EUROPEAN CENTRAL BANK

EUROSYSTEM

The international role of the euro

June 2026

Contents

Foreword

The international role of the euro grew moderately in 2025, with its share across various indicators of global currency use reaching around 20%. Viewed from a longer-term perspective, the role of the euro has grown gradually but steadily. Since the escalation of geopolitical tensions triggered by Russia's invasion of Crimea in 2014, the euro's share has increased by about 1.5 percentage points. Throughout this period, the euro has remained the world's second most important currency.

Several developments in 2025 were noteworthy. Issuance of international debt denominated in euro reached its highest level since the currency's inception. The euro became the leading currency in the green and sustainable international bond market. Foreign portfolio inflows to the euro area were significant. And there were signs that the euro behaved like a safe-haven currency during several risk-off events that marked 2025 and early 2026.

At the same time, there is no room for complacency. Forces of fragmentation are becoming more pronounced. Geopolitical tensions continue to drive strong central bank demand for gold. Several countries are making progress on tech-driven alternatives to traditional cross-border payment systems. And use of non-traditional currencies is growing for financing and, in some cases, for invoicing of international trade.

Shifts in the global geopolitical landscape underscore the importance of a stronger international role for the euro. There is an opening for the euro to enhance its global appeal – provided that European policymakers create the necessary conditions and put words into action. For this to happen, the three pillars that underpin the euro's global potential – economic resilience, legal and institutional integrity and geopolitical credibility – must be reinforced.

In particular, completing the Single Market remains essential to unlocking Europe's full potential. Moreover, for the euro to evolve into a truly global international currency, the euro area must build scale and deeper, more liquid capital markets. This would enable the euro to attract capital inflows based on its own merits and ensure that these inflows can be smoothly redirected into productive investments. Therefore, we must integrate and deepen our capital markets, taking concrete steps towards completing the savings and investments union, for which an ambitious timetable remains critical. Additional steps like joint financing of public goods would help establish a safe and liquid pool of EU public debt. Finally, safeguarding investors' trust in the institutions and policies that underpin our currency, including by upholding the rule of law, remains crucial to the global appeal of the euro.

The ECB plays a role in underpinning the euro's global appeal in three ways. As a pillar of Europe's institutional strength, its independence and price stability mandate bolster global confidence in the euro. As the issuer of a currency designed for the digital payment age, the Eurosystem ensures central bank money remains a trusted anchor of stability amid rapid technological change. And as a provider of backstop

liquidity to central banks worldwide, the enhanced Eurosystem repo facility (EUREP) boosts market participants' confidence to invest, borrow and trade in euro globally, knowing that access will be there during market disruptions.

The ECB will continue to monitor developments and publish information on the international role of the euro on a regular basis.

Christine Lagarde
President

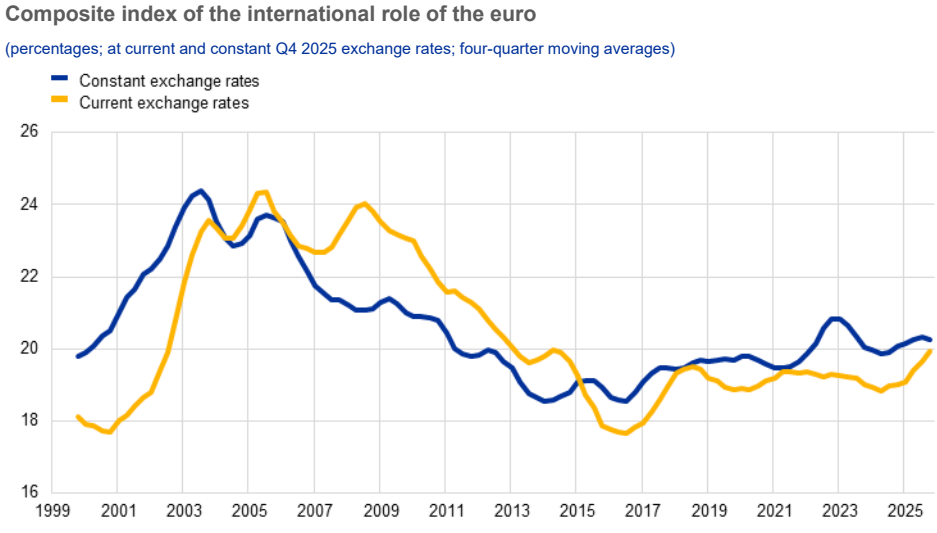
1 Main developments

This 25th annual review of the international role of the euro provides an overview of developments in the use of the currency by non-euro area residents during 2025 and, where data are available, in the early months of 2026. It also reflects on changes since the publication of the previous ECB report in June 2025, which highlighted the evolving global landscape and the need for European policymakers to create the conditions necessary to enhance the euro's international role.

Overall, based on a broad range of indicators, the international role of the euro grew moderately in 2025. The composite index of the international role of the euro, tracked in this report and calculated as a simple arithmetic average of the share of the euro across a wide range of indicators, increased by 0.2 percentage points at constant exchange rates and 0.9 percentage points at current exchange rates in 2025 (**Chart 1**). The share of the euro has also grown gradually but steadily over the past decade. In particular, since the rise in geopolitical tensions following Russia's invasion of Crimea in 2014, the share of the euro has increased by about 1.5 percentage points at constant exchange rates.

Chart 1

The international role of the euro grew moderately in 2025



Sources: Bank for International Settlements (BIS), International Monetary Fund (IMF), CLS Bank International, Ilzetzki, Reinhart and Rogoff (2019) and ECB staff calculations.
Notes: Arithmetic average of the shares of the euro at constant (current) exchange rates in (i) outstanding international debt securities (excluding home currency issuance); (ii) outstanding loans by banks outside the euro area to borrowers outside the euro area; (iii) outstanding deposits with banks outside the euro area from creditors outside the euro area; (iv) global foreign exchange settlements; (v) global foreign exchange reserves; and (vi) global exchange rate regimes (see also **Chart 3** and **Table 1**). Indicators (i) to (iii) are taken from the BIS, indicator (iv) from the continuous linked settlement (CLS) system operated by CLS Bank International and indicator (v) from the IMF. Indicator (vi) is from the IMF from 2010 onward. Before 2010, it is estimated using data from Ilzetzki, E., Reinhart, C. and Rogoff, K., "Exchange Arrangements Entering the Twenty-First Century: Which Anchor will Hold?", *The Quarterly Journal of Economics*, Vol. 134, Issue 2, May 2019, pp. 599-646. The latest observations are for the fourth quarter of 2025.

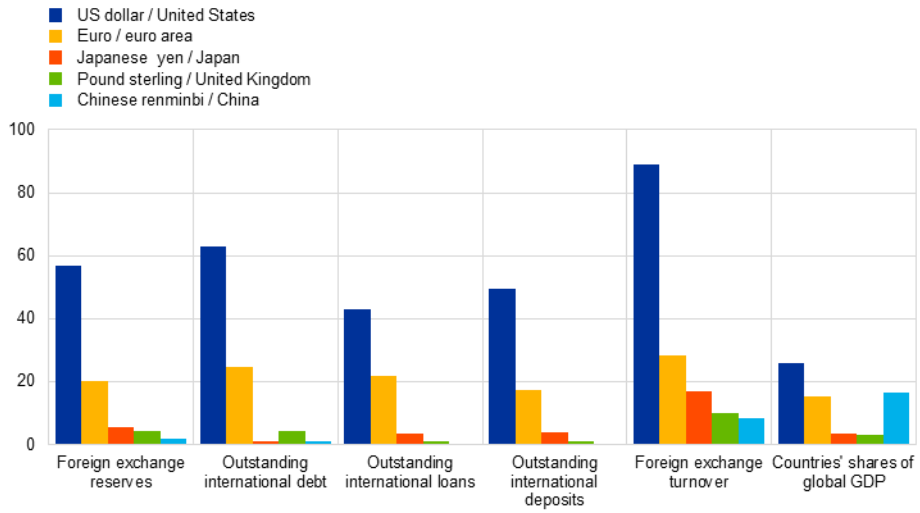
The euro remains the second most important currency in the international monetary system (Chart 2). At about 20%, the share of the euro is around 5 percentage points above the euro area's share of global output. This shows that the euro's international appeal exceeds the euro area's economic weight.

Chart 2

The euro remained the second most important currency in the international monetary system

Snapshot of the international monetary system and countries' shares of global GDP

(percentages)



Sources: BIS, IMF, Ilzetzki, Reinhart and Rogoff (2019) and ECB staff calculations.
Notes: See **Chart 1** for the description of the first four indicators shown in this chart. The observations for these indicators are for the fourth quarter of 2025. Data for outstanding international loans and deposits are not available for the Chinese renminbi. Foreign exchange turnover is taken from the BIS Triennial Survey conducted in April 2025. Since transactions in foreign exchange markets always involve two currencies, foreign exchange turnover shares add up to 200%. Countries' shares of global GDP are computed using nominal GDP data for 2025 from the IMF.

Several indicators point to growth in the international appeal of the euro in 2025. One such indicator is the issuance of international debt denominated in euro, which reached record highs during the year (**Section 1.3**). The issuance of international loans and bonds in euro increased by around 30% compared with 2024, surpassing USD 1.1 trillion (almost €1 trillion), which is the highest level since the euro's inception. Bond issuance in euro – including bonds issued by US firms in a foreign currency sometimes swapped back into US dollars, also known as "Reverse Yankees" – surged by almost 50% as foreign corporates capitalised on historically tight spreads, favourable issuance cost differentials relative to other currencies and an AI-driven investment boom. The euro also became the leading currency in the green and sustainable international bond market in 2025, surpassing the US dollar for the first time, with issuances totalling almost USD 100 billion (around €85 billion).

Similarly, foreign portfolio inflows to the euro area approached historical highs in 2025. Net purchases exceeded €850 billion in 2025 – near peak levels since the creation of the euro. Equity inflows were driven by purchases of shares in investment funds, much of which is reinvested outside the euro area via funds domiciled in Ireland and Luxembourg. Their magnitude highlights the euro area's pivotal role as a financial hub, facilitating the intermediation of global financial flows. The decline in interest rates in 2025 led to a moderate reduction in foreign inflows into euro area bonds compared with the previous year; however, these inflows remained robust by historical standards. The share of the euro in euro area cross-border liabilities has risen from 54% to 66% over the past decade, as **Box 3** highlights – further testament to the growing appeal of the euro among foreign investors.

Box 2 indicates that the convenience yield – the non-pecuniary benefits earned by foreign investors on euro-denominated global safe assets – rose in 2025, reflecting the euro's increasing global appeal. Estimates for German government bonds suggest that the convenience yield increased from nearly 60 basis points in 2023 to approximately 90 basis points in 2025.[1] However, the estimated convenience yield remained lower than that of US Treasuries, which stood at around 190 basis points in 2025, unchanged from 2024 despite the tariff announcement made by the US Administration on 2 April 2025.

Moreover, Box 1 shows that the euro behaved like a safe-haven currency during several risk-off events that marked 2025 and early 2026, prone to exchange rate fluctuations driven by sharp shifts in market sentiment. The introduction of tariffs by the US Administration on 2 April 2025 triggered elevated volatility in global financial markets and sizeable appreciations of the euro exchange rate alongside traditional safe-haven currencies such as the Swiss franc and the Japanese yen. By contrast, the US dollar exchange rate depreciated, while the yields on US Treasury bonds rose – a cross-asset correlation that is atypical for risk-off episodes. Similar patterns emerged during several risk-off events that punctuated 2025 and early 2026, for instance following the announcement that the US Department of Justice had issued subpoenas to the Federal Reserve and the US Administration's threats to increase tariffs on European imports amid escalating tensions around Greenland. By contrast, since the outbreak of the war in the Middle East, the euro exchange rate has depreciated, partly driven by non-risk factors including an adverse terms-of-trade shock stemming from higher oil prices.

Other indicators highlight stability in the euro's international role (Chart 3 and Table 1). For example, the share of the euro in global foreign exchange reserves remained broadly unchanged at constant exchange rates in 2025, hovering around 20% (**Section 1.1**). This aligns with the observation that official reserve managers tend to adjust their strategic asset allocation benchmarks infrequently. Similarly, other major reserve currencies showed limited changes: the US dollar maintained its share at approximately 57%, the Japanese yen and pound sterling remained below 6% and 5% respectively, while the Chinese renminbi held steady at close to 2%.

At the same time, there is no room for complacency, as persistent geopolitical tensions continued to drive strong central bank demand for gold in 2025. While central bank gold purchases decreased to around 850 tonnes in 2025, down from over 1,000 tonnes annually between 2022 and 2024, they remained higher than historical norms, despite historically high gold prices. In 2025 alone, Poland emerged as the largest official sector purchaser, acquiring around 100 tonnes, followed by Kazakhstan, Brazil, China and Türkiye. Survey evidence suggests that geopolitical risks remained a key concern for central banks, with many identifying geopolitics as one of the fastest-growing threats to their environment. Central banks with larger gold purchases also tend to be located in higher external conflict risk regions. Since Russia's full-scale invasion of Ukraine in 2022, China has purchased over 350

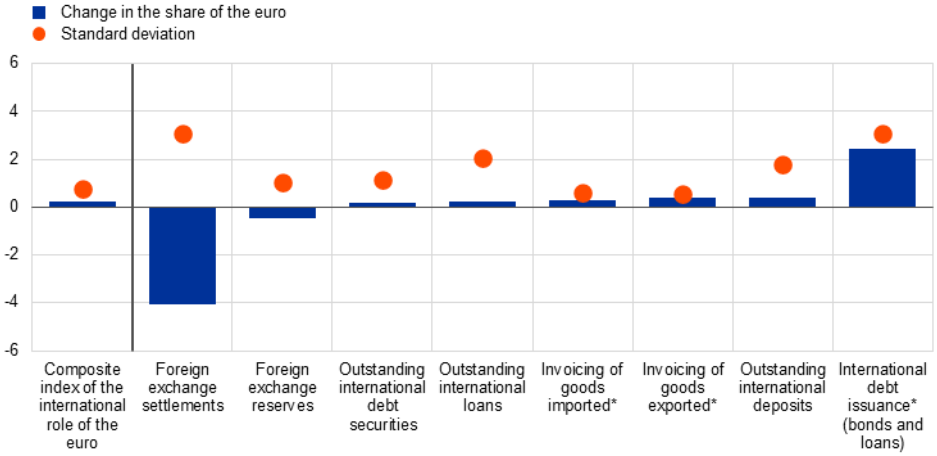
[1] The convenience yield is linked to the Bund basis, which is defined as the difference between the yield on the German Bund and a synthetic yield constructed from a basket of foreign government debt securities hedged against foreign exchange risk.

tonnes of gold, followed by Poland (320 tonnes), Türkiye (220 tonnes) and India (130 tonnes). However, following the outbreak of war in the Middle East, the Turkish central bank sold or loaned out about 130 tonnes of gold – one of the largest reserve drawdowns in recent years – to defend its currency, mitigate soaring energy import costs and manage economic fallout. In 2026, besides Türkiye, other known sellers include Russia – reportedly to fund its ongoing war against Ukraine.

Chart 3

Changes in the share of the euro in various market segments in 2025

(percentage point changes at constant Q4 2025 exchange rates over the review period, unless otherwise indicated)



Sources: BIS, CLS Bank International, Dealogic, IMF, national sources and ECB staff calculations.
Notes: * Indicates percentage point change at current exchange rates. "Standard deviation" refers to the standard deviation of the annual changes in percentage points since 1999. See **Chart 1** for the description of the composite index, foreign exchange settlements, foreign exchange reserves, outstanding international deposits, loans and debt securities. Invoicing of goods exported/imported are based on national sources and refer to invoicing/settlement currency in extra-euro area transactions of euro area countries. "International debt issuance" refers to international debt securities and syndicated loans issued in 2025 from Dealogic. For all indicators, see also **Table 1**.

In certain areas, such as global foreign exchange trading, the role of the euro declined in 2025. According to the BIS Triennial Survey conducted in April 2025, the euro was involved in about 29% of global foreign exchange transactions, a decrease of around 2 percentage points compared with the previous survey in April 2022 (**Section 1.2**). Similarly, the share of the euro in daily foreign exchange trading settled by CLS (continuous linked settlement) decreased by 4 percentage points between 2024 and 2025 (**Chart 3** and **Table 1**).[2] This decline occurred alongside a surge in hedging activity against a depreciating US dollar, prompted by the announcement of reciprocal tariffs by the US Administration on 2 April 2025 – the same month the survey was conducted. Additionally, the decrease in the share of the euro in global foreign exchange transactions reflects a longer-term downward trend that began during the global financial crisis. In contrast, the share of the Chinese renminbi rose significantly, reaching almost 9% in April 2025, an increase of 1.6 percentage points compared with April 2022.

Other developments reveal further shifts in the global currency landscape, with several countries advancing tech-driven alternatives to traditional cross-

[2] Based on data from CLS Bank International, which offer higher frequency but narrower coverage than the BIS Triennial Survey. Additionally, **Chart 3** and **Table 1** present the data at constant exchange rates, thus accounting for foreign exchange volatility.

border payment systems (Section 1.4). India has proposed linking the domestic central bank digital currencies (CBDCs) of BRICS countries to settle cross-border transactions. In January 2025 A7A5 – a stablecoin token pegged to the Russian rouble – was launched to facilitate financial flows in and out of Russia, which have been constrained by international sanctions. On 1 February 2026 President Xi Jinping called for the renminbi to become a global reserve currency, in one of his clearest statements yet of China's ambition to strengthen the international role of its currency. For instance, China's digital yuan (the e-CNY) remains the dominant currency in project mBridge – a multi-CBDC platform designed to settle cross-border payments among China, Hong Kong, Thailand, the United Arab Emirates and Saudi Arabia. Settlement activity on China's Cross-Border Interbank Payment System (CIPS) increased by more than one-third in the days surrounding the outbreak of the war in the Middle East. Industry experts have suggested that the conflict could serve as a catalyst for an expansion of the renminbi's role in the global oil markets. Notably, reports indicate that some ships made payments in renminbi via CIPS or in crypto-assets to transit through the Strait of Hormuz in March and April 2026.

