



EUROPEAN CENTRAL BANK

EUROSYSTEM

# The international role of the euro

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e-lecture

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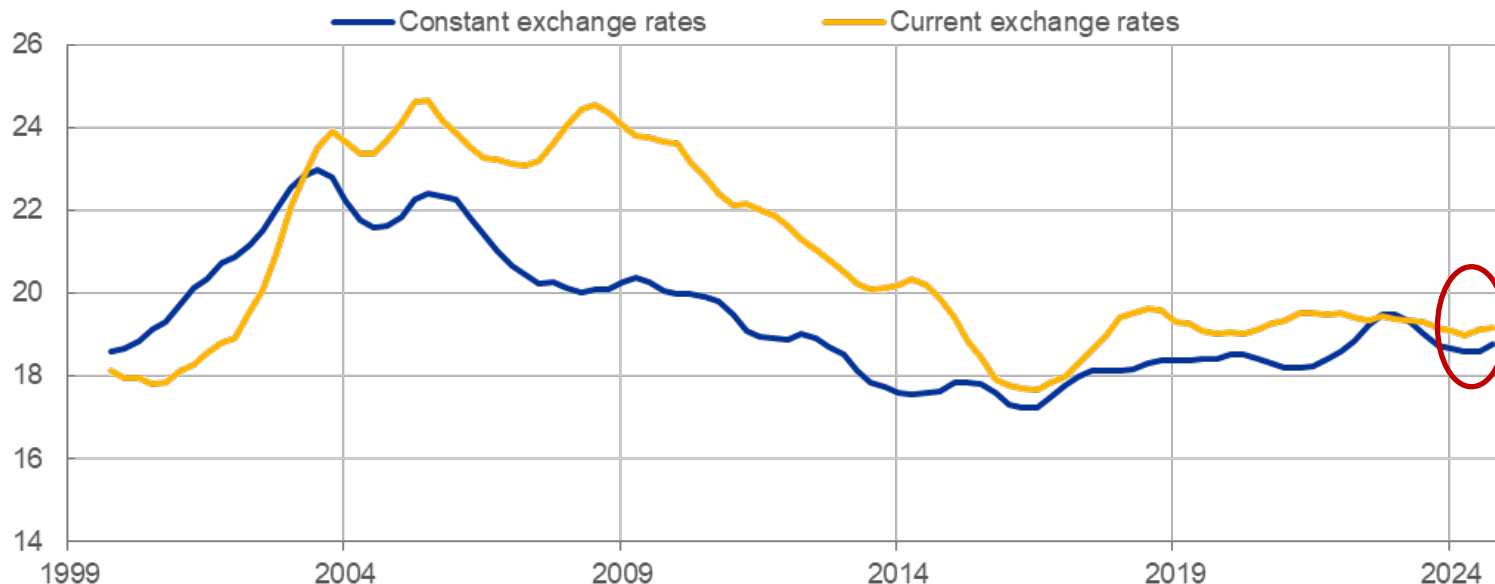
Isabel Vansteenkiste and Arnaud Mehl



# The international role of the euro remained broadly stable in 2024

## Composite index of the international role of the euro

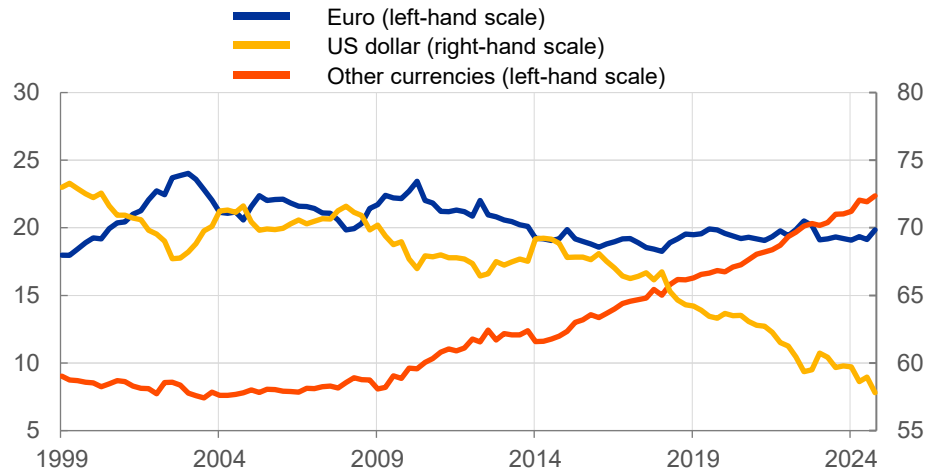
(percentages; four-quarter moving averages)



