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PRESS RELEASE

REVIEW OF THE INTERNATIONAL ROLE OF THE EURO

The European Central Bank (ECB) publishes today its report on “The international role of the euro”, which examines developments in the use of the euro by non-euro area residents during the year 2011.

The report finds that the international role of the euro remained relatively resilient during 2011. When compared with other major international currencies, the share of euro-denominated instruments fluctuated only marginally between 2010 and 2011 in the market segments examined. The share of euro-denominated instruments decreased by 0.4 percentage points in global holdings of foreign exchange reserves when adjusted for valuation effects. With regard to the turnover in foreign exchange markets, the share of the euro increased by around one and a half percentage points, while it dropped by 1.3 percentage points in the stock of internationally issued debt securities (also after valuation adjustment).

The report this year contains four special feature articles. The first of these finds that the response of foreign investors in 2011 to the euro area sovereign debt crisis was different from the global shock in 2008, lessening their demand for euro area securities, in particular those of the high-yield sovereign issuers.

The second special feature article suggests that the international monetary system might be already on its way of becoming tripolar, in that the Chinese RMB seems to be already assuming a gradually more important international role.

The third special feature article shows that historical experience put forward the notion that the advantages of incumbency in the use of international currencies are possibly not as strong as usually believed, although they remain significant. New evidence presented in the report suggests that the US dollar emerged

indeed much earlier than previously thought as leading international financing currency in global debt markets.

The fourth special feature article finds that unofficial dollarisation/euroisation in emerging economies (particularly foreign currency lending) has amplified the real costs of the global crisis and can contribute to the build-up of financial stability risks which should be monitored closely by local authorities.

The ECB's report on "The international role of the euro" can be obtained on the ECB's website (<http://www.ecb.europa.eu>).

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