Shifts in the global geopolitical landscape underscore the importance of a stronger international role for the euro. There is an opening for the euro to enhance its global appeal – provided that European policymakers create the necessary conditions and put words into action without delay.[3] The euro's full global potential continues to rest on three key pillars: economic resilience, legal and institutional integrity and geopolitical credibility. These pillars must be reinforced. Indeed, at the Euro Summit on 19 March 2026 euro area leaders stressed that "the euro's position on the global stage will depend on Europe's economic and geopolitical strength, as well as the EU remaining a reliable and predictable international partner in the new geopolitical context".[4]

In particular, completing the Single Market remains essential to unlocking Europe's full potential. Moreover, for the euro to evolve into a truly global international currency, the euro area must build scale and deeper, more liquid capital markets. This would enable the euro to attract capital inflows based on its own merits and ensure that these inflows can be smoothly redirected into productive investments. Therefore, the euro area must integrate and deepen its capital markets, taking concrete steps towards completing the savings and investments union, for which an ambitious timetable remains critical. Additional steps like joint financing of public goods would help establish a safe and liquid pool of EU public debt. Finally, safeguarding investors' trust in the institutions and policies that underpin the euro, including by upholding the rule of law, remains crucial to its global appeal.

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3 See Eichengreen, B., Mehl, A. and Vansteenkiste, I., "An opening for the euro", *CEPR Discussion Paper,* No 21265, 10 March 2026.

4 The European Commission set out proposals to strengthen the international role of the euro, linking economic, financial and external policies in "Strengthening the International Role of the Euro", Note to the Eurogroup, 13 February 2026, Brussels.

The ECB plays a role in underpinning the euro's global appeal in three ways.

First, as a pillar of Europe's institutional strength. The ECB's independence and price stability mandate reinforce investor confidence in the euro. It ensures stability and predictable policies – a key comparative advantage Europe can leverage.

Second, as the issuer of a currency designed for the digital payment age. On 31 March 2026 the Eurosystem outlined its comprehensive payment strategy covering wholesale, business-to-business, retail and cross-border transactions, aiming to ensure that central bank money remains a trusted anchor of stability amid rapid technological change, bolstering the euro's global appeal.[5] In particular, subject to the adoption of the necessary legal acts by European co-legislators, the ECB is preparing for the potential issuance of a digital euro, which will help safeguard Europe's monetary sovereignty in a digital world. At the wholesale level, the Eurosystem's Pontes initiative will connect TARGET services to distributed ledger technology (DLT) platforms, enabling settlement of DLT-based wholesale financial transactions in central bank money by the third quarter of 2026. Meanwhile, project Appia aims to develop Europe's next-generation financial infrastructure, enhancing the efficiency of the European financial markets and boosting the euro's global appeal. Additionally, the Eurosystem is working to link its fast payment system (TIPS) with key global partners to improve cross-border payment systems involving the euro and other currencies, including a connection with India by 2027, with similar plans being explored for Switzerland, Brazil and Nexus Global Payments.[6]

Thirdly, as a provider of backstop liquidity to central banks abroad. The ECB expanded its EUREP facility on 14 February 2026.[7] The enhanced facility provides permanence: central banks outside the euro area can now rely on continuous access to liquidity in euro, not just temporary lines. It extends scope, with the facility moving from a regional to a global perimeter where any central bank that meets the basic criteria can request access, with flexibility on usage. It also ensures agility: access is granted by default unless there is a reason to restrict it, such as money laundering, terrorism financing or international sanctions, speeding up the provision of liquidity. The availability of a lender of last resort for central banks worldwide boosts market participants' confidence to invest, borrow and trade in euro globally, knowing that access will be there during market disruptions.

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5 See The Eurosystem's Comprehensive Payments Strategy, ECB, 2026.

6 See Cipollone, P., "Europe and monetary sovereignty", speech at the Accademia Nazionale dei Lincei, 12 February 2026.

7 See "ECB enhances repo facility for central banks", *press release*, ECB, 14 February 2026.

Table 1

The international role of the euro from different perspectives

Summary of data in this report

Indicator	Share of the euro (percentages at Q4 2025 constant exchange rates, unless otherwise indicated)			Global outstanding amounts (USD billions at current exchange rates)		
	Latest	Comparison period	Difference (pp)	Latest	Comparison period	Difference (%)
Global foreign exchange reserves	20.2 (Q4 2025)	20.7 (Q4 2024)	-0.5	13,137 (Q4 2025)	12,330 (Q4 2024)	6.5
Outstanding international debt securities: narrow measure, i.e. excluding home currency issuance	24.6 (Q4 2025)	24.5 (Q4 2024)	0.2	21,694 (Q4 2025)	19,230 (Q4 2024)	12.8
Outstanding international loans: by banks outside the euro area to borrowers outside the euro area	21.7 (Q4 2025)	21.5 (Q4 2024)	0.2	3,310 (Q4 2025)	2,892 (Q4 2024)	14.5
Outstanding international deposits: with banks outside the euro area from creditors outside the euro area	17.3 (Q4 2025)	16.8 (Q4 2024)	0.4	3,581 (Q4 2025)	3,235 (Q4 2024)	10.7
Foreign currency-denominated bond issuance, at current exchange rates	31.1 (2025)	25.6 (2024)	5.5	2,678 (2025)	2,208 (2024)	21.3
Euro nominal effective exchange rate (broad measure against 41 trading partners)	131.1 (31 Dec. 2025)	122.8 (31 Dec. 2024)	8.3			
Daily foreign exchange trading (settled by CLS), as a percentage of foreign exchange settlement	32.2 (Q4 2025)	36.3 (Q4 2024)	-4.1			
Invoicing of goods exported from the euro area to non-euro area countries, at current exchange rates	60.0 (2025)	59.6 (2024)	0.4			
Invoicing of goods imported into the euro area from non-euro area countries, at current exchange rates	53.1 (2025)	52.8 (2024)	0.3			

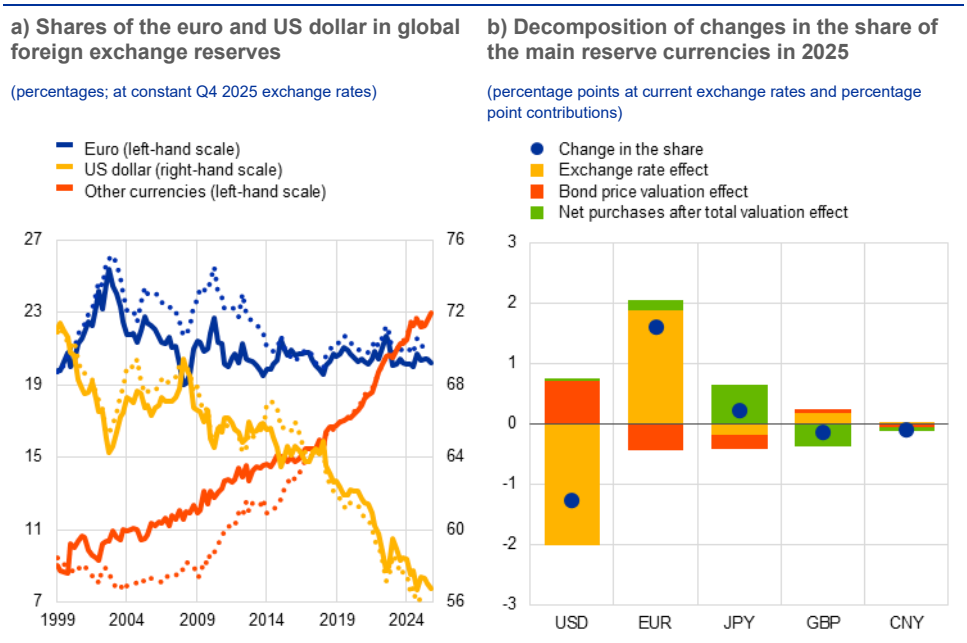
Sources: BIS, CLS Bank International, Dealogic, IMF, national sources and ECB staff calculations.
Notes: An increase in the euro nominal effective exchange rate indicates an appreciation of the euro. For foreign exchange trading, currency shares add up to 200% because transactions always involve two currencies

1.1 Use of the euro as an international reserve currency

In 2025 the share of the euro in global official foreign exchange reserves remained broadly stable at constant exchange rates, hovering around 20% (Chart 4, panel a). Meanwhile, the US dollar's share remained similarly stable, at about 57%. In the third quarter of 2025, the IMF refined its methodology for calculating currency shares. The COFER dataset – the main public source of information on the currency composition of countries' official foreign exchange reserves aggregated at the global level – no longer includes an unallocated component. Instead, IMF staff impute this portion to produce currency compositions, in both dollar terms and shares, that sum to 100% of global foreign exchange reserves.[8] This revision significantly affected the "other currencies" category, causing its share to increase, particularly during the period between 2000 and 2018 (solid lines show the new time series). On the other hand, the euro's share was revised downwards, with a decrease of around 0.8 percentage points in mid-2025 compared with the previous time series.

Chart 4

Stable currency shares in global foreign exchange reserves in 2025 at constant exchange rates; euro rise at market prices mainly driven by exchange rate effects



Sources: IMF, LSEG and ECB staff calculations.
Notes: In panel a) the latest observations are for the fourth quarter of 2025. Solid lines refer to the currency shares based on a new methodology adopted by IMF staff from the third quarter of 2025 which imputes the currency composition of unallocated reserves. Dotted lines represent the previously published series based on non-imputed allocated reserves. In panel b), the changes in the share of each currency are calculated from foreign exchange reserves with disclosed currency denomination only. The valuation effect for currency i between period t and $t-1$ can be expressed as: $V_t = \frac{R_{i,t-1}}{FX_{i,t}}\left(1 + k_{i,t-1}g_{i,t}\right) - \frac{R_{i,t-1}}{FX_{i,t-1}}$ where R is reserve assets held, FX is the bilateral exchange rate against the US dollar, k is the share of reserves held as securities and g is the average total return on the security portfolio between periods $t-1$ and t. Subtracting this value from the actual change in the level of reserve assets gives the approximate net purchases in period t.

[8] See Kwende, G. and Nephew, E., "Improving the analytical usefulness of the IMF's COFER data", *Technical Notes and Manuals*, No 2025/14, International Monetary Fund, 2025.

Developments in other reserve currencies were similarly stable. The shares of the Japanese yen and pound sterling remained below 6% and 5% respectively, while the share of the Chinese renminbi stayed close to 2%**.** These developments suggest that China's currency's role as an official store of value is limited at the current juncture.

At market prices, euro-denominated reserve holdings increased in 2025, largely driven by the euro's exchange rate appreciation (Chart 4, panel b). Specifically, the euro's exchange rate appreciation against the US dollar almost entirely explains the 1.6 percentage point increase in the euro's share in foreign exchange reserves at market prices. On the other hand, the combined contributions of purchases by reserve managers and negative bond valuation effects were marginal. For the US dollar, exchange rate and bond valuation effects had the opposite effect, while purchases by reserve managers had a negligible contribution. Official reserve managers were net purchasers of Japanese yen-denominated assets – in the wake of a doubling in long-term yields on Japanese government bonds in the review period, from 1% to 2% – but were net sellers of pound sterling-denominated assets. Their positions in Chinese renminbi remained unchanged.

Broadly stable reserve currency shares reflect official reserve managers' traditionally prudent approach of avoiding abrupt changes to strategic investment benchmarks, even amid heightened geopolitical uncertainty. In line with this interpretation, a striking result from a recent survey showed that over two-thirds of central banks that incorporated geopolitical risks into their reserve management made no changes in the currencies they invested in.[9] Fewer than 10% of central bank reserve managers cited US tariffs as a factor impacting their reserve allocations in mid-2025 (**Chart 5, panel a**). Recent market analysis suggests that China – the world's largest official reserve holder – has, in fact, continued to accumulate US dollars.[10] At the same time, towards the end of 2025 central banks identified geopolitics as the third most significant risk they faced, ranking behind cybersecurity and other cyber incidents (**Chart 5, panel b**). Geopolitics was also considered the fastest-growing threat in 2025, with three-quarters of central banks indicating an increase over the past year.[11]

The war in the Middle East has heightened concerns about geopolitics. In a survey of central banks published in early April 2026, 70% of respondents cited geopolitics as the most significant risk they faced in 2026.[12] Almost 80% said they had incorporated geopolitical risk into their strategies, while 30% viewed geopolitics

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9 More common changes were to issuers and counterparties. See Popowicz, J., "Trends in reserve management: 2025 survey results", *HSBC Reserve Management Trends 2025*, 26 May 2025.

10 See Setser, B., "China is not dumping US Treasuries", Markets Insight, *Financial Times*, 24 February 2026. According to this analysis, asset accumulation has shifted from China's State Administration of Foreign Exchange (SAFE) – which holds about USD 3.4 trillion in foreign exchange reserves, an estimated 50-55% of which are in US dollars – to state-owned banks (with roughly USD 3 trillion in assets, perhaps around 70% in US dollars, based on estimates using data from China's commercial banks). In December 2025, for instance, China's state-owned banks and central bank purchased more than USD 100 billion in foreign exchange in the market.

11 See Koroes, L., Hinge, D. and Asaju, T., Risk Management Benchmarks 2026 report – tracking op risk, *Central Banking*.

12 See Popowicz, J.E., "Geopolitics voted top risk among reserve managers", *Central Banking*, 8 April 2026.

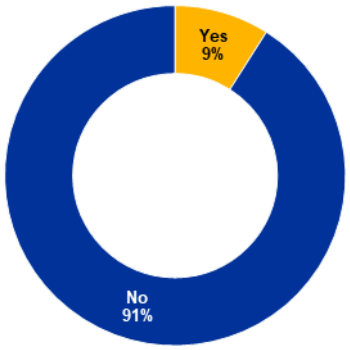
as the most important factor affecting their reserve management over the next five years.

Chart 5

Geopolitical risks remain key factor monitored by official reserve managers

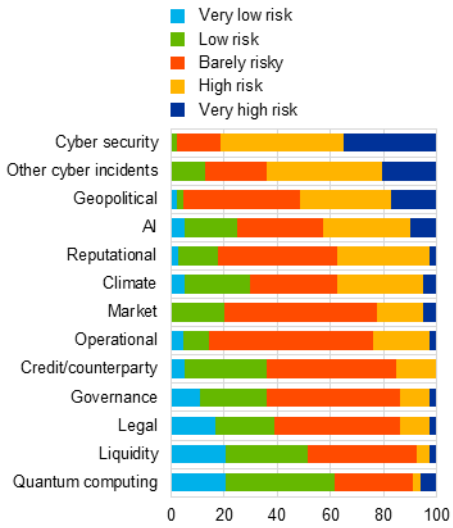
a) Survey evidence on whether central banks consider US tariffs to be a factor impacting their reserve currency allocations

(percentages)



b) Survey evidence on risks considered greatest by central banks

(percentages)

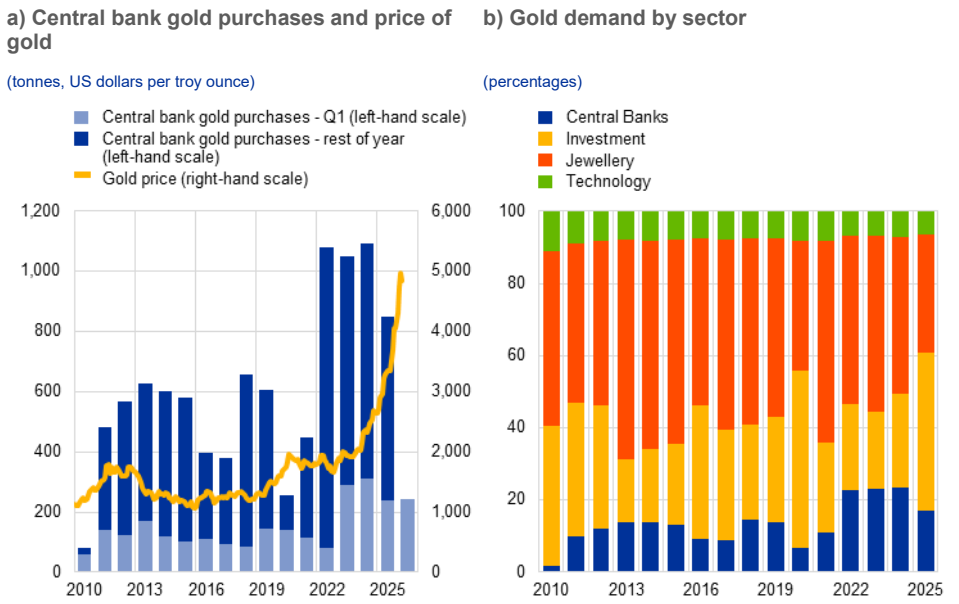


Sources: Koroes, L., Asaju, T. and Hinge, D., *Risk Management Benchmarks 2025 – tariff realignment?* and *Risk Management Benchmarks 2026 report – tracking op risk*, Central Banking.
Notes: Responses were collected via two surveys, the first conducted between June and September 2025 with 81 central banks participating and the second conducted between October and December 2025 with 48 central banks participating.

Central bank gold purchases slowed in 2025, partly reflecting historically high gold prices and strong private investor demand, but remained elevated. Gold purchases by central banks eased to around 850 tonnes, from over 1,000 tonnes per year between 2022 and 2024 (**Chart 6, panel a**). The soaring prices and rising value of existing holdings likely curbed demand for additional purchases by the official sector. At the same time, gold purchases by central banks remained much stronger than in the period preceding Russia's full-scale invasion of Ukraine. Private investment demand for gold reached nearly 2,200 tonnes in 2025 – almost double the 2024 figure and accounting for nearly 50% of global gold demand (**Chart 6, panel b**). Investment demand was fuelled by a record USD 89 billion in inflows into gold-backed exchange-traded funds, which purchased approximately 800 tonnes of gold in 2025.