Sources: Bank for International Settlements (BIS), International Monetary Fund (IMF), CLS Bank International, Ilzetzki, Reinhart and Rogoff (2019) and ECB calculations.  
Notes: Arithmetic average of the shares of the euro at constant (current) exchange rates in stocks of international bonds, loans by banks outside the euro area to borrowers outside the euro area, deposits with banks outside the euro area from creditors outside the euro area, global foreign exchange settlements, global foreign exchange reserves and global exchange rate regimes. For the period since 2010, estimates of the share of the euro in global exchange rate regimes are based on IMF data; pre-2010 shares are estimated using data from Ilzetzki, E., Reinhart, C. and Rogoff, K. (2019). The latest observation is for the fourth quarter of 2024.

# The share of the euro in global foreign exchange reserves remained stable in 2024, broadly unchanged since Russia's full-scale invasion

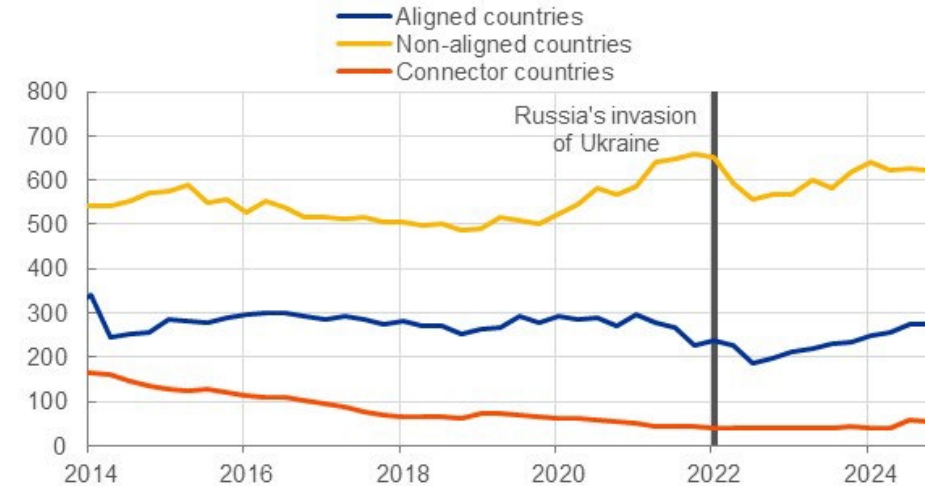
**Share in global foreign exchange reserves**  
(percentages; at constant Q4 2024 exchange rates)



Sources: IMF and ECB staff calculations.

Notes: The latest observation is for the fourth quarter of 2024.

**Foreign official holdings of euro area government debt securities split by geopolitical group**  
(EUR billion)



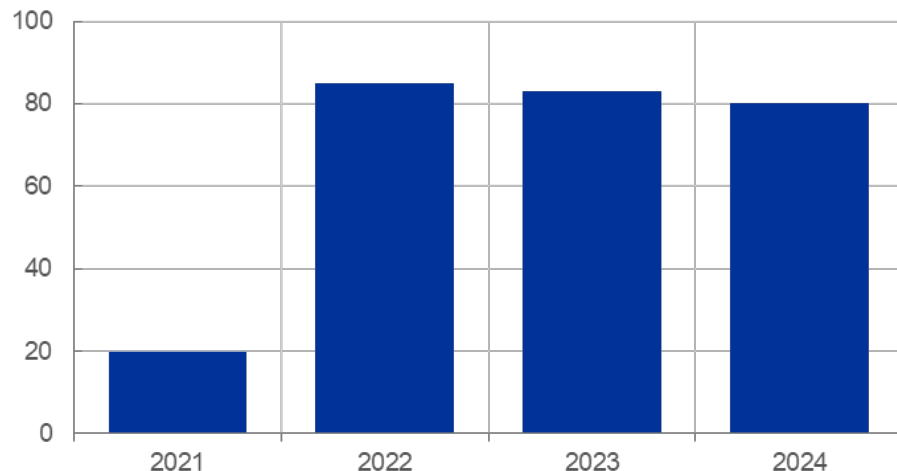
Sources: ECB Securities Holdings Statistics and ECB staff calculations.

Notes: The latest observation is for the fourth quarter of 2024. Groups based on bilateral geopolitical distance measured with voting patterns at the United Nations General Assembly. "Aligned countries" are countries close to the United States; "non-aligned countries" are countries close to China (excluding Russia) and "connector countries" serve as bridges between the two other blocs.

