



BANCA D'ITALIA
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Gold between Continuity and Change

Sergio Nicoletti Altimari
Deputy Governor of Banca d'Italia

Welcome remarks at the Global Precious Metals Conference
Sorrento, 5 October 2026

A warm welcome to all of you to Italy and to Sorrento. Among the various interpretations of the name of this beautiful city, there is a fascinating hypothesis that links it to a Greek verb meaning "to flow together" or "to converge". I find it a particularly evocative image for this conference, which brings together people, expertise and ideas from all over the world.

Italy also provides a fitting setting for the discussions of the next two days. Although not a major hub for gold trading, the country has a strong connection to the metal, as the world's fourth largest holder of official gold reserves.

This position is not the result of a single policy decision, but rather of a gradual process that unfolded over time. Starting in the late 19th century, the initial gold endowment of the newly founded Banca d'Italia grew until World War II, when reserves fell to a historic low, partly because of seizures by the Nazi occupying forces. In the post-war decades, sustained exports and the accumulation of external surpluses led to a significant growth of reserves and gold purchases, ultimately bringing Italy's gold holdings to their current level of 2,450 tonnes.

Accumulation alone, however, does not tell the whole story. At the beginning of the current century, several central banks significantly reduced their gold reserves. The link between currencies and gold had disappeared decades earlier, gold prices were stagnating and the metal was widely regarded as a non-yielding asset. In this environment, Banca d'Italia chose to preserve gold as a strategic component of its balance sheet, a policy that continues to this day. Why?

Our motivations are quite traditional and broadly shared across the central bank community. First and foremost, gold is a safe-haven asset. Its performance over time and across a broad range of crises – including recent episodes of market dislocation – suggests that it can help preserve the value of reserves during periods of elevated uncertainty, market turmoil and systemic stress. It thus strengthens confidence in the central bank's capacity to act as a backstop, if needed. This role is particularly relevant today, in an environment characterized by heightened geopolitical risk and concerns about economic fragmentation.

Secondly, gold is a good diversifier, enhancing the resilience of reserve portfolios across a wide range of economic and financial conditions. Available evidence indicates that an optimized reserve portfolio should include gold, as it improves the efficient frontier allowing to achieve higher returns for a given level of risk.

A third, uniquely important, characteristic of gold is that it is no one's liability. The absence of credit and default risk distinguishes gold from virtually every other major reserve asset.

Gold's millennia-long history and its diversified sources of demand – including notably its industrial uses – also give it a significant advantage over alternatives.

These characteristics are deeply rooted and remain relevant today. They help explain why several central banks hold substantial gold reserves. But traditional motives alone cannot explain some of the most striking developments in today's gold market. For decades, gold was perceived as a relatively predictable market, driven by a stable set of determinants. Recent years are challenging that view.

A structural shift in the composition of demand has become evident since 2022, reflecting both the emergence of new players and a renewed role for some traditional sources of demand. Central banks' share has risen markedly, driven mainly by purchases from emerging economies. Jewellery remains the dominant source of demand, but its relative weight has declined as higher prices have constrained consumption. The growing accessibility of ETFs has broadened market participation among retail and shorter-term investors, with very large inflows since 2025.

The drivers behind these trends have also evolved. Geopolitical uncertainty has increased the appeal of gold within reserve portfolios, as the freezing of Russian foreign assets drew renewed attention on the vulnerability of foreign currency reserves held abroad. Additional support to demand has come from the so-called "debasement trade", reflecting growing concerns about persistently high public debts and continued fiscal expansion in major economies. These forces became particularly evident in 2025 and early 2026, when the traditional relationship between gold and real yields weakened significantly.

Over recent years, gold price volatility has increased substantially, a development that warrants close monitoring. Further changes may come from digital transformation and financial innovation, including tokenisation. The speed and unpredictability of current developments are affecting all markets and gold is no exception.

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Gold has been traded and worked for thousands of years. But one problem has remained surprisingly constant: how can we be sure that gold really is what it claims to be?

Just across the gulf we face, lies Naples, a city with a particularly strong connection to gold. In Naples' historic Goldsmiths' District, a remarkable story is told. During the sixteenth and seventeenth centuries, gold was reportedly melted in public, outside the workshops,

in the presence of Guild representatives, local authorities, customers and citizens, so that everyone could witness and verify its purity and quality.

Methods and institutions have changed since then, but the underlying need has not. Centuries later, our host, the London Bullion Market Association, plays this important role. Ensuring quality, setting standards and sustaining confidence in a market that is both ancient and continuously evolving remain at the heart of the LBMA mission. In times of rapid change and heightened uncertainty, that mission becomes even more valuable.

To conclude, my warmest wish is that you leave Sorrento with useful insights, new questions to explore and a broader and stronger network. And, of course, with the colours and views of this extraordinary landscape vividly impressed in your minds.