Chart 6

Central bank gold buying softened, amid soaring prices and strong private investor demand

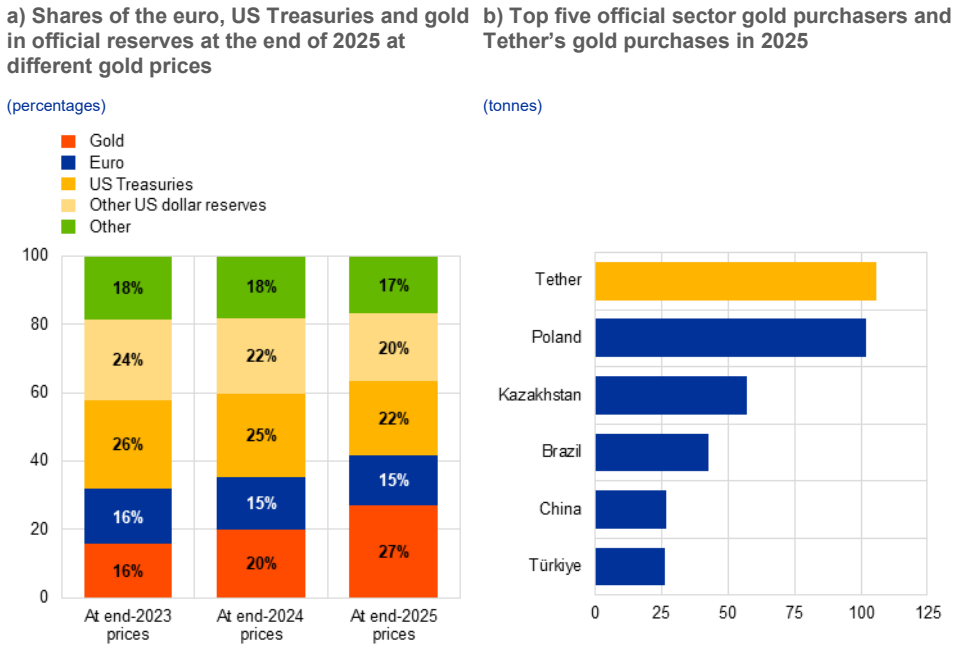


Sources: IMF, World Gold Council and ECB staff calculations.
Note: In panel a) the latest observations are for the first quarter of 2026. One troy ounce equals approximately 31.10 grams. In panel b), the latest observations are for the end of 2025. "Jewellery" denotes gold purchases driven by consumption for making gold jewellery. "Investment" refers to purchases of gold bars, coins and exchange-traded funds. "Technology" denotes gold used in industrial applications. "Central banks" denotes net purchases by central banks and selected international financial institutions such as the IMF or the BIS (for further details see the guidance note published by the World Gold Council in 2018).

The share of gold in total official foreign reserves – comprising both foreign exchange and gold holdings – had increased to 27% at the end of 2025 (Chart 7, panel a). The share of gold now surpasses both that of the euro (15%) and US Treasuries (22%). However, this development largely reflects valuation effects. In nominal terms, the gold price surged by around 60% and 30% in 2025 and 2024 respectively, which mechanically increases the share of gold in total official foreign reserves. Correcting for such valuation effects by using the gold price at the end of 2023, the share of the euro (16%) remains at par with the share of gold (16%), while the share of US Treasuries continues to be markedly higher (26%). Going forward, gold faces limitations as an official reserve asset compared with the major fiat currencies: its price is volatile, it is not remunerated and, when held in physical form, it is costly to store. More importantly, the supply of gold is not fully elastic and does not adjust seamlessly to shifts in international demand for liquidity.

Chart 7

Rising prices boost gold's share in global foreign reserves



Sources: Tether auditors' reports, IMF, World Gold Council and ECB staff calculations.
Notes: The latest observations are for the end of 2025. In panel a) the datasets for gold reserves and official foreign exchange reserves differ, resulting in varying country coverage. In panel b) the data for Türkiye reflect changes in official sector gold holdings, excluding gold deposited by domestic commercial banks at the central bank as part of their reserve requirements, as reported by the World Gold Council.

However, gold purchases may also reflect efforts by some central banks to strengthen balance sheet resilience amid rising geopolitical risks. Survey data suggest that central banks hold gold not only for diversification but also as a hedge against geopolitical risk.[13] Central banks with larger gold purchases also tend to be located in higher external conflict risk regions (**Figure 1**). Since Russia's full-scale invasion of Ukraine in 2022, China has purchased over 350 tonnes, followed by Poland (320 tonnes), Türkiye (220 tonnes) and India (130 tonnes). Moreover, Poland – with around 100 tonnes – remained the largest official sector purchaser in 2025, followed by Kazakhstan, Brazil, China and Türkiye (**Chart 7, panel b**).[14] Interestingly, the largest stablecoin issuer, Tether, was an even larger purchaser of gold in 2025, with more than 100 tonnes, underscoring the potentially relevant macroeconomic implications that stablecoins could have globally if they continue to expand (**Section 1.4**).

Following the outbreak of war in the Middle East, some central banks, however, sold gold and US Treasuries to support their economies and currencies. The Turkish central bank sold or loaned out about 130 tonnes of gold – one of the largest reserve drawdowns in recent years – to defend its currency,

13 See Brüggen, A., Habib, M.M., Gomis, R. and Vallin, A., "Gold demand: the role of the official sector and geopolitics", *The international role of the euro*, ECB, 2025.

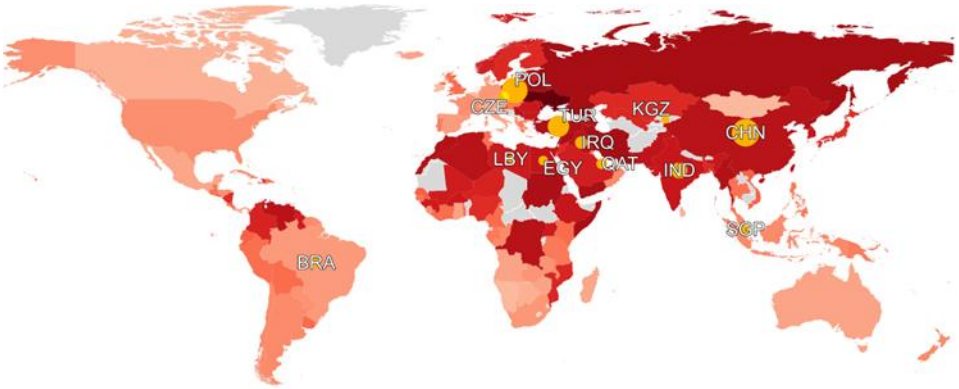
14 Publicly reported buying by China's central bank might significantly underestimate the actual purchases made, which may also lower the aggregate figures for central bank purchases. See "China's secretive gold purchases help fuel record rally", *Financial Times*, 13 November 2025.

mitigate soaring energy import costs and manage economic fallout.[15] In 2026, besides Türkiye, other known sellers include Russia – reportedly to fund its ongoing war against Ukraine.[16] In addition, the value of US Treasuries held in custody at the New York Federal Reserve by official institutions – a group largely made up of central banks – dropped by USD 82 billion to USD 2.7 trillion in March 2026 – the lowest level since 2012.[17]

Figure 1

Geopolitical considerations influence central banks' decisions to purchase gold

Major central bank gold buyers and external conflict risk between 2022 and 2025



Sources: PRS Group, World Gold Council and ECB staff calculations.
Notes: The yellow bubbles indicate central banks whose gold purchases exceeded 10 tonnes between 2022 and 2025, with bubble size proportional to the volume purchased. Countries are coloured based on their average PRS external conflict risk rating over the same period, capturing exposure to war, cross-border conflict and foreign pressures. Darker red indicates higher external conflict risk. The estimated risk for all top five gold purchasers (China, Poland, Türkiye, India and Iraq) exceeds the global risk average. The boundaries, colours, denominations and any other information shown on the maps do not imply, on the part of the ECB or the Eurosystem, any judgement on the legal status of any territory or any endorsement or acceptance of such boundaries.

15 See Ryan, J., "Iran war threatens to reverse central banks' role as major gold buyers", *Bloomberg,* 27 March 2026 and Hook, L. and Rathbone, J. P., "Turkey's gold sales deepen bullion slump", *Financial Times*, 8 April 2026.

16 See Saefong, M.P., "Some central banks have been selling their gold. That doesn't mean you should too.", MarketWatch, 4 April 2026.

17 According to data on marketable US Treasury securities held in custody published weekly by the Federal Reserve System. See also "Foreign central banks sell US Treasuries in wake of Iran war", *Financial Times*, 31 March 2026.

1.2 Use of the euro in global foreign exchange markets

The euro remains the second most actively traded currency in global foreign exchange markets, but its share has been declining (Chart 8). According to the latest Triennial Central Bank Survey of foreign exchange and over-the-counter (OTC) derivatives markets conducted by the BIS in April 2025, the euro was involved in 28.5% of all foreign exchange trades, remaining the second most traded currency after the US dollar (**Chart 8, panel a**). However, its share has trended downward since 2010 and also fell by around 2 and 4 percentage points compared with the previous surveys carried out in 2022 and 2019 respectively, reflecting the rising importance of other currencies (**Chart 8, panel b**).[18] Notably, the Chinese renminbi recorded the largest increase in market share since 2022, reaching 9% in 2025.[19] The US dollar retained its dominant position, appearing on one side of almost 90% of total OTC transactions – a share that has remained broadly stable across the three most recent surveys.

Hedging activity, driven by the depreciation of the US dollar that followed the imposition of unilateral tariffs by the US Administration, boosted foreign exchange trading in April 2025, when the latest BIS Triennial Survey was conducted. Compared with the 2022 survey, global foreign exchange turnover rose by 27%, reaching USD 9.5 trillion per day in April 2025. However, a significant portion of this increase – approximately USD 1.5 trillion – was linked to heightened market volatility, triggered by the US Administration's tariff announcement on 2 April and the unexpected sharp depreciation of the US dollar that followed. Some investors, including equity investors, many of whom were underhedged owing to the elevated hedging costs that followed global monetary policy tightening from 2022, rushed to adjust foreign currency exposures and hedge against dollar risk.[20] In turn, knock-on volatility and movements in exchange rates triggered speculative trading by hedge funds and momentum traders. Spot and forward trading in particular surged by 42% and 51% respectively, as these instruments were widely used for rebalancing portfolios and managing currency risk.[21]

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18 As more countries adopt the euro, turnover in currency pairs involving the euro declines – but only marginally. The latest BIS survey indicates that turnover in the Bulgarian lev accounted for just 0.04%, while turnover in the currencies of other countries that have joined the euro area since 2010 (Estonia, Latvia, Lithuania and Croatia) were not reported in prior surveys.

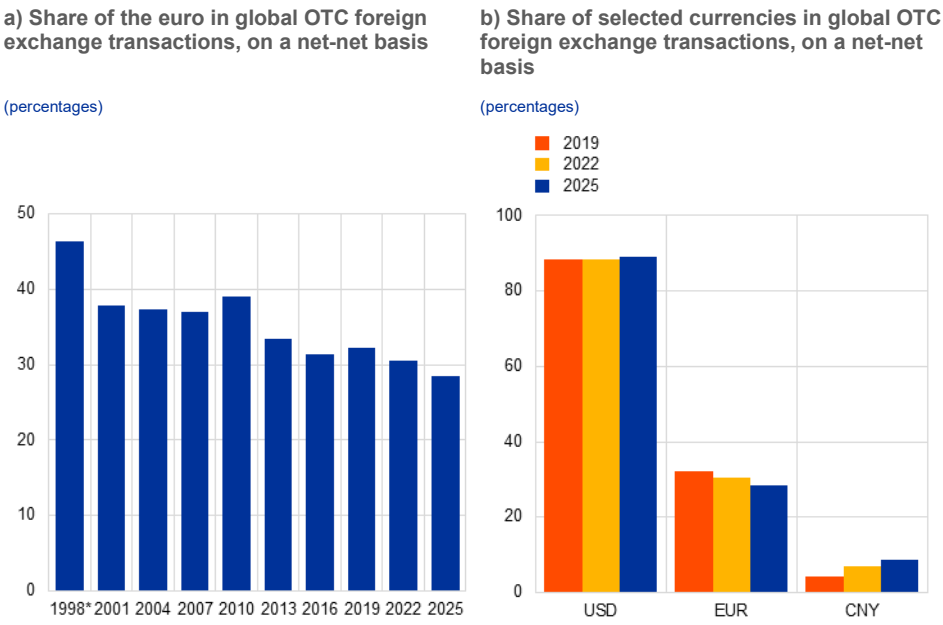
19 Recent research finds that financial factors, particularly banking links with China and policy-driven measures, such as qualified investor licences, are key drivers of RMB internationalisation, more so than trade-related factors. See Robbert, J., Sushko, V., and Westermann, F., "Shifting forces behind RMB internationalization: evidence from the 2025 Triennial Survey", *BIS Working Papers,* No 1345, 2026.

20 Another reason many investors left large portions of their portfolios (especially equities) unhedged was that they relied on the past regularities of US dollar assets. Historically, in times of market stress, the US dollar tended to appreciate when US equity markets fell – a response often referred to as "the dollar smile". See Huang, W., Krohn, I. and Sushko, V., "Global FX markets when hedging takes centre stage", *BIS Quarterly Review*, 2025.

21 The survey results also reflect significantly high trading volumes in currencies such as the Swiss franc, which attracted safe-haven inflows in April 2025 (**Box 1**).

Chart 8

Euro is the second most traded currency in global foreign exchange markets, although its share is declining

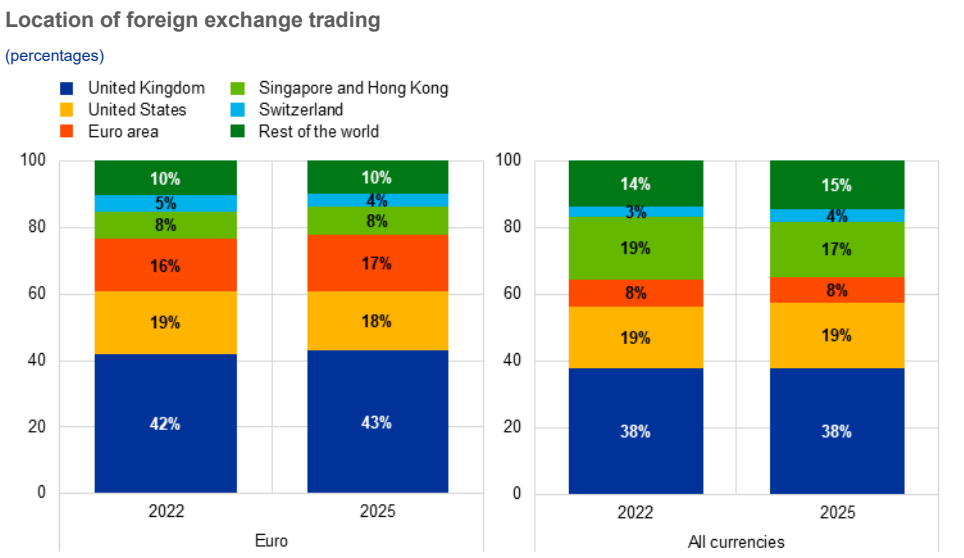


Sources: BIS and ECB staff calculations.
Notes: As two currencies are involved in each transaction, the sum of the percentage shares of individual currencies totals 200% instead of 100%. Shares are adjusted for local and cross-border inter-dealer double-counting (i.e. expressed on a "net-net" basis). In panel a), the value for 1998 (denoted by *) is computed by aggregating the transactions for the 11 euro legacy currencies net of intra-currency trading; see Detken, C. and Hartmann, P., "Features of the euro's role in international financial markets", *Economic Policy*, Vol. 17, 2002. Panel b) does not show the shares of the Japanese yen and the pound sterling, although they were higher than that of the Chinese renminbi in 2025.

Foreign exchange trading activity involving the euro remains particularly significant within the euro area and its neighbouring regions, especially the United Kingdom. The United Kingdom, including the City of London, continues to serve as the world's leading hub for foreign exchange trading. In 2025 over 43% of total euro trades were initiated in the United Kingdom, which is about 5 percentage points higher than the share of all-currency trading conducted there (**Chart 9**). The euro area accounted for 17% of total euro trades in 2025 – double its share of trading in all currencies. Conversely, Asian trading hubs such as Singapore and Hong Kong represented just 8% of total euro trades, which is half their share of trading in all currencies. This relatively limited role of Asian trading hubs – a distinctive feature of the euro compared with the US dollar, where their share is about 20% – highlights the more regional nature of foreign exchange trading in euro in contrast with the more globally distributed trading of US dollars.

Chart 9

Foreign exchange trading activity involving the euro remains particularly significant within the euro area and its neighbouring regions



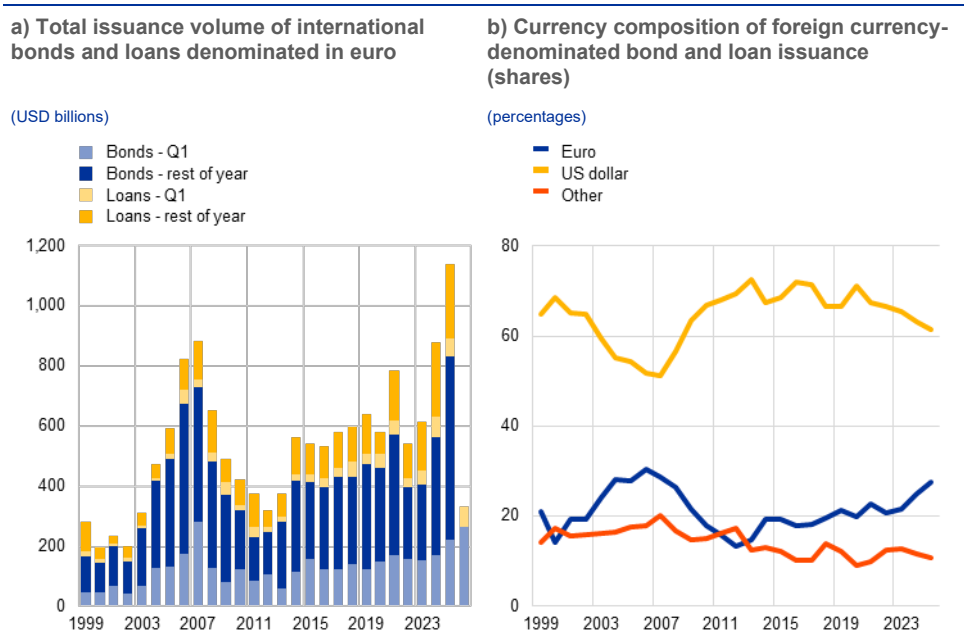
Sources: BIS and ECB staff calculations.
Notes: The data on geographical locations include spot transactions, outright forwards, foreign exchange swaps, currency swaps, options and other products. They are adjusted for local inter-dealer double-counting (i.e. on a net-gross basis) and may differ slightly from national survey data owing to differences in aggregation procedures and rounding. The BIS uses several criteria to determine the location of a foreign exchange transaction, notably the location of the initiating sales desk.