# Geopolitical concerns remained high for reserve managers and continued to weigh on their investment decisions

## Central banks considering geopolitics as a major factor for reserve management in next 5-10 years

(percentages)

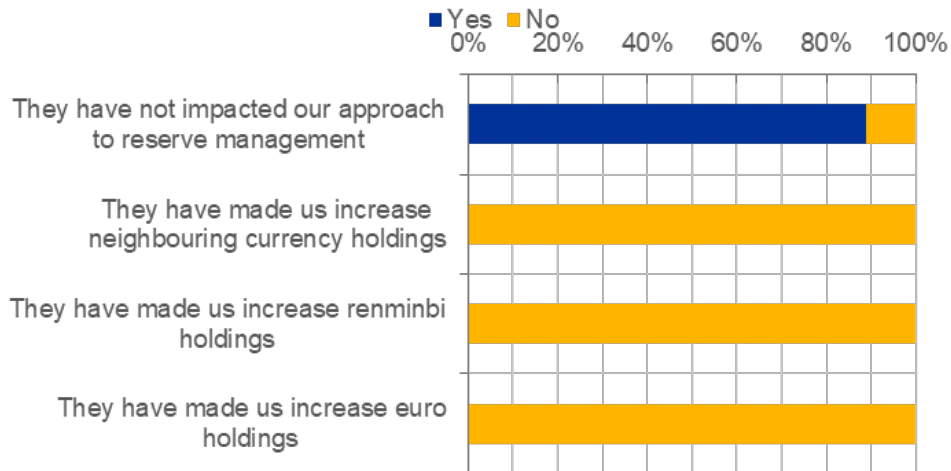


Sources: OMFIF Global Public Investor.

Notes: The survey data collection for 2024 was conducted between March and May 2024 and includes responses from 73 central banks across all jurisdictions.

## How have sanctions on Russia and China influenced your approach to reserve management?

(percentages)



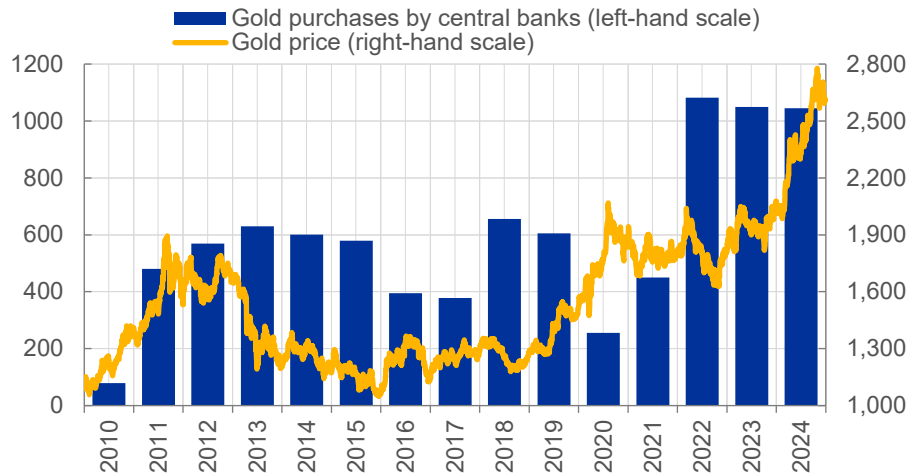
Source: Central Banking.

Notes: The Central Banking Institute's Reserve Benchmark 2024 data were gathered between April and May 2024 from 56 central banks.

# Accumulation of gold by central banks continued at a record pace

## Central bank gold purchases and gold price

(tonnes; US dollars per troy ounce)

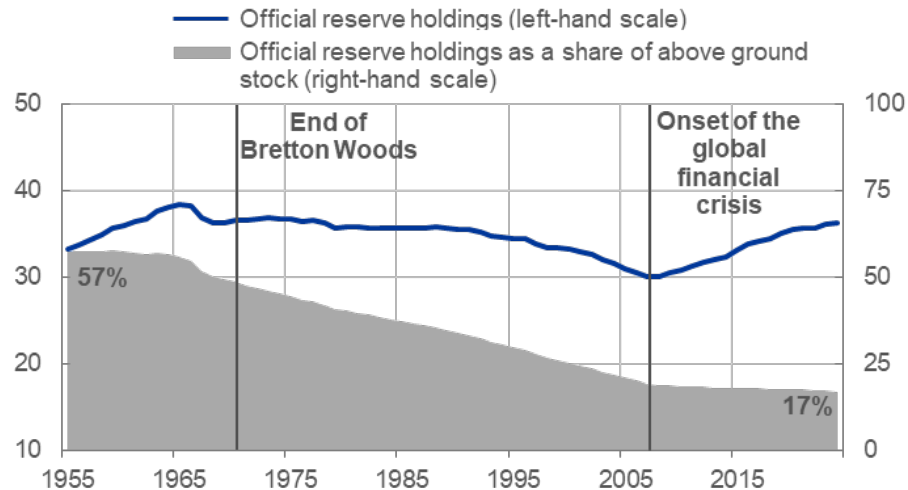


Sources: World Gold Council and ECB staff calculations.

