dollar is as much about mitigating risks as it is about asserting greater financial autonomy.

One reason for this push is the increasing use of the US dollar in sanctions, such as those imposed on Russia in 2022 and Iran in 2015. The weaponization of financial instruments like the SWIFT payment system has led many countries to rethink their dollar holdings, as such sanctions make dollar-based assets potentially risky. In this context, gold becomes an attractive alternative. It is universally accepted, cannot be sanctioned, and holds value independently of any one country's political or economic policies.

China and India have both moved to settle more of their trade in local currencies, while countries like Indonesia have introduced measures to promote local currency transactions with

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<sup>4</sup> <https://www.southeastasialink.com/post/singapore-boasts-largest-gold-reserves-in-southeast-asia>

<sup>5</sup> <https://oxgs.org/2024/01/17/is-the-dollar-hegemony-collapsing/>

<sup>6</sup> <https://www.businessinsider.com/dedollarization-imf-stealth-erosion-global-us-dollar-forex-reserves-sanctions-2024-6>

partner nations. Russia has been vocal about this shift, with President Vladimir Putin declaring de-dollarization an "irreversible process" during the 2023 BRICS summit.

### ASEAN Gold Rush

Among Asian nations, central banks are playing an increasingly important role in driving gold demand. Singapore, Thailand, Vietnam, and India have all seen substantial increases in their gold holdings, while other nations like China have made even more aggressive moves.<sup>7</sup> China's gold reserves have nearly doubled in the past decade, reaching over 2,000 metric tonnes, while Thailand has made no gold this year, and due to a "reporting adjustment" by the Bank of Thailand.<sup>8</sup>

Figure 1: Selected ASEAN Countries Gold Reserve, Quarterly 2022 to 2024



Nonetheless, Thailand has distinguished itself with the second-largest increase in gold reserves over the past decade. Between 2012 and 2022, Thailand raised its holdings by more than 60%, growing from 152 tonnes to 244 tonnes. This reflects a 40% year-on-year surge in demand for gold, spurred by both domestic and foreign investors looking for a safe haven against inflationary pressures. In contrast, Malaysia has maintained a much more

<sup>7</sup> <https://www.visualcapitalist.com/countries-bought-the-most-gold-2013-2023/>

<sup>8</sup> <https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-q1-2024/central-banks>

conservative approach to gold, even in the face of escalating geopolitical tensions and concerns about inflation.

This regional gold rush is not merely about amassing physical stockpiles. Rather, it reflects a strategic shift in financial thinking. Countries are prioritizing financial sovereignty, reducing their exposure to dollar-denominated assets, and preparing for a more multipolar economic order.

### ***Call for Gold Diversification***

Gold has long been recognized as an alternative tool against inflation. As economic conditions become more volatile and the purchasing power of paper currencies becomes less reliable, gold offers a safe, stable store of value. This will not only provide a protective buffer against inflation but also ensure a more diversified approach to managing the country's financial future.

Experts have raised concerns about the Malaysian government's relatively cautious approach to gold reserves. While neighbouring countries such as Singapore, Thailand, Vietnam and even Indonesia have rapidly expanded their gold holdings, Malaysia's reserves have grown at a much slower pace. Bank Negara Malaysia's reserves increased by only 6.84% over the last decade from 36.4 tonnes to 38.88 tonnes, far behind the regional leaders.<sup>9</sup> Malaysia's current reserves are significantly lower than those of countries such as the Philippines, Thailand, and even Indonesia, which holds double the amount of gold as Malaysia.

The path forward for Malaysia is clear: a more proactive approach to gold accumulation would serve the country well in the long term. The global financial order is changing, and the dominance of the US dollar is no longer guaranteed. As nations across the world rethink their reserve strategies, Malaysia must not fall behind. Fortifying the country's bullion stockpile would not only protect its financial stability but also signal its preparedness for a more uncertain and multipolar world.

### ***Conclusion***

The global trend of gold accumulation is not just a reflection of current economic uncertainties but a strategic shift in how countries manage their financial futures. BRICS nations, along with many Asian economies, are leading this charge, using gold as a tool to diversify their reserves and reduce reliance on the US dollar. Malaysia, by contrast, has taken a more cautious approach, leaving its gold reserves significantly lower than its regional peers. However, as the

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<sup>9</sup> <https://www.thestar.com.my/business/business-news/2023/05/12/nations-gold-reserves-on-uptrend>

global financial landscape continues to evolve, Malaysia's conservative strategy may need to be re-evaluated. By increasing its gold reserves, Malaysia can safeguard its economic future, enhance its financial resilience, and ensure it remains competitive in a rapidly changing world. The accumulation of gold is not just about stockpiling; it is about securing a nation's place in the global financial system for years to come.