1.3 Use of the euro in international finance

The euro reached a record high as a currency of issuance for foreign currency-denominated debt in 2025. International issuance in euro for debt financing – including both bonds and loans – rose by around 30% compared with 2024, surpassing USD 1.1 trillion, the highest level since the euro's inception (**Chart 10, panel a**). This increase was driven by strong euro-denominated international bond issuance, which grew by almost 50%, while loan issuance declined slightly. The overall share of euro-denominated bond and loan issuance rose by more than 2 percentage points to almost 30% (**Chart 10, panel b**). Concurrently, the share of the US dollar fell to around 60%, while the share of other currencies saw a marginal decrease.

Chart 10

The share of the euro in issuance of foreign currency-denominated bonds and loans increased in 2025, driven by record-high euro-denominated bond issuance



Sources: Dealogic and ECB staff calculations.
Notes: The latest observations are for the first quarter of 2026 for panel a) and for the end of 2025 for panel b). Loans refer to syndicated cross-border loans issued in euro to borrowers outside the euro area.

The increase in the euro's share in foreign currency-denominated debt issuance was driven by strong corporate bond activity. In 2025 international euro-denominated bond issuance surged as corporates capitalised on historically tight corporate spreads, favourable cost differentials and an AI-driven investment boom. Alphabet, a US-based multinational tech conglomerate and parent company of Google, issued its first euro-denominated foreign bonds, raising around €13 billion across two deals, making it the largest international bond issuer in euro last year (**Table 2**). The two deals accounted for 40% of Alphabet's 2025 overall bond issuance, supporting its commitment to invest €5.5 billion in Germany through 2029 and €5.0 billion in Belgium through 2027, and to continue its investment in France and the Nordic countries. Most of Alphabet's recent European investments focus on

AI infrastructure, cloud computing capacity and data-centre expansion, reflecting the surge in demand for generative AI and cloud services. In the first quarter of 2026, the trend of strong euro-denominated issuance continued, including a record issuance of €14.5 billion by the US global technology company Amazon to finance its vast AI investments.

The euro became the leading currency in the green and sustainable international bond market in 2025, surpassing the US dollar for the first time (Chart 11, panel a). Issuance of offshore green and sustainable bonds denominated in euro rose to almost USD 100 billion, up from around USD 90 billion in 2024, increasing the euro's share from around 35% to over 41%. Meanwhile, US dollar-denominated issuance in this market declined by USD 30 billion, reducing the US dollar market share by 10 percentage points to around 32%. The share of issues in other currencies – such as the pound sterling and Australian dollar – grew by 13%, to stand at 26%. International CNY-denominated issuance in this market remains limited, at less than USD 3 billion. China's green bond market has grown rapidly, spurred on by President Xi Jinping's 2020 pledge to cap carbon emissions by 2030 and achieve carbon neutrality by 2060 ("30·60 targets"). However, over 95% of CNY-denominated green bonds are still issued domestically.

Europe's leadership in sustainable finance and green bonds presents an opportunity to expand the global use of the euro. While only around 10% of total international euro-denominated bond issuance was classified as green or sustainable, this market segment saw fast growth, supported by EU initiatives such as European Green Bond (EuGB) and Next Generation EU (NGEU), as well as the ongoing maturation of the market.[22] Moreover, some proposals suggest that Europe could start invoicing climate-friendly products – such as decarbonised energy equipment, electric vehicles and commodities essential for electrification – in euro. This could go hand in hand with the development of corresponding financial instruments, such as those designed to hedge climate-related risk.[23,24] The recently adopted EU Omnibus I Sustainability Package may further support green and sustainable bond issuance going forward.[25]

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22 The green bond market is now a decade on from the Paris Agreement, adopted by 195 parties at the UN Climate Change Conference in Paris on 12 December 2015, which gave a strong impetus to its development. The first issuances are now progressively reaching maturity, creating refinancing needs in addition to ongoing issuance.

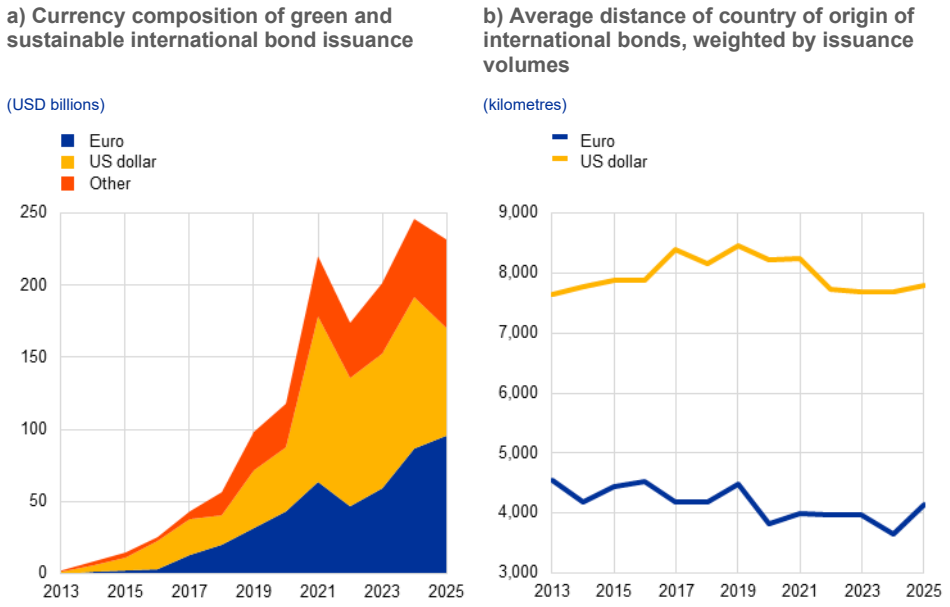
23 See Rey, H., "Prepare for the global euro", *Project Syndicate*, 5 May 2025.

24 Recent studies propose issuing performance-linked bonds, such as catastrophe bonds, sustainability-linked bonds or climate-linked bonds to mitigate physical and transition risks. These bonds adjust payouts based on climate-related metrics, functioning similarly to inflation-linked bonds but tied to climate variables. See, for example, EIOPA and ECB, "Policy options to reduce the climate insurance protection gap", Discussion Paper, April 2023; Broeders, D., Dimitrov, D. and Verhoeven, N., "Climate-linked bonds", *Working Paper Series*, No 3011, ECB, 2025.

25 The EU Omnibus I Sustainability Package does not directly address green bonds, but its proposed simplifications to EU Taxonomy screening criteria create the relevant channel for potential effects. In the very short term, uncertainty around forthcoming revisions may lead some issuers, especially those considering EuGBs, to delay issuance. Over the medium term, the streamlined criteria and the prospect of partial alignment should make taxonomy alignment easier, benefiting both EU and international issuers, including those seeking the EuGB label. Overall, these changes are expected to support green bond issuance rather than constrain it, including euro-denominated issuance globally.

Chart 11

Euro surpassed the US dollar in international green and sustainable bonds, while international issues in euro remain concentrated in geographically close countries



Sources: Dealogic, CEPII and ECB staff calculations.
Notes: The latest observations are for the end of 2025. Panel a) shows the yearly issued amount of international green and sustainable bonds by currency, i.e. green and sustainable bonds whose denomination is different from the issuer's domestic currency. Panel b) shows the average distance between the most populated city of an international bond issuer's country and Brussels (for the euro) or New York City (for the US dollar), weighted by issuance volumes.

Overall, euro-denominated international debt issuance saw broad-based growth, with notable increases in the United States and emerging markets. The United Kingdom remained the largest jurisdiction, accounting for 27% of euro-denominated bond issuance, while the United States significantly increased its share to nearly 25%, driven by the AI investment boom. Bonds issued by US firms in a foreign currency, sometimes swapped back into US dollars, are known as "Reverse Yankees" in market parlance.[26] Emerging market countries also expanded their euro issuance, with their share rising by 3 percentage points to 8%, led by sovereign debt issuances from Mexico, Colombia and China (**Table 2**). Despite this, the average geographical distance of euro-denominated debt issuers remained around 4,000 km – about half that of US dollar issuers (around 8,000 km) – highlighting the US dollar's broader global reach (**Chart 11, panel b**).

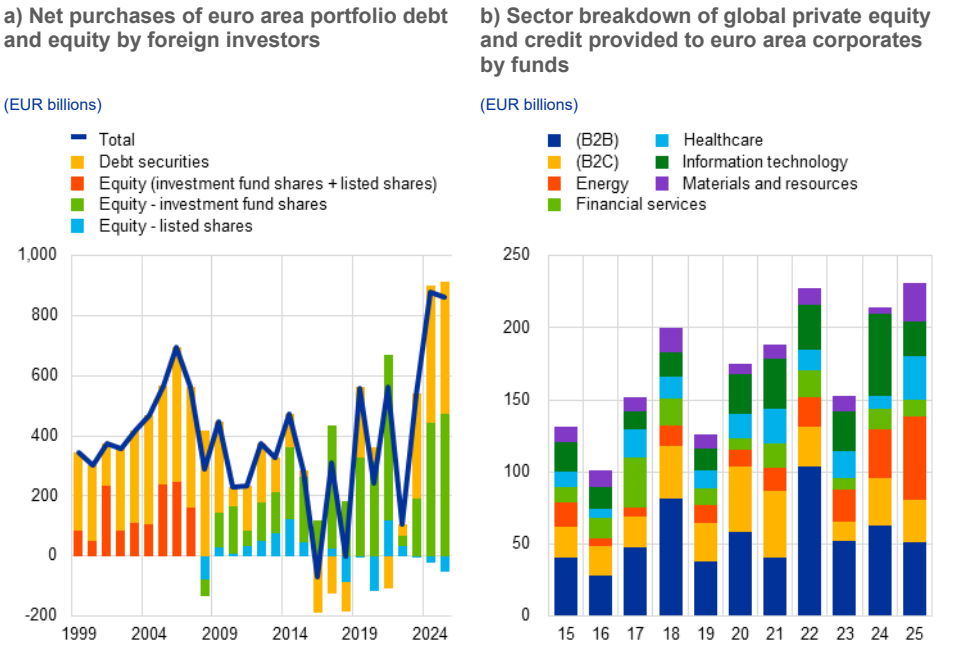
Turning to portfolio inflows, foreign investors purchased euro area equity and debt in volumes close to historical highs in 2025. Net purchases exceeded €850 billion in 2025 – near peak levels since the creation of the euro (**Chart 12, panel a**). Equity inflows were driven by purchases of shares in investment funds, which rose to around €470 billion in 2025, up from around €440 billion in 2024. A substantial portion of these portfolio inflows – typically around three-quarters – is reinvested outside the euro area via investment funds based in Ireland and Luxembourg. Their magnitude highlights the euro area's pivotal role as a financial hub, facilitating the

[26] See also Domenech Palacios, M., Jančoková, M. and Tomov, T., "Reverse Yankee bonds", *The international role of the euro*, ECB, June 2025.

intermediation of global financial flows.[27] The decline in interest rates in 2025 led to a moderate reduction in foreign inflows into euro area bonds compared with the previous year. However, these inflows remained robust by historical standards, with net debt purchases totalling around €440 billion in 2025. Taking a longer-term perspective, **Box 3** presents new indicators on the currency composition of the euro area international investment position over the past decade, pointing to the growing role of the euro in foreign portfolio investment in the euro area.

Chart 12

Significant foreign portfolio inflows to the euro area, accompanied by strong flows to euro area corporates from private market funds



Sources: ECB, PitchBook Data Inc. and ECB staff calculations.
Note: The latest observations are for 2025. In panel a) the breakdown of portfolio equity into listed shares and investment fund shares is only available from 2008. Panel b) uses the top level of PitchBook's proprietary industry classification system, which assigns each company one primary industry that best reflects its main line of business. "B2C" stands for business-to-customer and represents consumer products and services such as consumer (non-) durables or retail and e-commerce. "B2B" stands for business-to-business and represents business products and services, such as commercial products, services, transportation including aerospace and defence or industrial equipment.

Euro area corporates also received ample funding from global private market funds in 2025 (Chart 12, panel b). Private market funds are increasingly relevant for corporate financing in the euro area, complementing bank lending and public markets.[28] In 2025 total private credit extended to euro area projects increased to €230 billion, up 10% from 2024 and 50% from 2023. Global market funds increasingly channelled capital into materials and resources, healthcare and the energy sector – boosting inflows by around 500%, 250% and 70% respectively in

[27] Recent research shows that foreign investors in euro area investment funds mainly invest in funds domiciled in Ireland and Luxembourg, which in turn channel most investments into non-euro area assets. See Beck, R., Coppola, A., Lewis, A.J., Maggiori, M., Schmitz, M. and Schreger, J., "The Geography of Capital Allocation in the Euro Area", *Working Paper*, No 32275, National Bureau of Economic Research, March 2024.

[28] Cera, K. et. al., "Private markets, public risk? Financial stability implications of alternative funding sources", *Financial Stability Review*, ECB, May 2024; *Financial Integration and Structure in the Euro Area,* ECB, 2026.

2025. At the same time, inflows into the IT sector fell by 60% compared with 2024. This move has boosted European markets, with their heavy weighting towards "old economy" sectors such as manufacturing, which is most commonly aligned with materials and resources, and energy.[29] Moreover, investors have seized on signs that the historic defence spending spree announced in March 2025 is feeding through to the industry. Private credit funds often finance riskier ventures like start-ups, and can thus raise financial stability concerns, though Europe's relatively stringent regulation and small market size tend to mitigate such concerns.[30]

Table 2

Top 20 euro-denominated international bond issuers in 2025

Issuer	Deal nationality	Issuer type (sector)	Total EUR value issued in 2025 (EUR billions)
Alphabet Inc	USA	Corporate (technology)	13.25
Romania	Romania	Sovereign	11.95
Novo Nordisk Finance (Netherlands) BV	Denmark	Corporate (healthcare)	10.00
International Development Association - IDA	USA	Supranational	9.25
Bank of America Corp	USA	Corporate (financial services)	9.00
Morgan Stanley	USA	Corporate (financial services)	8.5
Nationwide Building Society	UK	Corporate (financial services)	7.65
Mexico	Mexico	Sovereign	7.40
Bulgaria	Bulgaria	Sovereign	7.20
UBS Group AG	Switzerland	Corporate (financial services)	6.75
International Bank for Reconstruction and Development	USA	Supranational	6.58
Citigroup	USA	Corporate (financial services)	6.15
Poland	Poland	Sovereign	6.00
NatWest Markets	UK	Corporate (financial services)	5.85
Barclays plc	UK	Corporate (financial services)	5.75
RBC	Canada	Corporate (financial services)	5.50
NTT Finance Corp	Japan	Corporate (financial services)	5.50
TD Bank Group	Canada	Corporate (financial services)	5.50
HSBC Holdings plc	UK	Corporate (financial services)	5.50
Goldman Sachs Group Inc	USA	Corporate (financial services)	5.25

Sources: Dealogic and ECB staff calculations.
Note: Based on bonds issued in 2025.

29 Pitchbook Data Inc. provides two types of sector breakdown: vertical and horizontal. **Chart 12, panel b)** shows the horizontal breakdown, while information on the vertical breakdown suggests that the role of manufacturing is growing.

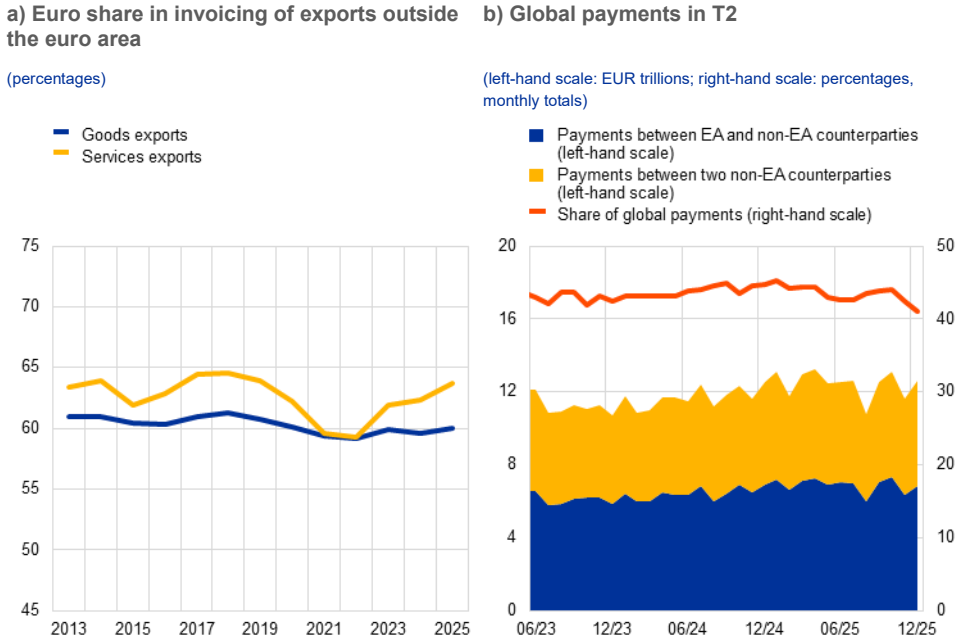
30 In March 2026 certain US private credit funds experienced significant outflows, as investors reacted to concerns regarding their exposure to software companies and broader underwriting standards. In contrast, some banks and asset managers in Europe are actively seeking to expand their presence in the private credit market, despite the prevailing uncertainty surrounding the sector. The relatively stringent regulatory framework in Europe, which is aimed at safeguarding against mis-selling practices, alongside the region's substantial investment requirements in areas such as technology, energy independence and the environmental transition, were highlighted by asset managers as key drivers underpinning the growing interest in private credit investment in Europe. See "BNP Paribas bets European private credit boom can defy US downturn", *Financial Times*, 17 March 2026. See also Cera, K. et. al., "Stress in global private credit markets and its implications for euro area financial stability", *Financial Stability Review*, ECB, May 2026.