Notes: The latest observation is for the end of 2024.

## Global official gold reserves

(thousand tonnes; percentages)

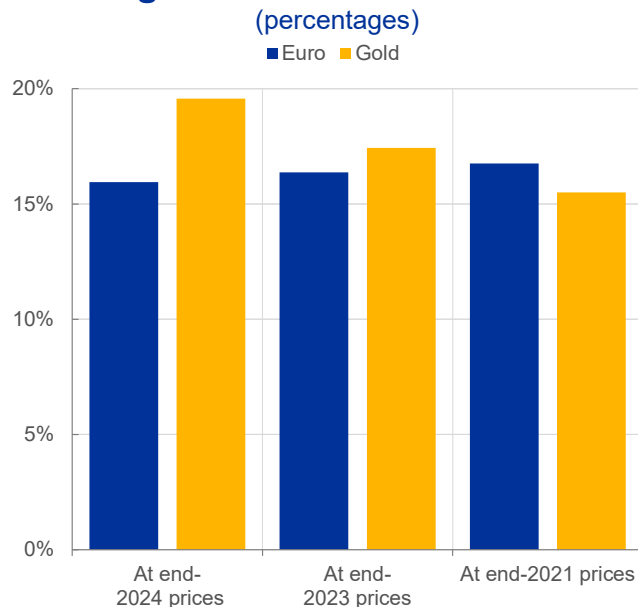


Source: OMFIF.

Notes: The vertical lines indicate the end of the Bretton Woods system in 1971 (when convertibility of the US dollar into gold was suspended) and the onset of the global financial crisis of 2007-09. The shaded area shows the share of central banks' holdings of gold in global gold supply. The latest observation is for 2024.

# Gold's increasing share in global foreign reserves partly reflects valuation effects

## Share of the euro and gold in global foreign exchange reserves at the end of 2024



Sources: World Gold Council, IMF, ECB staff calculations

Notes: share of reserves for 2024 computed using IMF data for fourth quarter of 2024. Shares corrected for valuation effects are estimated using end-of-year gold prices for 2023 and 2021.

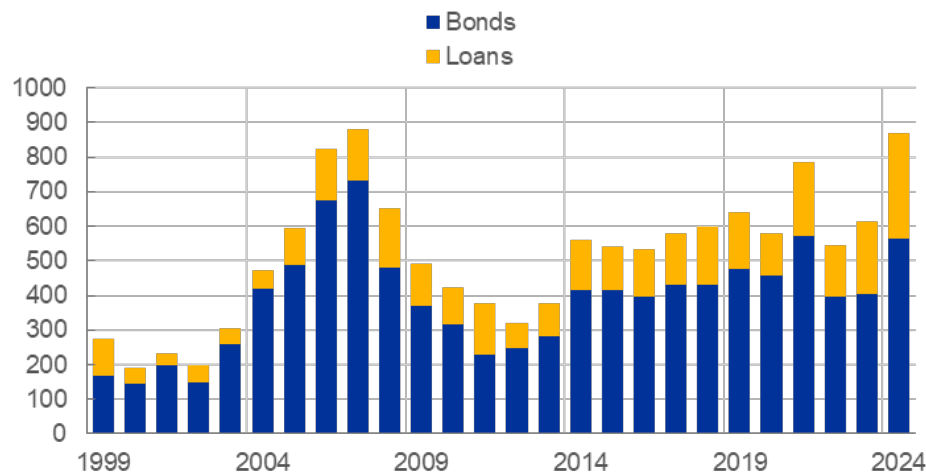
## Gold's limitations as an official reserve asset

- Volatile prices
- No remuneration
- Storage costs
- Inelastic supply

# Issuance of international loans and bonds denominated in euro was particularly dynamic in 2024

## Total issuance volume of debt denominated in euro

(USD billions)

