

The Role of Gold in Turkey: Cultural Legacy and Economic Stability

Turkey's gold market holds a significant position globally, driven by deep-rooted cultural traditions and economic factors. The country ranks as the fifth-largest gold market in the world, reflecting the crucial role gold plays in Turkish society, both in terms of jewelry and investment. Historically, Turkey has seen consistent demand for gold, influenced by its function as a hedge against inflation and currency depreciation.

Turkey's gold demand is spread across various sectors, with jewelry, bars, and coins making up the bulk of consumption. As of 2023, Turkey was the fourth-largest gold jewelry market globally, with demand averaging 35 tonnes annually over the past five years. The country has long regarded gold as a culturally significant commodity, used in weddings and religious ceremonies.

In recent years, Turkey has witnessed a surge in demand for gold, driven largely by the country's volatile economic environment. Spiralling inflation, a rapidly depreciating lira, and heightened geopolitical tensions have prompted Turkish consumers to seek the safety of gold. In 2024, demand for bars and coins surged by 50% compared to the previous quarter, reaching 44 tonnes in the first quarter alone. Despite a moderately sized gold mining industry, producing 36 tonnes of gold in 2023, Turkey's domestic production cannot meet its high demand.

Consequently, gold imports have soared, totalling 683 tonnes in 2023, the highest level since at least 2012.

This trend has put pressure on Turkey's trade balance, prompting government policies aimed at regulating imports and mobilizing the 4,500 tonnes of gold estimated to be held in the domestic economy.

Gold also plays a critical role in Turkey's financial system. Policies such as the Reserve Option Mechanism were introduced to encourage the movement of privately held gold into the financial system. Additionally, the Central Bank of Turkey has been one of the largest buyers of gold, adding 44 tonnes to its reserves in 2024, underscoring its reliance on gold to stabilize the economy amidst growing economic challenges. In summary, Turkey's gold market exemplifies the intricate relationship between cultural heritage and economic strategy, positioning the country as a major player in global gold demand while navigating its own domestic economic challenges.

Source - <https://www.gold.org/goldhub/research/market-update/perspectives-on-the-turkish-gold-market>