1.4 Use of the euro in international payments and trade

The role of the euro for invoicing euro area external trade remained stable in 2025. Use of a currency for invoicing international trade is an important indicator of its international role, as widespread use amplifies its influence on global trade, pricing and finance, according to research.[31] Here, the evidence points to continued stability in the euro's global appeal. For instance, the share of the euro as an invoicing currency for euro area exports outside the euro area remained stable in 2025, accounting for almost 60% of goods exports and around 64% of services exports (**Chart 13, panel a**).[32]

Chart 13

Euro's role in euro area export invoicing and global payments broadly stable in 2025



Sources: National central banks, T2 and ECB staff calculations.
Notes: The latest observations are for the end of 2025. In panel a), the euro area aggregate is based on a sub-group of euro area countries for which data are available (Belgium, Estonia, Greece, France, Latvia, Lithuania, Portugal and Slovakia) and weighted by export volumes. See also Table A8 in the statistical annex to this report. In panel b) global payments are computed relative to the universe of interbank and retail (customer) payments in T2. "Payments between EA and non-EA counterparties" are payments where the instructing bank or the beneficiary bank is located in the euro area and the counterparty outside the euro area. "Payments between non-EA counterparties" are payments where both the instructing bank and the beneficiary bank are located outside the euro area.

Furthermore, the available evidence regarding the euro's global role as a settlement currency – serving as the final medium of payment to clear obligations between parties – also indicates broad stability in 2025. Global payments settled through the T2 platform – i.e. payments where at least one bank is located outside of the euro area – were also broadly comparable to those in previous

[31] See Gopinath, G. and Stein, J., "Banking, trade, and the making of a dominant currency", *Quarterly Journal of Economics*, 136(2), pp. 783-830, 2021.

[32] The decline in services exports between 2020 and 2022 likely reflects a change in the composition of services trade invoiced in euro. During the pandemic, travel and transport services saw a massive decline, whereas digitally delivered services like IT and telecommunications expanded robustly according to Baldwin, R., "Globotics and macroeconomics: Globalisation and automation of the service sector", ECB Economic Forum on Central Banking, 27-29 June 2022. Changes in the relative weight of these sectors can influence the aggregate use of the euro in trade invoicing, as different service types have varying tendencies to be priced in local vs foreign currencies.

years. In 2025 they made up over 40% of interbank and retail payments in T2, the Eurosystem's gross settlement system for high value payments in central bank money (**Chart 13, panel b**). This was the case for payments where both the beneficiary and instructing banks were located outside the euro area (with monthly totals of around €5.5 trillion) and payments where a non-euro area bank participated in only one leg of the transaction (with monthly totals of around €7 trillion).[33] Similarly, the share of the euro in Swift messages – standardised financial messages exchanged between banks via the Swift network to securely transmit payment and transaction details – remained at around 23%, close to 2024 levels. The shares of the US dollar and Chinese renminbi stood at around 48% and 4% respectively. Finally, focusing on the evidence regarding the international use of euro cash, the purchases and sales of euro banknotes from and to destinations outside the euro area increased by almost 10% in 2025 compared with 2024. The use of euro banknotes outside the euro area remained concentrated mostly in the euro area neighbourhood.[34]

Similarly, the euro's share in the global trade finance market remained stable in the review period, while the share of other currencies continued to shift noticeably (Chart 14, panel a). Trade finance includes financial products and services that banks and other institutions provide to facilitate international trade, helping importers and exporters to manage risks, access financing and bridge timing gaps between shipment and payment, and ensuring that both sides of a transaction are protected. In this market, the euro continued to account for around 6% of global trade finance messages in Swift, broadly unchanged from previous years.[35] At the same time, the share of the Chinese renminbi continued to increase rapidly, from 5.5% in 2024 to around 8% in March 2026, up by about 6 percentage points compared with pre-pandemic levels. Meanwhile, the US dollar's share decreased by more than 2 percentage points between 2024 and March 2026 to around 81%, broadly mirroring the renminbi's rise, and declining by around 6 percentage points since the pandemic. Overall, the share of the Chinese renminbi now surpasses that of the euro, aligning with the export boom China has seen since the pandemic and the relentless increase in its external trade surplus, despite the imposition of reciprocal tariffs by the US Administration in April 2025.[36]

The use of the renminbi for trade invoicing with China has surged in recent years in certain cases. However, as a whole, the renminbi's share as an invoicing

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33 Banks established in the European Economic Area (EEA) are eligible for direct access to T2. Banks outside the EEA can access T2 directly through an EEA-based branch or subsidiary or indirectly through a correspondent bank that is itself a direct T2 participant.

34 Euro area neighbours (both EU and non-EU countries) were followed by Africa, Asia and Australia and the Middle East. Purchases of euro banknotes from the Middle East nearly doubled over the past year, while sales rose by more than 50%. See also Table A10 in the statistical annex to this report.

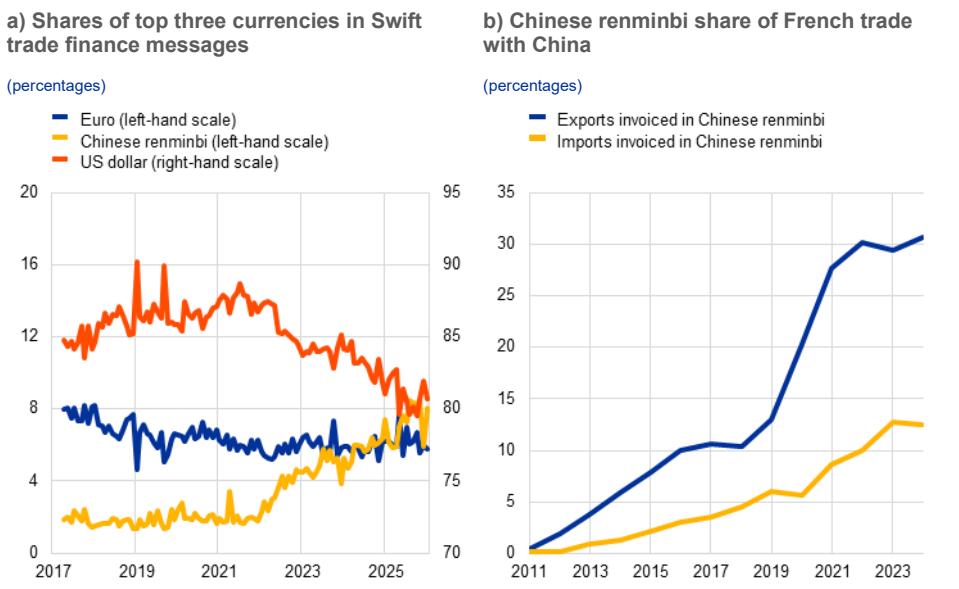
35 Shares are computed using messages exchanged between financial institutions through Swift, including MT 400 messages (documentary collections) and MT 700 messages (letters of credit). In 2020 letters of credit accounted for 12% of global trade (mainly constituting trade within the triangle between China, Hong Kong and Singapore) and documentary collections accounted for 1% of global trade (mainly constituting trade between Asia and the United States), according to Ghazaryan, N., Goumilevski, A., Mongardini, J. and Radzikowski, A., "Another piece of the puzzle: adding SWIFT data on documentary collections to the short-term forecast of world trade", *IMF Working Paper*, WP/21/293, 2021.

36 See Al-Haschimi, A., Dvorakova, N., Le Roux, J. and Spital, T., "China's growing trade surplus: why exports are surging as imports stall", *Economic Bulletin*, Issue 7, ECB, 2025.

currency for euro area trade with countries outside the EU remains modest, accounting for around 2% in 2024.[37] Recent research using firm-level customs data, which provide insights into patterns by source and destination countries, indicates that the use of the renminbi in trade with China has grown significantly over time. For example, the share of renminbi invoicing in French exports to China increased from approximately 10% in 2018 to around 30% in 2024, while its share in imports rose from about 6% to roughly 12% during the same period (**Chart 14, panel b**).[38]

Chart 14

Rising role of the renminbi in global trade finance and, in some cases, invoicing of international trade



Sources: Swift RMB Tracker and Berthou and Schmidt (2026).
Notes: In panel a) the latest observations are for March 2026. In panel b) estimates are based on French customs data; see Berthou, A. and Schmidt, J., "The rise of renminbi invoicing: evidence from French firm-level data", unpublished manuscript, 2026. The latest observations are for 2024.

Meanwhile, BRICS countries are continuing to explore alternatives to traditional cross-border payment systems and are progressing towards the technological frontier of payments (Table 3). India has proposed linking the domestic CBDCs of BRICS countries to facilitate cross-border transactions.[39] Russia signed its digital rouble into law in July 2025 and is planning a mass rollout in September 2026. Media reports also indicate that a new stablecoin pegged to the Russian rouble, the A7A5 token launched in January 2025, was used to move large-

37 Based on data from Eurostat, IMF and ECB staff calculations. The reported percentage refers to both imports and exports.

38 Further analysis reveals that this increase is primarily driven by the intensive margin, reflecting higher transaction values among firms already utilising the renminbi. At firm level, renminbi invoicing remains highly concentrated among a small number of large firms and tends to be applied in a largely discrete manner, particularly for exports. These findings indicate that significant fixed costs may be a key factor limiting wider adoption of renminbi invoicing. See Berthou, A. and Schmidt, J., "The rise of renminbi invoicing: evidence from French firm-level data", Unpublished manuscript, 2026.

39 India launched a retail CBDC pilot for the digital rupee at the end of 2022 and is working on programmable payments, including an offline version to improve financial inclusion.

scale financial flows in and out of Russia despite international sanctions.[40] In addition, China has taken steps to promote the global use of the digital yuan (e-CNY), including opening a hub in Shanghai and remunerating the e-CNY at the deposit rate.[41] Moreover, China's digital yuan remains the dominant currency in project mBridge – a multi-CBDC platform designed to settle cross-border payments involving the People's Bank of China, the Hong Kong Monetary Authority, the Bank of Thailand, the Central Bank of the United Arab Emirates and the Saudi Central Bank – accounting for about 95% of transactions.

Table 3

Overview of selected news and statements on the use of alternative units to the major international currencies

Date	News and statements	Source
19/03/2026	China has modified the governing rules of its Cross-Border Interbank Payment System (CIPS) to allow the processing of cross-border payments in other foreign currencies such as the Hong Kong dollar.	South China Morning Post
01/02/2026	Xi Jinping reiterating calls for China's renminbi to attain global reserve currency status.	Financial Times
19/01/2026	India proposes linking BRICS countries' CBDCs.	Central Banking
15/01/2026	Project mBridge transaction volume has surged to USD 55.49 billion, a 2,500-fold increase over early-2022 pilots, with the e-CNY making up over 95% of total settlement volume.	Atlantic Council
29/12/2025	China to pay interest on digital yuan in bid to boost adoption as of 1 January 2026. At the same time, the e-CNY shifted from a form of digital cash to digital deposit money, a commercial bank liability backed by central bank reserves.	Business Times
21/11/2025	Standard Bank can now access China's Cross-Border Interbank Payment System.	The Paypers
21/11/2025	UAE officially launches mBridge CBDC platform with payment to China.	Ledger Insight
06/10/2025	A new cryptocurrency token – A7A5 – pegged to the Russian rouble moves USD 6bn cross-border despite US sanctions.	Financial Times
25/09/2025	China opens digital yuan hub in Shanghai to boost global use.	Bloomberg
12/09/2025	China and Indonesia expand cross-border settlement links.	Central Banking
15/07/2025	Russian government has signed its digital rouble into law and it is expected to be launched in September 2026.	Interfax
18/04/2025	A Russian finance ministry official has reportedly said the country should be developing its own stablecoin after a recent freeze on wallets linked to the sanctioned Russian exchange Garantex by US authorities and stablecoin issuer Tether.	Cointelegraph

Sources: Atlantic Council, Bloomberg, Business Times, Central Banking, Cointelegraph, Financial Times, Interfax, Ledger Insight, South China Morning Post and The Paypers.

The war in the Middle East, which began on 28 February 2026, may drive further shifts. The outbreak of the war coincided with a significant surge in settlement activity on China's Cross-Border Interbank Payment System (CIPS), which increased by about one-third in March 2026 compared with the average of the previous 12 months (**Chart 15**). Industry experts have suggested that the conflict could serve as a catalyst for an expansion of the renminbi's role in global oil markets. Notably, reports indicate that some ships made payments in renminbi via CIPS or

40 In October 2025 the EU introduced sanctions on the developer of A7A5, the Kyrgyz issuer of that coin, and the operator of a platform where significant volumes of A7A5 are traded – as part of its 19th package of sanctions against Russia. See Council of the European Union, "19th package of sanctions against Russia: EU targets Russian energy, third-country banks and crypto providers", press release, 23 October 2025.

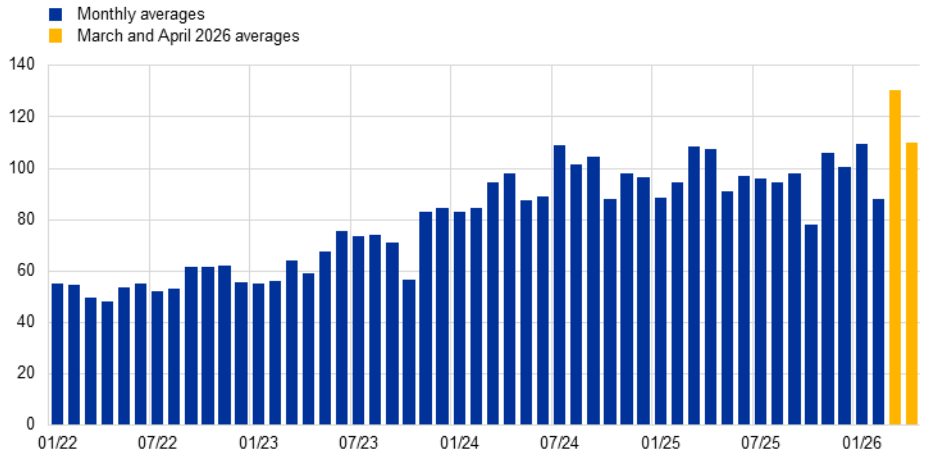
41 China implemented significant changes to the e-CNY to promote its adoption, including for cross-border use. In January 2026, the e-CNY shifted from "digital cash", a liability of the central bank, to "digital deposit money", a commercial bank liability backed by central bank reserves, and is now remunerated at the deposit rate.

crypto-assets to transit through the Strait of Hormuz in March and April 2026.[42] Reports further suggest that customer-related cross-border payments by Chinese banks in renminbi reached a historical high of USD 1.4 trillion in March 2026, up by roughly 30% compared with the previous month.[43] The March 2026 increase in CIPS activity is even more noteworthy as it follows a marked deceleration in CIPS growth in 2025, with the total payment value increasing by 3% to USD 25 trillion annually – compared with the over 20% growth recorded the previous year.[44] At the same time, China modified its CIPS rules to enable settlements beyond the Chinese renminbi, effective as of 1 February 2026.[45] This shift towards a global multicurrency platform may also have contributed to the recent increase in CIPS activity.

Chart 15

Settlement activity in CIPS increased significantly in March 2026

(USD billions at constant Q4 2025 exchange rates)



Sources: CIPS and ECB staff calculations.
Note: Monthly averages of daily settlement volumes. The latest observation is for April 2026.

Finally, the stablecoin market continued to expand in 2025, remaining overwhelmingly dollar-pegged. Stablecoins are crypto-assets designed to keep a stable value, typically pegged to a fiat currency (mainly the US dollar to date) and backed by reserves. They hold the promise of improving cross-border payments by enabling faster, cheaper, 24/7 transfers that bypass traditional correspondent banking networks. By the end of 2025, stablecoin market capitalisation exceeded USD 300 billion, 50% higher than in 2024, in the wake of the adoption of the US Genius Act, which aims to provide a legal framework for payment stablecoins and is expected to be implemented by 2027. Almost all stablecoins continue to be pegged to US dollar-denominated assets (**Chart 16, panel a**).

42 See "Tehran's 'toll booth' system is now controlling Hormuz traffic", Lloyd's list, 25 March 2026; "Iran demands crypto fees for ships passing Hormuz during ceasefire", *Financial Times*, 8 April 2026; and "Iranian Crypto Tolls in Strait of Hormuz", TRM Labs, 8 April 2026.

43 See "RMB Internationalization Blog (3): Acceleration", Deutsche Bank Research, April 2026.

44 Participation in CIPS remains mostly limited to Chinese banks and their subsidiaries abroad, even if the number of direct participants increased to 193 in 2025 from 168 in 2024. See data from the CIPS website and the full list of direct participants.

45 In addition to Table 3, see "MNCs drive expansion of China's CIPS", *China Daily*, 3 March 2026.

Whether the growing use of stablecoins has the potential to reshape the international currency landscape remains to be seen. Stablecoins are to date mainly used to facilitate trading in more volatile crypto-assets, while their use in real economy payments is still more limited. For example, a recent study estimates that only around USD 400 billion of stablecoin retail payments are settled annually, which is equivalent to a market penetration below 0.01% in the business-to-business or business-to-consumer segments. In addition, global retail cross-border market transactions reach around USD 44 trillion – a hundred times more.[46]

More widespread stablecoin use could, however, have broader global macroeconomic implications. For instance, it could strengthen the link between the issuer country's capital markets and foreign demand, as changes in demand for stablecoins abroad lead issuers to buy or sell bonds backing the tokens. Moreover, digital capital flows from foreign countries into or out of stablecoins would have an impact on the role of the exchange rate as a shock absorber and the transmission of shocks across jurisdictions. Recent research by ECB staff shows that if stablecoins were issued to a significant extent in the United States, a US contractionary monetary policy shock would trigger stablecoin redemptions by foreign users.[47] These stablecoin redemptions would in turn trigger capital outflows from the United States that would limit the dollar's appreciation following the policy shock. Since the dollar would rise by less, foreign countries' exports to the United States would decline more than they would without this moderation, thereby amplifying the spillover effects of US monetary policy shifts to foreign economies (**Chart 16, panel b**). By the same logic, the model also suggests that strong stablecoin issuance may increase US vulnerability to foreign monetary shocks. A contractionary monetary policy shock abroad would lead instead to stablecoin purchases, driving capital flows into the US that would strengthen the dollar and amplify the shock's contractionary impact on US output.[48] Further research shows that if non-euro-pegged stablecoins were to become an important means of payment within the euro

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46 See Higginson, M., Zorrilla, A., Madden, J. and Kirchner, M., "Stablecoins in payments: What the raw transaction numbers miss", McKinsey & Company, 18 February 2026 and Lawal, A. and Bleach, T., "How big is the cross-border payments market? 2025's $625bn revenue and $208tn TAM", FXC Intelligence, 5 March 2026. Boston Consulting Group presents similar estimates of genuine stablecoin bilateral payments at USD 350-550 billion in 2025. See Boston Consulting Group, "Stablecoin payments: the truth behind the numbers", January 2026.