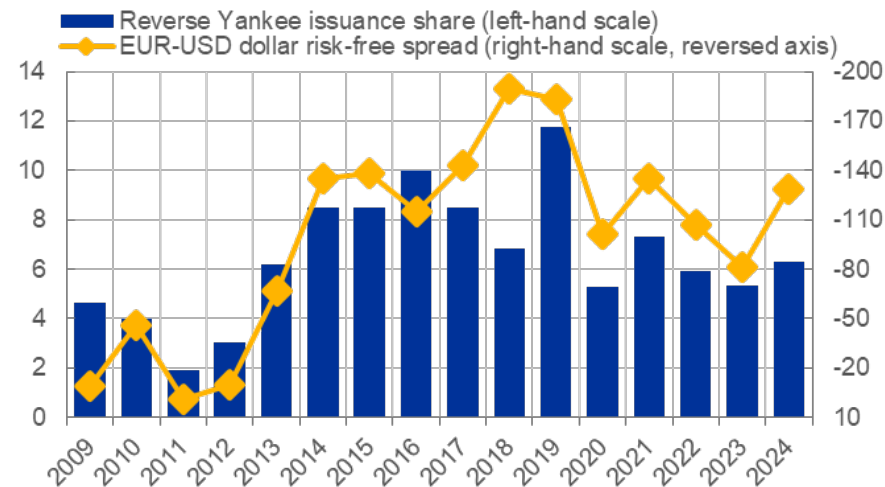


Sources: Dealogic and ECB staff calculations.

Note: Loans include syndicated cross-border loans issued in euros to borrowers outside the euro-area. The latest observation is for the end of 2024.

## Share of euro-denominated bonds issued by US firms and expected policy rate differentials

(percentages; basis points)

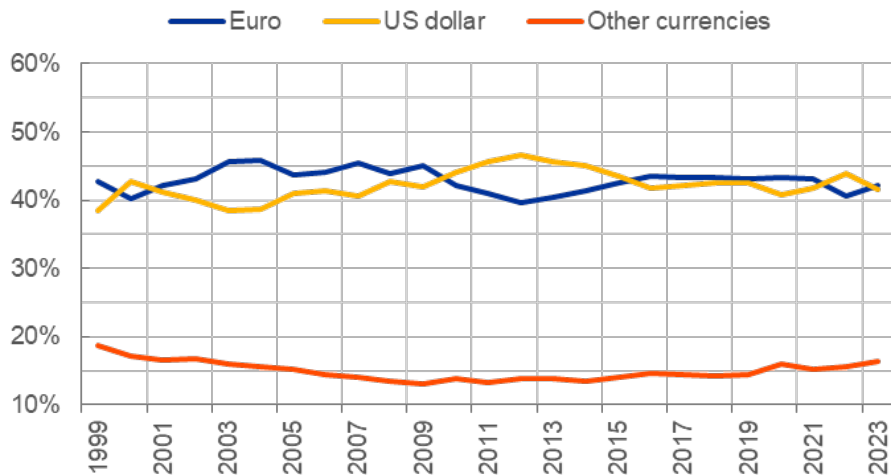


Sources: Dealogic, Bloomberg and ECB staff calculations.

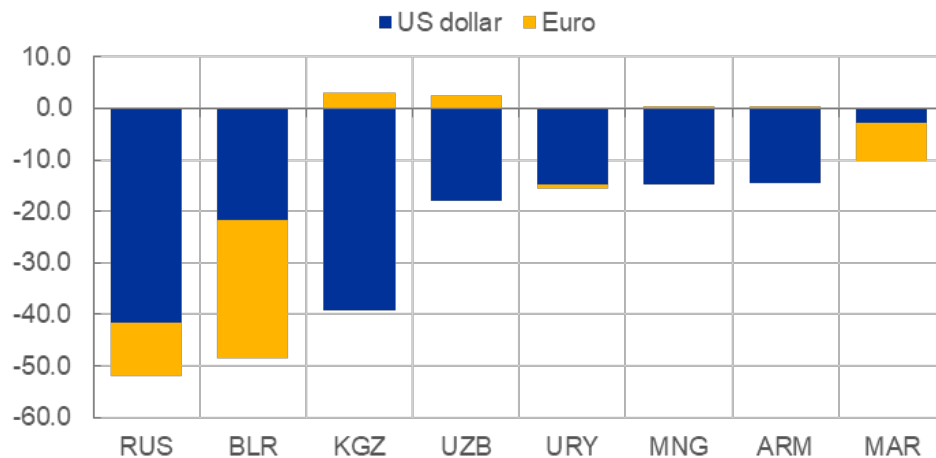
Note: The 'reverse Yankee' issuance share is calculated as the share of euro-denominated bonds issued by investment-grade US firms divided by their total issuance volume in all currencies; Euro and US dollar risk-free rates refer to the respective 10-year overnight index swap rates, which measure market-implied expectations of future policy paths. The latest observation is for the end of 2024.