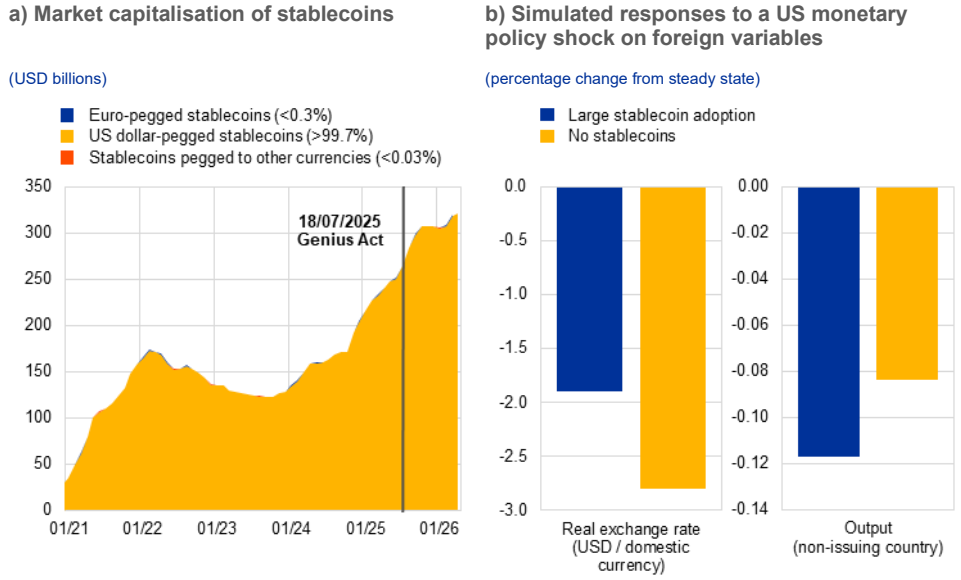
47 In the model, foreign users liquidate stablecoins for two reasons following a contractionary US monetary policy shock. First, the dollar appreciates and gradually returns to its equilibrium value over a few quarters. Foreign households sell stablecoins to gain from this temporary increase. Second, because the dollar is stronger, stablecoins held by foreign agents are worth more in terms of local goods in the foreign country, so fewer are needed for domestic transactions.

48 See Ferrari Minesso, M. and Siena, D., "Private money and public debt. U.S. Stablecoins and the global safe asset channel", *Working Paper Series*, No 3174, ECB, 2026. The paper develops a multi-country general equilibrium model in which stablecoins are used as settlement and trading tokens across countries and outside the crypto ecosystem. Simulations suggest that a significant presence of stablecoins would increase exchange rate volatility and increase the exposure of domestic business cycles to foreign shocks. The effects are stronger for jurisdictions that do not issue stablecoins, but are also sizeable for countries that issue stablecoins. When redemption fees exist, the effects are weaker.

area, fluctuations in their demand could effectively import foreign monetary conditions into the domestic economy.[49]

Chart 16

More widespread use of stablecoins could have broad international macroeconomic effects



Sources: Artemis Analytics, Ferrari Minesso and Siena (2026) and ECB staff calculations.
Notes: In panel a) the latest observations are for April 2026. Panel b) shows the impulse responses to a US monetary policy shock that increases interest rates by 10 basis points in a model simulation without stablecoin issuance in the United States vs. another simulation where the issuance of stablecoins reaches about 2 USD trillion. Responses of the bilateral real exchange rate against the US dollar (expressed as US dollar per unit of foreign currency) and foreign output are reported as deviations from the model's steady state values.

In a rapidly evolving global landscape, the Eurosystem is continuing to take steps to enhance the euro's attractiveness as an international payment currency. First, TIPS – the euro area's fast payment system – has enabled settlement of cross-currency transactions with the Swedish and Danish krona since October 2025 and work is under way to interlink it with the fast payment systems of other countries such as India and Switzerland, as well as Nexus Global Payments – a fast payment hub developed in South-East Asia. These initiatives aim to reduce intermediaries, shorten transaction chains and lower costs, boosting the euro's appeal as an international currency. Second, the Eurosystem is developing the digital euro – the digital equivalent of cash. Particularly at a time of growing geopolitical tension, the digital euro will strengthen Europe's autonomy in payment system infrastructures, currently reliant on international providers across virtually all digital use cases, from e-commerce to person-to-person to in-store transactions. Moreover, the digital euro is designed with potential international use in mind, in a

[49] See Altavilla, C. et al., "Stablecoins and monetary policy transmission", *Working Paper Series*, No 3199, ECB, 2026. The paper uses Google search data to identify shocks to stablecoin demand, finding that stablecoin adoption shifts funds out of bank deposits into digital assets, raising banks' reliance on wholesale and foreign-currency funding and constraining lending. As stablecoin adoption grows, it weakens and complicates monetary policy transmission, reducing the effectiveness and predictability of policy actions. Moreover, the widespread adoption of foreign-currency denominated stablecoins could "import" foreign monetary conditions into the euro area. This would weaken the central bank's control over financial conditions, reduce the effectiveness of traditional monetary policy instruments and make it harder to stabilise inflation and economic activity, especially during periods of financial stress.

way that respects other countries' sovereignty and avoids unwanted currency substitution.[50] Having entered its next phase in October 2025, the digital euro could be issued by 2029 if EU legislators adopt the regulation in 2026. Third, on the wholesale side, the Eurosystem's Pontes initiative will settle DLT-based transactions in central bank money in the third quarter of 2026 by connecting TARGET services to the new DLT platforms. In parallel, the Appia project aims to further develop an integrated digital asset ecosystem in a public-private partnership. These technologies will ensure more efficient and integrated financial markets, fostering sustainable growth and investment while strengthening the euro's global financial role. On 31 March 2026 the Eurosystem outlined its comprehensive payment strategy covering wholesale, business-to-business, retail and cross-border transactions, to ensure that central bank money remains a trusted anchor of stability amid rapid technological change, bolstering the euro's global appeal.[51]

[50] Cipollone, P., "Enhancing cross-border payments in Europe and beyond", speech at the Regional Governors' Meeting, Osijek, 1 April 2025.

[51] See The Eurosystem's Comprehensive Payments Strategy, ECB, 2026.

2 Boxes

Box 1

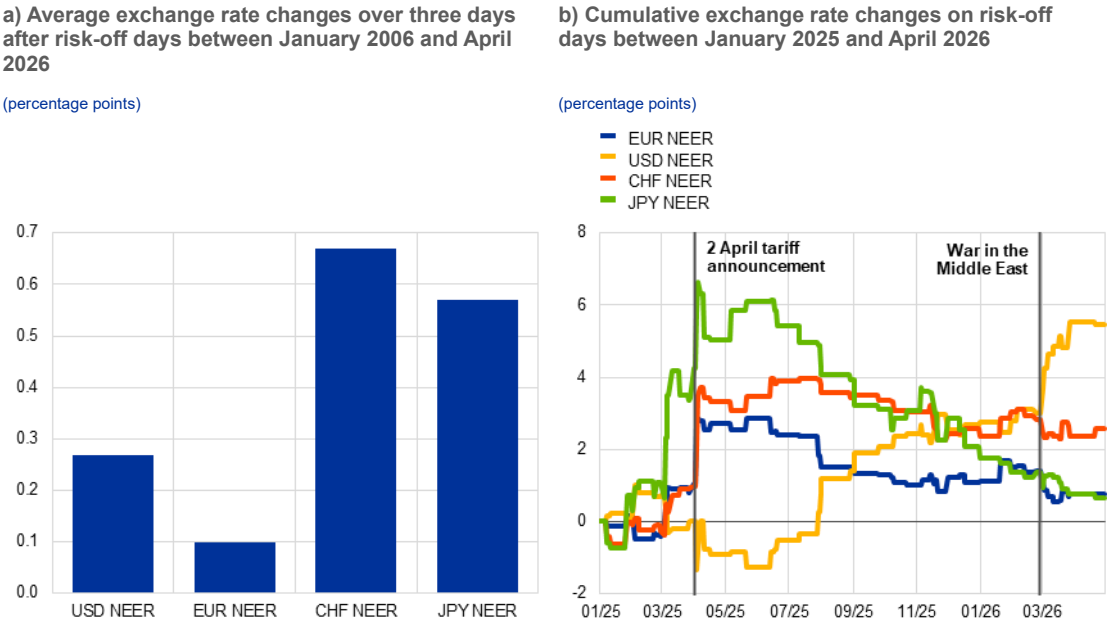
The euro as a safe-haven currency amid geopolitical tensions and policy uncertainty

Prepared by Martina Jančoková, Enrico Mallucci, Martino Ricci and Luca Tondo

Safe-haven currencies offer refuge to investors during periods of market stress. Global risk-off episodes trigger capital flows into safe-haven assets that are expected to retain value or even appreciate in periods of stress. These portfolio-rebalancing decisions often result in temporary declines in the yields of highly rated sovereign bonds, such as US Treasuries and German Bunds, while safe-haven currencies such as the US dollar, the Swiss franc and the Japanese yen typically appreciate (**Chart A, panel a**). Historically, the euro effective exchange rate has experienced only modest appreciations during risk-off events compared with other safe-haven currencies (about 0.1%, against almost 0.7% for the Swiss franc).[52]

Chart A

The euro acted as a safe-haven currency on some occasions in 2025 and early 2026



Sources: Haver Analytics and ECB staff calculations.
Notes: Risk-off days are defined as days when changes in the VIX index exceed the 85th percentile of their distribution and the Dow Jones global equity index returns fall below the 15th percentile of their distribution. NEER = nominal effective exchange rate. Panel a) shows the average percentage point changes in NEER over three days after the risk-off days between 1 January 2006 and 30 April 2026. Panel b) shows percentage point changes in NEER on risk-off days, cumulated over all risk-off days between 1 January 2025 and 30 April 2026.

There were signs that the euro behaved like a safe-haven currency during several risk-off events that marked 2025 and early 2026, prone to exchange rate fluctuations driven by sharp shifts in market sentiment (Chart A, panel b). The introduction of tariffs by the US administration on 2 April 2025 triggered high volatility in global financial markets and sizeable appreciations of the euro exchange rate (blue line) alongside traditional safe-haven currencies such as the Swiss franc

[52] Unwinding of carry trade strategies amid increasing volatility may explain some of the appreciation of low-yielding currencies.

and the Japanese yen (red and green lines). By contrast, the US dollar exchange rate depreciated (yellow line), while the yields on US Treasury bonds rose – a cross-asset correlation that is atypical for risk-off episodes. Similar patterns emerged in several risk-off events emanating from the United States that punctuated 2025 and early 2026. For instance, following the announcement that the US Department of Justice had issued subpoenas to the Federal Reserve and the US administration's threats to increase tariffs on European imports amid escalating tensions around Greenland, the US dollar exchange rate depreciated, while the euro, Swiss franc and Japanese yen exchange rates appreciated.[53]

Following the outbreak of the war in the Middle East, the euro initially depreciated, partly reflecting heightened global risk, before reversing some of its initial losses as geopolitical tensions eased. The Swiss franc and the Japanese yen followed similar patterns to the euro, while the US dollar initially appreciated before giving up some of its earlier gains. Global risk factors explain a significant portion of the initial strength of the US dollar relative to the euro, underscoring its continued role as a safe-haven currency (see the purple section of the bar in **Chart B, panel a**). However, additional factors beyond global risk have also contributed to developments in the US dollar's exchange rate. Specifically, the United States, as an energy exporter, experienced a positive terms-of-trade shock following the outbreak of the war, while the euro area, as a net energy importer, faced a negative terms-of-trade shock. The resulting divergence in economic outlooks across the two sides of the Atlantic exerted additional downward pressure on the euro. In fact, the broad-based appreciation of the US dollar can be partly attributed to countries' varying levels of exposure to the energy shock (**Chart B, panel b**). The euro subsequently regained ground against the US dollar amid an easing of global tensions but remained below pre-war levels. US Treasury International Capital data provide further evidence of the US dollar's enduring safe-haven status, with strong demand for US assets persisting through most of 2025 and early 2026.[54] However, more recently, the value of US Treasuries held in custody at the New York Federal Reserve by official institutions – a group largely made up of central banks – dropped by USD 82 billion to USD 2.7 trillion in March 2026 – the lowest level since 2012, possibly suggesting shifting dynamics in foreign holdings of US assets.[55]

The euro area can best insulate itself from exchange rate volatility in today's uncertain global environment by rapidly fostering deeper and more integrated capital markets, thereby advancing the euro's progress towards becoming a truly global international currency. Currencies that act as safe-haven currencies but are not widely used internationally often face sharp exchange rate movements when market sentiment shifts.[56] Similar to the US dollar, the Japanese yen and the Swiss franc appreciate sharply during crises, as they receive large capital inflows. However, their less deep and liquid underlying capital markets relative to the US dollar can

53 Other indicators provide complementary evidence of the stronger global appeal of the euro in a year of elevated volatility. Convenience yields for German bunds (see **Box 2**, **Chart A**, **panel b**) increased in 2025. Meanwhile, purchases of euro area debt and equities by foreign investors increased to multi-year highs by the end of 2025, pointing to solid appetite for euro area financial assets (**Chart 12**, **panel a**).

54 Increased demand from investors in the rest of the world offset net outflows by Japanese and Chinese investors, as well as the modest demand from European investors.

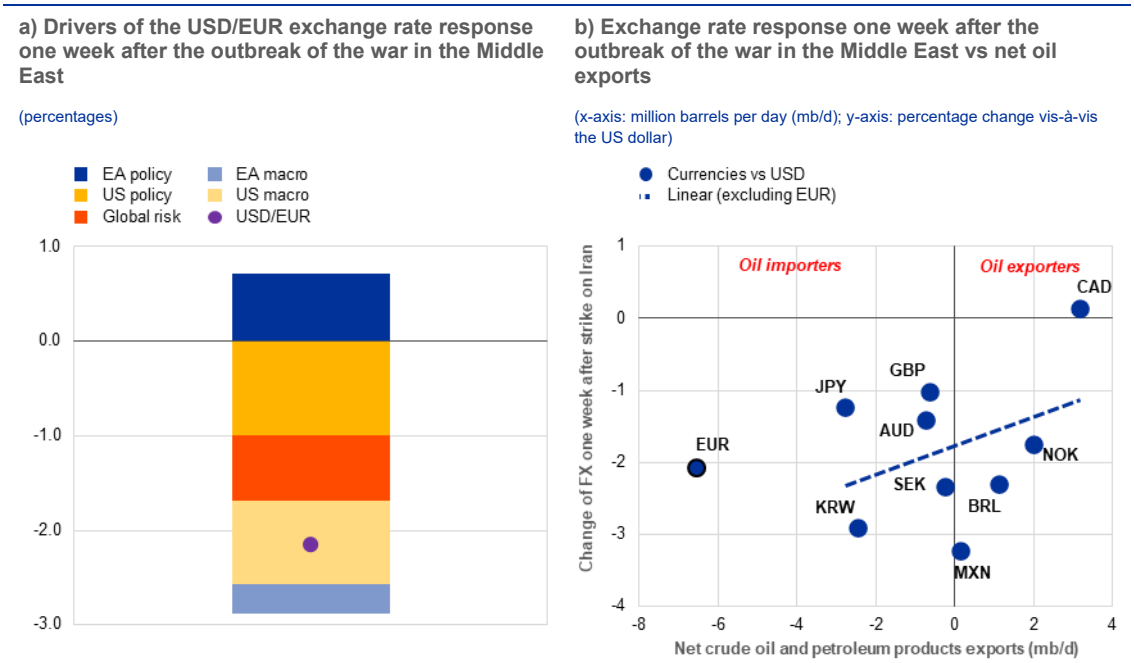
55 According to data on marketable US Treasury securities held in custody published weekly by Federal Reserve System. See also "Foreign central banks sell US Treasuries in wake of Iran war", *Financial Times*, 31 March 2026.

56 International currencies are used in cross-border transactions to facilitate trade, investment and economic activities between countries and function as a common medium of exchange, a store of value and a unit of account in global markets. The safe-haven status of a currency is not necessarily tied to the international status of the currency. For instance, the US dollar is both a global international currency and a safe-haven currency, whereas the Swiss franc is considered a safe-haven currency but has more limited standing as an international currency.

hinder their ability to absorb such inflows smoothly, especially since these flows are volatile and largely driven by global risk aversion rather than confidence in the receiving country. Since April 2025 the euro has occasionally exhibited patterns typical of safe-haven currencies. Going forward, the euro area should foster scale and develop deeper, more liquid capital markets, adhering to an ambitious timetable and putting words into action. This strategy would allow the euro to absorb capital inflows efficiently and channel them into productive investments.[57]

Chart B

The war in the Middle East drives euro exchange rate down amid diverging economic outlooks



Sources: OPEC, ECB and ECB staff calculations.
Notes: One week after the outbreak of the war in the Middle East refers to the period from 27 February to 6 March 2026. Panel a) shows estimates from a two-country BVAR model based on Brandt et al., "*What drives euro area financial market developments? The role of US spillovers and global risk*", *Working Paper Series*, No 2560, ECB, 2021. The endogenous variables include the 10-year euro area OIS rate, euro area stock prices in log changes, USD/EUR exchange rate in log changes, the spread between the 10-year euro area OIS rate and US Treasury bond yield and the US stock prices in log changes. The model is identified using sign restrictions on impact and is estimated using daily data from 1 January 2005 to 30 April 2026. Positive values indicate an appreciation of the euro and positive contributions. Panel b) shows net oil exports, including crude oil and petroleum products, for selected countries in 2024. A negative change in the exchange rate on the y-axis indicates an exchange rate depreciation relative to the US dollar.

[57] See Lagarde, C. "Turning openness into strength: the moment of the euro", speech at Business France event "*Business en Européens*", Paris, France, 7 October 2025.

Box 2
Global safe assets and their convenience yields

Prepared by Mar Domenech Palacios, Roberto Gandolfi, Georgios Georgiadis and Linda Rousová

A safe asset is a financial instrument with negligible default risk that is highly liquid, maintains a stable value and is widely trusted by investors.[58] It is often compared to a "good friend" on whom one can count when needed: it remains highly liquid and tends to hold its value even during systemic crises, making it a reliable store of value and source of collateral.[59] In the international financial system, global safe assets primarily consist of highly rated sovereign debt securities. Central banks invest a significant portion of their foreign exchange reserves in these securities.