# The share of the euro as an invoicing currency of global exports is stable despite evidence of shifts in invoicing patterns due to geopolitics

## Share of global exports by invoicing currency (percentages)



## Largest declines in the combined share of the US dollar and euro for invoicing (percentages)



Sources: Boz, E., A. Brüggemann, C. Casas, G. Georgiadis, Gopinath, G., and A. Mehl (2025). "Patterns of invoicing currency in global trade in a fragmented world economy", ECB Working Paper, forthcoming.

Notes: The latest observation is for 2023. The chart on the right-hand side shows countries with the largest combined decline in the shares of the US dollar and euro as invoicing currency of exports in 2023 relative to the average between 2016 to 2021.



# Some countries continued to explore actively alternatives to traditional cross-border payment systems

## Examples of recent initiatives

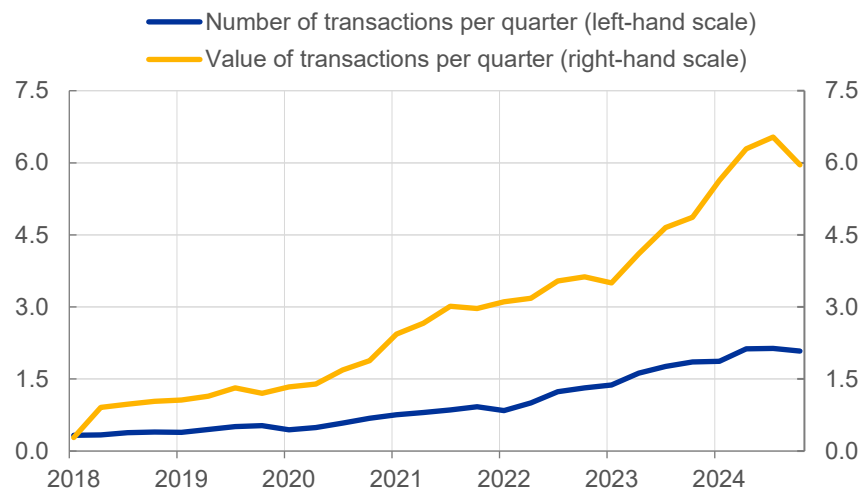
September 2024: **Russia** allowing use of crypto-assets and stablecoins for invoicing cross-border trade

October 2024: Summit of **BRICS+** announcing plans about BRICS Clear

March 2025: **Hong Kong** plans for Asian international settlement house

## Activity in China's Cross-Border Interbank Payment System (CIPS)

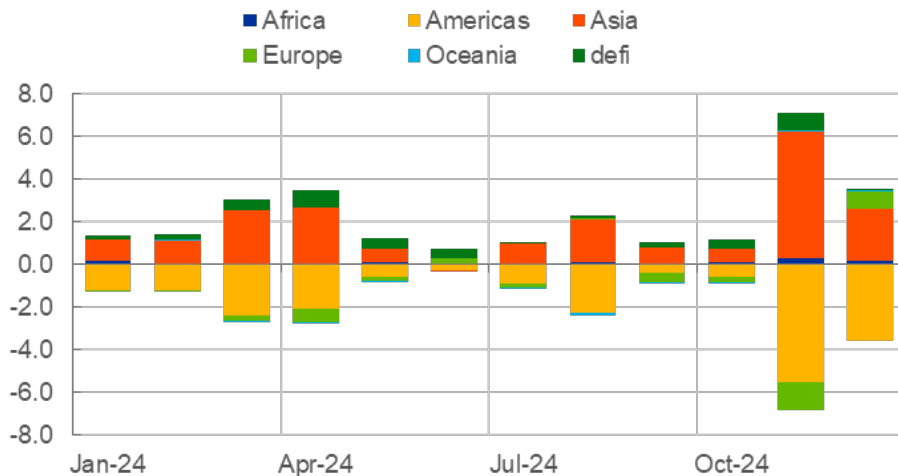
(millions of transactions; USD trillions)



Sources: People's Bank of China and ECB staff calculations.  
Notes: The latest observation is for the fourth quarter of 2024.

# New challenges have emerged including initiatives promoting the global use of cryptocurrencies and stablecoins

**Flows in dollar-pegged stablecoins by region**  
(USD billions)

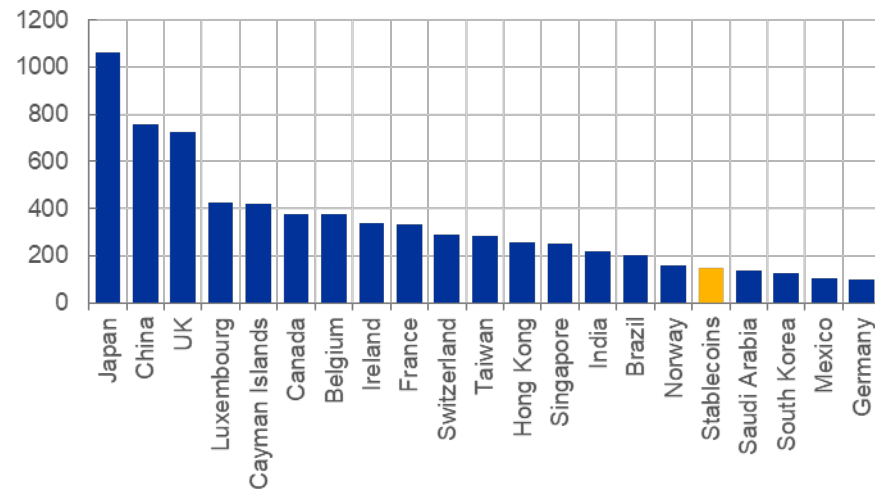


Sources: Chainalysis and ECB staff calculations.

Notes: Flows in Tether (USDT) and USD Coin (USDC). The latest observation is for 31 December 2024.

Defi\* stands for decentralised finance.

**Major foreign country holders of US Treasury securities (bills, bonds and notes)**  
(USD billions)



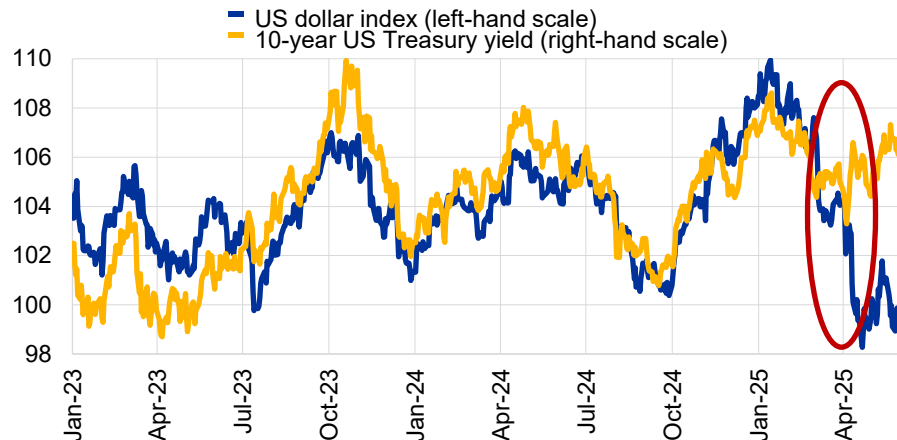
Sources: US Department of the Treasury, independent auditors'/accountants' reports on Tether (USDT) and USD Coin (USDC) reserves, and ECB staff calculations.

Notes: Data refer to the end of 2024. Stablecoins\* include the holdings of US Treasury securities and repos of Tether (USDT) and Coin (USDC) reserves.

# Further shifts maybe underway in the landscape of international currencies

## US dollar exchange rate and US Treasury yields

(index; percentages)

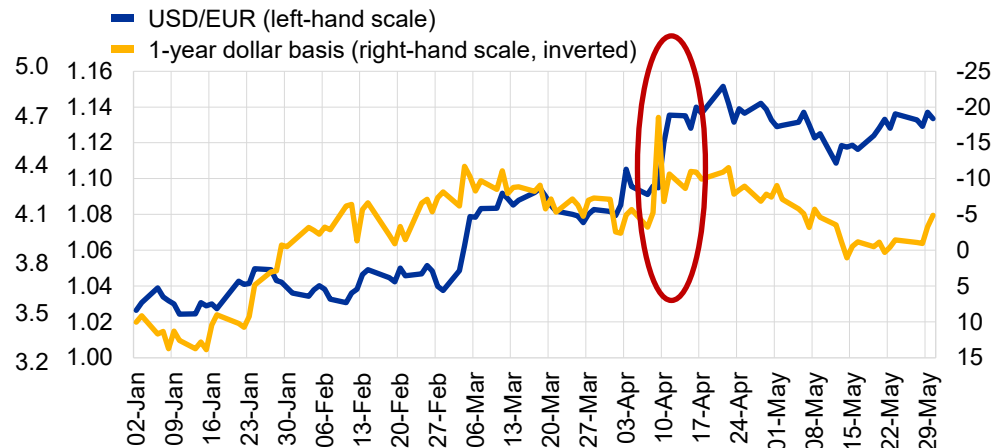


Source: Haver Analytics.