Safe assets provide benefits to issuers by reducing borrowing costs, while investors value their liquidity and capital-preservation features, and are therefore willing to pay a higher price. US Treasuries, widely regarded as the global safe asset benchmark, command a convenience yield, that is, the additional, non-pecuniary benefit an asset holder gains from their safety, liquidity, use as collateral and denomination in US dollars. Put differently, investors accept lower yields than they might otherwise demand, enabling the US government to borrow at reduced costs.

A key measure of foreign demand for a country's safe asset is the government basis.[60] It is defined as the difference between the yield on a government security (for example, the US Treasury) and a synthetic (US dollar) yield constructed from a basket of foreign government securities hedged against exchange rate risk.[61] A negative basis indicates that US Treasuries trade at a premium (that is, at a lower yield) relative to their currency-hedged foreign counterparts. Historically, the US Treasury basis has been more negative than the euro government basis, where German government bonds are used as the euro area safe asset benchmark, as is standard in the literature.[62] The more negative US Treasury basis suggests stronger foreign demand and convenience benefits for US Treasuries relative to the government bonds of other G10 currency issuers. In recent years, the gap between the US Treasury basis and the euro government basis constructed from German government bonds has narrowed (**Chart A, panel a**).[63]

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58 See Gorton, G., "The history and economics of safe assets", *Annual Review of Economics*, 9, 2017, pp. 547-586.

59 See Brunnermeier, M., James, H. and Landau, J-P., *The Euro and the Battle of Ideas*, Princeton University Press, 2016.

60 See Jiang, Z., Krishnamurthy, A. and Lustig, H., "Foreign safe asset demand and the dollar exchange rate", *Journal of Finance*, 76(3), 2021, pp. 1049-1089. For further details on the estimation and computations, see the notes to Chart A.

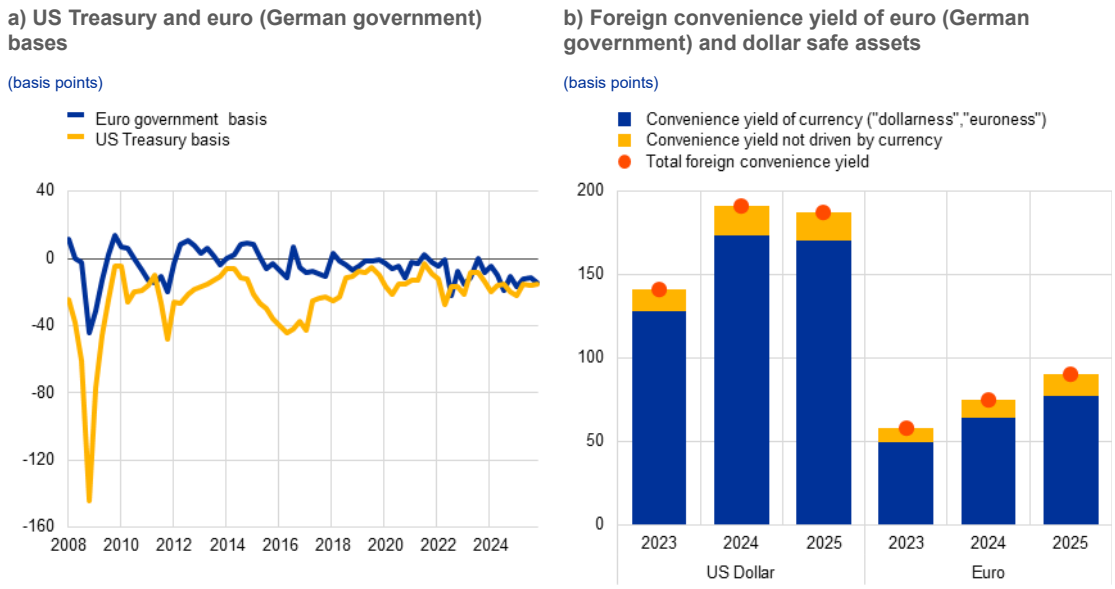
61 For the US dollar, it is defined as: $x_t^{usd} = y_t^{usd} - y_t^* + (f_t - s_t)$, where y_t^{usd} denotes the yield of the US Treasury, y_t^* is the yield of an average foreign highly rated government bond, s_t is the log of the nominal exchange rate in units of foreign currency per US dollar and f_t denotes the log of the forward exchange rate. For more details see the notes to Chart A.

62 See, for example, Jiang et al. (2021), op. cit. or Jiang, Z., Krishnamurthy, A., Lustig, H. and Richmond, R., "Dollar erosion: understanding the loss of reserve currency status", *Stanford University Graduate School of Business Research Paper*, 2025.

63 See also Jiang, Z et al. (2025), op. cit.; Jiang, Z., Richmond, R. and Zhang, T., "Convenience lost", *NBER Working Paper* 33940, 2025; Chen, Y. and Bloodworth, K., "The Declining Convenience Yield and Quantitative Tightening", *Federal Reserve Bank of St. Louis Economy Blog,* 2026; and Kozlowski, J. and Sullivam, N., "Are U.S. Treasuries Still 'Convenient'?", *Federal Reserve Bank of St. Louis Economy Blog*, 2025.

Chart A

Government bases and foreign convenience yields of US dollar and euro safe assets



Sources: Bloomberg, LSEG and ECB staff calculations.
Notes: Based on quarterly data on one-year government securities from 2008 to 2025 using the average within each quarter. In panel a) the US Treasury (euro) basis is the difference between the yield of the US Treasury (German government bond) and the synthetic US dollar (euro) yield, where the latter is constructed as the yield of a representative foreign government security obtained as the average yield of government securities issued by Australia, Canada, Japan, New Zealand, Norway, Sweden, Switzerland and the United Kingdom, with returns converted into the same currency using FX forwards to hedge exchange rate risk. In panel b), the implied foreign investor convenience yields and "*currenciness*" (i.e. "dollarness", "euroness") are calculated following Jiang, Krishnamurthy and Lustig (2021). For *dollarness*, regressing exchange rate innovations on innovations to the basis gives a statistically significant coefficient of -13.3, which results in an estimated *dollarness* of 91%. For *euroness*, the estimated coefficient is -7.3 and statistically significant at the 95% confidence level, resulting in an estimated *euroness* of 85%. The total foreign convenience yield is proportional to the US Treasury (euro) basis, with a scaling factor equal to 1 / (1 - currenciness). For instance, in 2025 the euro (German government) basis equalled -13 basis points on average, resulting in a total foreign convenience yield of 90 basis points, calculated as 13 / (1-0.85). *Dollarness* and *euroness* are estimated over the full 2008-2025 sample and are thus constant. Results are robust to controlling for VIX and interest rate differentials and to alternative constructions of the government bases.

The estimated foreign convenience yield on the euro benchmark safe asset has been rising in recent years. The extra convenience yield that foreign investors gain from holding government bonds has two components: (i) the convenience of holding a safe and liquid asset and (ii) the value of currency exposure.[64] Jiang et al. (2021) find that, on average, foreign investors earn an extra convenience yield of 200 basis points (bps) on Treasury holdings, with 90% of this yield directly attributable to their dollar denomination (or "dollarness"). Following the same methodology, this box confirms this finding for US Treasuries: it estimates that foreign investors earned a convenience yield of around 190 bps on US Treasuries in 2025, of which roughly 90% (about 170 bps) reflected US dollar exposure ("dollarness") rather than US Treasuries' safety and liquidity (**Chart A, panel b**). These estimates were broadly in line with those observed in 2024, despite the April US tariff announcement on 2 April 2025.[65] This box also estimates the foreign convenience yield for German

64 See also Du, W., Im, J. and Schreger. J., "The U.S. Treasury premium", *Journal of International Economics* 112, pp. 167-181, 2018; Liao, G., "Credit migration and covered interest rate parity", *Journal of Financial Economics* 138(2), pp. 504-525, 2020; Caramichael, J., Gopinath, G. and Liao, "U.S. dollar currency premium in corporate bonds", *IMF Working Paper,* Issue 185, 2021; and Du, W., Keerati, R. and Schreger, J., "Decoupling dollar and treasury privilege", *International Finance Discussion Paper* 1427, 2025.

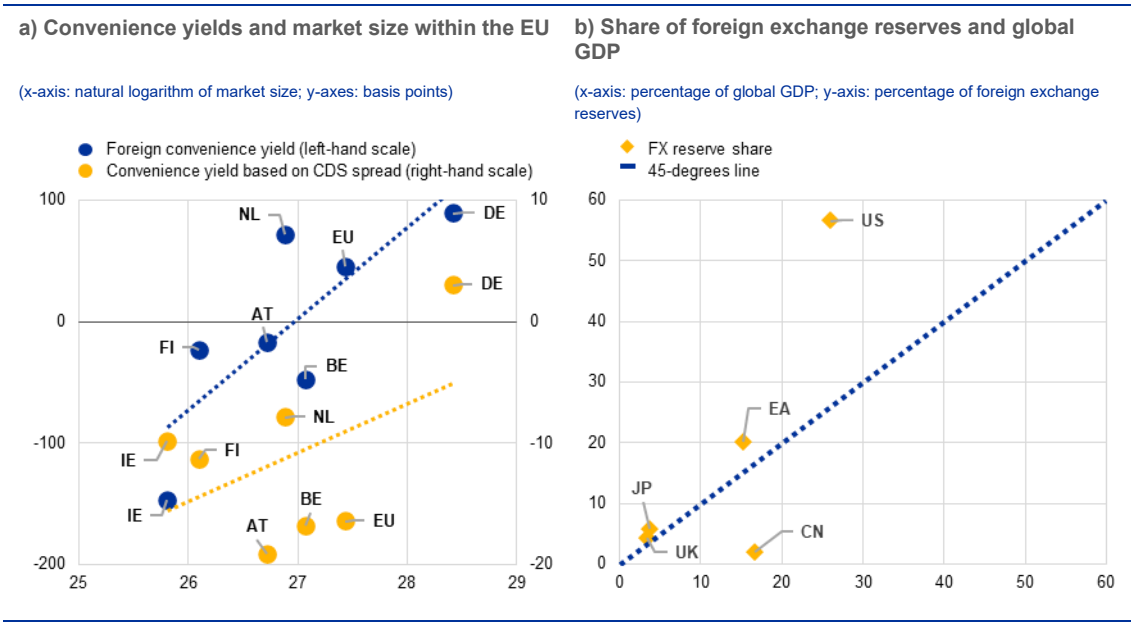
65 While yearly aggregates do not show substantial change in the 2025 US Treasury convenience yield compared with 2024, several recent papers have focused on analysing the impact of "Liberation Day" – see for example Jiang, Z. et al. (2025), op. cit. and Baudino, P. et al., "What safe haven after the April US tariff announcement? Implications for euro area financial stability", *Financial Stability Review,* ECB, November 2025.

government bonds: it increased from almost 60 bps in 2023 to around 90 bps in 2025, with approximately 85% (77 bps) attributable to the exposure to the euro ("euroness").[66]

Larger markets are generally associated with higher convenience yields.[67] This pattern holds true not only for US Treasuries and German government bonds, but also for highly rated (AA or above) government bonds within the euro area (**Chart B, panel a**).[68] The relationship is evident both when estimating the convenience that *foreign* investors obtain by holding a highly rated euro-denominated asset (blue dots) but also when estimating it from the perspective of *domestic* investors and accounting for default risk differentials (yellow dots).[69]

Chart B

Convenience yields, the supply of safe assets and foreign exchange reserves in 2025



Sources: Bloomberg, LSEG, IMF and ECB staff calculations.
Notes: Figures refer to 2025. Panel a) includes sovereign debt securities rated AA- or higher by Standard and Poors. The method based on the government basis (blue dots) aligns with the approach outlined in Chart A, panel b). For euro area countries, the *euroness* applied corresponds to the value estimated for German government bonds (85%). For instance, the Belgium government basis equalled 7 basis points on average in 2025, resulting in a total foreign convenience yield of -48 basis points, calculated as -7 / (1-0.85). The method based on CDS spreads (yellow dots) estimates the convenience yield as the sum of the OIS rate and CDS spread on the five-year sovereign bonds minus the corresponding bond yield; see Jiang, Z., Lustig, H., Van Nieuwerburgh, S. and Xiaolan, M., "Bond convenience yields in the eurozone currency union", *NBER Working Paper*, 2025. The one-year and five-year yields on EU bonds are derived from a Nelson-Siegel-Svensson yield curve model based on debt securities issued by the European Union. The EU CDS spread is constructed as the GDP-weighted average of the CDS spreads of EU Member States. In panel b), the share of global GDP is based on nominal GDP.

66 In other words, if safe and liquid German government bonds were not issued in euro but in another G10 currency other than the US dollar, German government bonds would have carried only a very small additional convenience yield (of around 13.5 bps) for their safety and liquidity.

67 See, for example, He, Z., Krishnamurthy, A. and Milbradt, K., "What makes US government bonds safe assets?", *American Economic Review* 106(5), pp. 519-23, 2016, He, Z., Krishnamurthy, A. and Milbradt, K., "A model of safe asset determination", *American Economic Review* 109(4), pp. 1230-1262, 2019 and Arvai, K. and Coimbra, N., "Privilege lost? The rise and fall of a dominant currency", *Banque de France Working Paper* 932, 2023.

68 Highly rated government bonds are defined as those with rating AA and above. This threshold captures securities with very low default risk, and sovereign bonds with this rating also receive the most favourable regulatory treatment under the Basel III liquidity and capital framework, reflecting their role as high-quality liquid assets. This definition is also standard in the literature; see, for example, Eichengreen, B., "Global Monetary Order", paper presented as part of the ECB Forum on Central Banking on "The future of the international monetary and financial architecture", Sintra, 27-29 June 2016.

69 The two measures of convenience yields differ in several ways. For instance, the foreign convenience yield is defined relative to the convenience of holding assets from other G10 currency issuers, whereas the domestic convenience yield is derived from country-specific sovereign yields and CDS spreads. Consequently, their time trends may diverge.

Compared against economic size, the euro plays a much smaller role as a reserve currency than the US dollar (Chart B, panel b). While the US represents a quarter of global GDP, the US dollar represents almost 60% of global foreign exchange reserves, more than double its share of global GDP. In comparison, the euro area's share of global GDP is only slightly lower than its proportion of global foreign exchange reserves.

The euro's role as a reserve and safe asset currency may be constrained by the limited supply of highly rated euro area government debt (Chart C, panel a). With more than USD 31 trillion outstanding, the US Treasury market is by far the largest and most liquid sovereign debt market in the world. Sovereign debt issued in the EU rated A or above totals around USD 11 trillion, including joint EU debt. Yet only half of that is highly rated (AA or above), and fragmentation across multiple issuers limits liquidity. Among highly rated debt, German government bonds represent the largest segment, with almost USD 2.2 trillion (or €2.0 trillion) outstanding. France and Spain account for USD 3.1 trillion (or €2.8 trillion) and USD 1.7 trillion (or €1.5 trillion) respectively, being A-rated as of April 2026. Despite their recent growth, euro-denominated EU bonds still represent a relatively small amount (USD 1.2 trillion or €1.1 trillion). As foreign exchange reserves typically consist of highly rated sovereign debt and deposits, the limited supply of such debt in the euro area may constrain growth in the euro's role as an international reserve currency, especially if central bank demand increasingly shifts toward higher-yielding, longer-duration investments. Outside the EU, Japanese and UK government debt securities amount to around USD 11 trillion and USD 4 trillion respectively. The stock of Chinese government debt securities is the world's second largest. While restrictions have loosened, China still enforces capital controls, which limit the appeal of those securities to international investors.[70]

EU bonds have become the second largest highly rated instrument in the EU after German government bonds, but their temporary nature and still relatively small scale limit their safe-asset properties. Although issuance has grown rapidly since the COVID-19 pandemic, it remains linked to purpose-specific and time-limited programmes and does not constitute a unified benchmark asset (**Chart C, panel b**). Going forward, the EU has agreed to issue bonds, starting in 2026, to support Ukraine (€90 billion) and strengthen defence spending (€150 billion).[71] For 2028-2034, two new loan-based instruments – "Catalyst Europe" (€133 billion) and "Crisis Mechanism" (€350 billion) – financed through EU bond issuance, have been proposed for strategic investments and crisis support, together with budget headroom for these and potentially new instruments.[72] At the same time, the bonds issued during the COVID-19 pandemic are expected to mature from 2028 onwards, with no roll-over.[73] Segmented issuance linked to purpose-specific and time-limited

70 See, for example, Clayton, C., Dos Santos, A., Maggiori, M. and Schreger, J., "Internationalizing like China", *American Economic Review,* 115(3), pp. 864-902, 2025.

71 Security Action for Europe (SAFE), adopted by the Council of the European Union on 27 May 2025, is an EU financial instrument to strengthen the defence readiness of EU Member States (and is also open to selected non-EU countries). It provides loans to countries based on national plans and commitments to coordinated procurements.

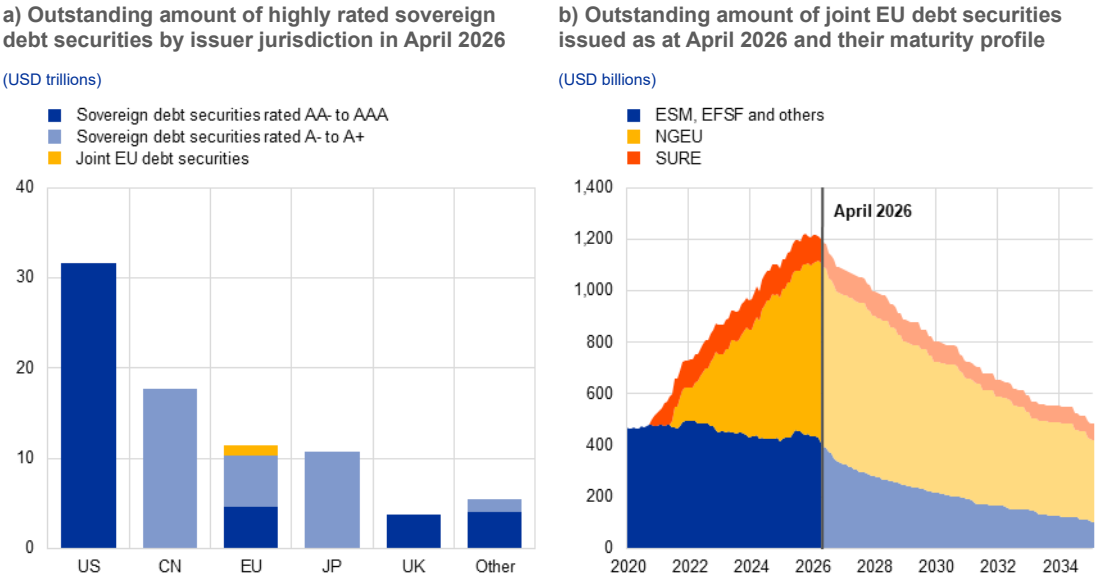
72 See the proposal of the European Commission for the 2028-2034 Multiannual Financial Framework, 6 July 2025.