Notes: The latest observation is for 29 May 2025.

## USD/EUR exchange rate and dollar basis

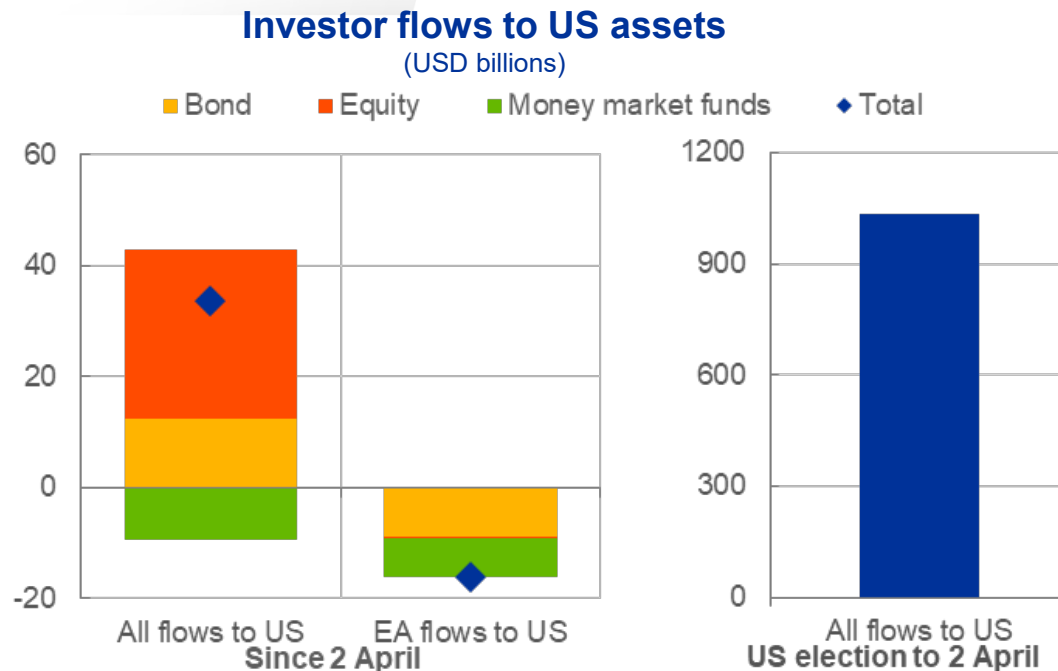
(per euro; percentages)



Source: Bloomberg.

Notes: The latest observation is for 29 May 2025. The dollar basis is the spread between the yield on a 1-year synthetic Treasury—constructed from German bonds hedged into dollars—and the yield on actual 1-year US Treasury bonds. A positive (negative) basis suggests that it is convenient (inconvenient) to raise dollars directly rather than synthetically.

So far, the available data suggest that net redemptions from mutual funds investing in US securities have remained contained



Sources: EPFR Global and ECB staff calculations.

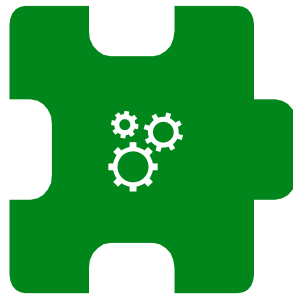
Notes: "All investors" refers to flows to US funds by all investors, "EA investors" refers to flows from EA-domiciled investors to US funds. "Bond" and "Equity" are based on EPFR definition of country flows while "Money market" is based on fund flows definition, due to data availability. Latest observation: 29/05/2025 (reporting lag).

Further shifts could strengthen the global role of the euro if European policy makers create the necessary conditions



**Deeper and more complete  
EMU**

Savings and Investment Union  
Planned issuance of bonds at EU level



**Enhanced payment systems**

Digital euro  
TIPS interlinking  
Central bank money settlement of  
DLT-based wholesale transactions



**International liquidity  
backstop**

Euro liquidity lines



**Sound policies**

Sound economic policies  
Rules-based institutions  
Upholding the rule of law