73 NextGenerationEU (NGEU) is a temporary recovery instrument to address the economic and social impacts of the COVID-19 pandemic in the EU, which was complemented by the temporary Support to mitigate Unemployment Risks in an Emergency (SURE). Both programmes are financed through joint EU debt.

programmes constrains liquidity and, in turn, the ability to generate convenience yields.[74] Establishing a genuine (highly rated) European safe asset could address these constraints, while facilitating the financing of European public goods, such as defence, and strengthening the euro's role as an international reserve currency.[75]

Chart C

Market size of highly rated euro area sovereign and EU debt securities



Sources: Bloomberg, European Commission and ECB staff calculations.
Notes: Figures refer to the end of April 2026. Panel a) shows sovereign debt securities where the issuer is rated in the A- to A+ or AA- to AAA ranges by Standard and Poor's. Joint EU debt securities refer to debt securities issued by the European Commission, the European Stability Mechanism (ESM) and the European Financial Stability Facility (EFSF) (USD 1.2 trillion or €1.1 trillion). EU sovereign debt securities include debt securities issued by EA member states (USD 9.4 trillion or €8.4 trillion) and by non-EA EU Member States (USD 0.8 trillion or €0.7 trillion). Euro area countries in the A- to A+ range include Croatia, France, Latvia, Lithuania, Malta, Portugal, Slovakia and Spain. Euro area countries with a rating of AA- and above include Austria, Belgium, Finland, Germany, Ireland, Luxembourg, the Netherlands and Slovenia. In panel b), joint EU debt securities refer to debt securities issued by the European Commission. NGEU and SURE are the abbreviations for two EU programmes related to COVID-19 (NextGenerationEU and Support to mitigate Unemployment Risks in an Emergency). For the months after April 2026, the values represent the difference between the estimated outstanding amount at the beginning of a given month and the amount maturing during that month.

74 For a discussion of EU bonds' shortcomings in terms of robustness and liquidity, and the obstacles to and factors promoting their safe-asset status, see Box 7, "EU bonds as safe assets" in "Capital markets union: a deep dive. Five measures to foster a single market for capital", *Occasional Paper Series,* ECB, revised May 2025. See also Bletzinger, T., Greif, W. and Schwaab, B., "Can EU bonds serve as euro-denominated safe assets?", *Journal of Risk and Financial Management*, 15(11), 2022.

75 For discussions of proposals on how to expand the supply of EU safe assets, see, e.g., Lane, P. R., "Expanding the supply of euro safe assets", Keynote speech at the joint workshop of the European Systemic Risk Board Advisory Technical Committee and Advisory Scientific Committee on "A European Safe Asset and Financial Stability", 22 April 2026 and Gossé J.-B. and Mourjane, A., "A European safe asset: new perspectives", *Bulletin 234/6*, Banque de France, 2021.

Box 3

New indicators of the euro's global appeal from the euro area international investment position

Prepared by Roberto Gandolfi, Linda Rousová and Martin Schmitz

This box presents novel indicators to assess the euro's global appeal, based on newly available currency breakdowns in the euro area international investment position (IIP). Specifically, the indicators show the currency composition of the euro area's cross-border assets and liabilities – denominated in euro, US dollars and other currencies – excluding intra-euro area positions. The indicators, which are fully consistent with official ECB data on the euro area IIP, are constructed from the euro area and individual countries' IIP data, complemented with estimates based on the ECB's securities holdings statistics and the Bank for International Settlements' locational banking statistics.[76]

The new indicators show that around one-third of euro area cross-border assets and two-thirds of liabilities were denominated in euro in 2025, with the remainder largely in US dollars (Chart A, panel a). In that year, both euro area cross-border assets (excluding reserve assets) and liabilities amounted to around €36 trillion.[77] The lower share of euro-denominated cross-border assets relative to liabilities implies that the euro area is "short" in euro (i.e. the net foreign asset position in euro is negative) and "long" in foreign currencies, most notably the US dollar. This configuration implies that a depreciation of the euro generates valuation gains and positive wealth effects in periods of external shocks accompanied by a depreciation of the euro exchange rate, thereby acting as a buffer for the euro area. While this mechanism is well established in the literature when it comes to advanced economies – including the United States and individual euro area countries – the new indicators provide, for the first time, comprehensive quantitative evidence for the euro area as a whole.[78]

Focusing on euro area cross-border liabilities, the euro's share rose from 54% in 2015 to 66% in 2025, suggesting that the currency's appeal to global investors has been growing over the past decade (Chart A, panel b). The rising share of the euro was broad-based across IIP components and largely mirrored by a decline in the US dollar share.[79] The euro's share increased the most in foreign direct investment – by almost 20 percentage points to 52%, albeit from a relatively low initial level. Although the euro's shares were already high in 2015 for other IIP components, they have increased further over the past decade, reaching 78% in portfolio equity, 71% in portfolio debt and 62% in other investment. The US dollar remains by far the second most

[76] For more details, see Schmitz, M., Gandolfi, R. and Rousová, L., "Assessing the Global Appeal of the Euro: New Indicators on Currency Exposures in the Euro Area International Investment", forthcoming in Proceedings of the External Statistics Conference, 28-29 May 2026, Kraków, Poland.

[77] The euro area accounted for around one-fifth of global cross-border assets and liabilities in 2024, which amounted to around €175 trillion in 2024 according to the updated dataset in Lane, P.R. and Milesi-Ferretti, G. M., "The External Wealth of Nations Revisited: International Financial Integration in the Aftermath of the Global Financial Crisis", *IMF Economic Review*, No 66, 2018, pp.189-222.

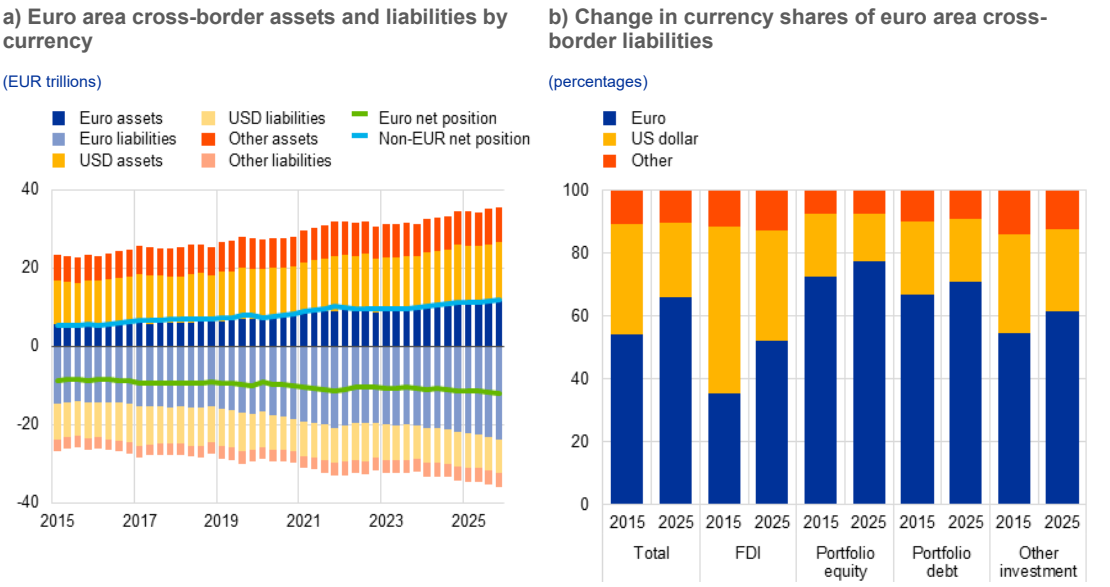
[78] Lane, P. R. and Shambaugh, J., "Financial exchange rates and international currency exposures", *American Economic Review*, Vol. 100(1), 2010, pp. 518 540 and Bénétrix, A., Gautam, D., Juvenal, L. and Schmitz, M., "Cross-border currency exposures", *Working Paper Series*, No. 2417, ECB, 2020, for instance, provide research-based datasets on the currency composition of international investment positions.

[79] Conceptually, exchange rate fluctuations have mechanical effects on currency shares. In the analysis presented in this box, such effects are very contained and explain less than 1 percentage point of the euro's 12 percentage point increase observed since 2015.

important currency in euro area IIP liabilities, although its shares have decreased across all components.

Chart A

Increase in the euro's global appeal over the past decade



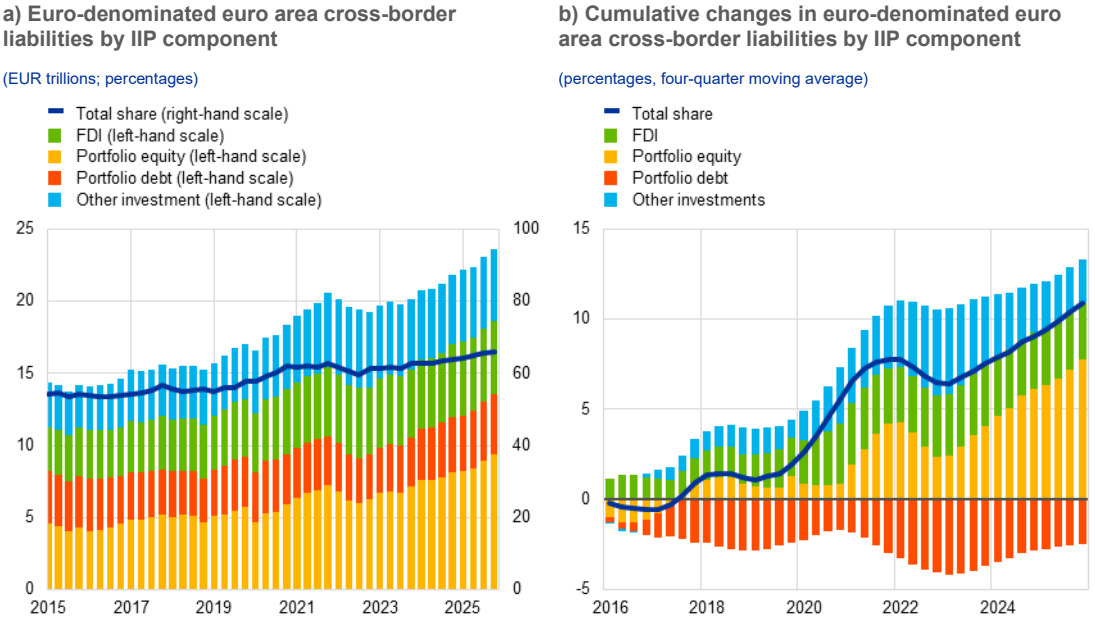
Sources: BIS, ECB and ECB staff calculations.
Notes: In panel a), the latest observation is for the fourth quarter of 2025. "EUR assets", "USD assets" and "Other assets" refer to euro area cross-border assets denominated in euro, US dollars and other currencies respectively. "EUR liabilities", "USD liabilities" and "Other liabilities" refer to euro area cross-border liabilities denominated in the respective currencies and are shown with a negative sign. "EUR net position" refers to the difference between euro-denominated euro area cross-border assets and liabilities. "Non-EUR net position" refers to the difference between euro area cross-border assets and liabilities denominated in currencies other than the euro. In panel b), changes between the fourth quarter of 2015 and the fourth quarter of 2025 are shown.
FDI = foreign direct investment.

While foreign direct investment liabilities recorded the largest increase in share, portfolio equity made the largest contribution to the overall rise in the euro's share since 2015, owing to its larger volume. Euro-denominated euro area cross-border liabilities have expanded by more than €9 trillion over the past decade **(Chart B, panel a)**. Portfolio equity accounted for the largest increase (€4.9 trillion), followed by foreign direct investment (€2.1 trillion) and other investment (€1.9 trillion), while portfolio debt increased only modestly (€0.4 trillion). The growth in portfolio equity liabilities explains more than half of the total 12 percentage-point increase in the euro's share since 2015 **(Chart B, panel b)**. The growth reflects strong global investor demand for both listed shares and investment fund shares, with the latter accounting for around three-quarters of the overall expansion in portfolio equity liabilities. While euro area listed shares are almost exclusively denominated in euro, this is less the case for euro area investment fund shares. Still, the euro is used as the currency of issuance for the majority of euro area investment fund shares.[80]

[80] The share of instruments issued in foreign currencies – in particular the US dollar – is larger for euro area investment fund shares than for total portfolio equity liabilities, mainly reflecting the role of Irish and Luxembourg investment funds as hubs for the global investment activities of non-euro area investors. See Beck, R., Coppola, A., Lewis, A.J., Maggiori, M., Schmitz, M. and Schreger, J., "The Geography of Capital Allocation in the Euro Area", *Working Paper*, No 32275, National Bureau of Economic Research, March 2024.

Chart B

Portfolio equity liabilities drove most of the euro's share increase



Sources: BIS, ECB and ECB staff calculations.
Notes: The latest observation is for the fourth quarter of 2025. FDI = foreign direct investment. In panel a), "Total share" refers to the share of euro-denominated liabilities in total euro area cross-border liabilities. In panel b), the cumulative changes reflect the combination of (i) changes in the share of euro-denominated liabilities within each category (depicted in Chart A, panel b) and (ii) changes in the size of each category as a share of total euro-denominated liabilities. Therefore, the total share represents the overall increase in the share of euro-denominated euro area cross-border liabilities.

Factors such as asset supply, interest rates, trade intensity, business sentiment towards Europe and policy uncertainty may shape the euro's growing global appeal. The euro's share in euro area cross-border liabilities (or its IIP components) is positively associated with more ample euro area government debt supply, higher interest rates, more extra-euro area trade and a favourable business sentiment towards Europe, as well as with lower economic policy uncertainty **(Chart C)**.[81] These results suggest that policies promoting trade openness, an ample supply of safe assets and a predictable, low-uncertainty macroeconomic environment may help boost the euro's attractiveness as an international investment currency.

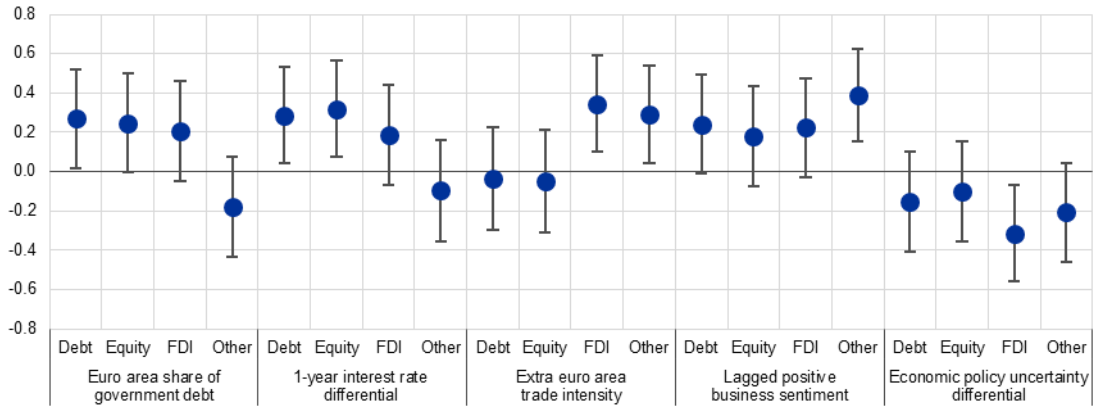
[81] The share generally exhibits no statistically significant correlations with GDP growth, productivity growth, equity market returns and volatility, measures of geopolitical risk, the slope of the yield curve or global euro credit indicators. However, the absence of statistically significant correlations does not necessarily imply the absence of underlying relationships. Such relationships may become evident when applying more sophisticated approaches – such as multivariate regression analysis – or when extending the sample period. For example, the lack of correlation with equity market returns to date may reflect the underperformance of euro area equites relative to their US counterparts over the past decade.

Chart C

Asset supply, interest rates, market sentiment, policy uncertainty and trade intensity may shape the euro's global appeal

Correlations with changes in the euro's share in cross-border liabilities

(correlation coefficients and 90% confidence intervals)



Sources: Baker et al. (2016), Bloomberg, Haver Analytics, NL Analytics and ECB staff calculations.
Notes: Correlations are estimated with respect to changes in the euro's share in euro area cross-border liabilities across its IIP components (portfolio debt, portfolio equity, FDI and other investment) using quarterly data between the first quarter of 2015 and the fourth quarter of 2025. The dots refer to point estimates and the ranges show the corresponding 90% confidence intervals. "Euro area share of government debt" refers to the log change in the ratio of outstanding euro area government debt over the sum of euro area and US government debt. "Economic policy uncertainty differential" refers to the difference between the average value of the Economic Policy Uncertainty index for six euro area countries and the average value of 13 non-euro area countries for which indices are available; see Baker, S. R., Bloom, N. and Davis, S. J., "Measuring economic policy uncertainty", *Quarterly Journal of Economics*, 2016. The "1-year interest rate differential" is calculated as the difference between the one-year euro area benchmark government bond yield and the average yield of non-euro area G10 currency issuers. "Lagged positive business sentiment" refers to the one-quarter lagged sentiment score associated with references to the terms "Europe", "European Union", "eurozone", "euro area", "EU" and "EA" in global companies' earning calls, as provided by NL Analytics. "Extra euro area trade intensity" is the sum of extra-euro area imports and exports over the sum of global imports and exports.

3 Statistical annex

See more here.

Postal address 60640 Frankfurt am Main, Germany
Telephone +49 69 1344 0
Website www.ecb.europa.eu

For specific terminology please refer to the ECB glossary (available in English only).

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