



# Will the international roles of currencies shift?

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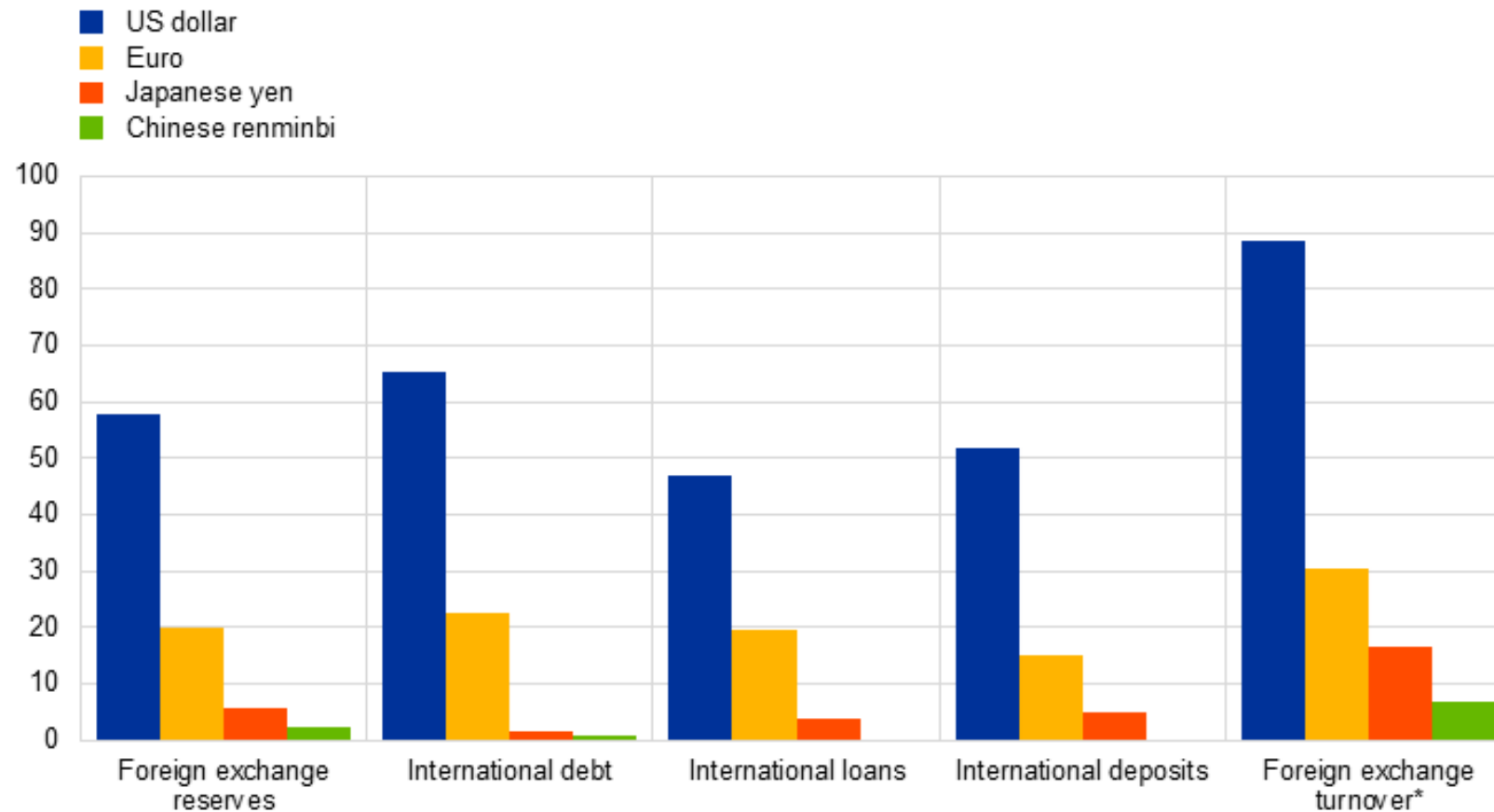
The SNB and its Watchers, Zürich, November 21 2025

# The dominant dollar - still

- ❑ Dominant position across most dimensions of the international role of currencies.
- ❑ Broadly stable, but reduction in some dimensions.

Snapshot of the international monetary system

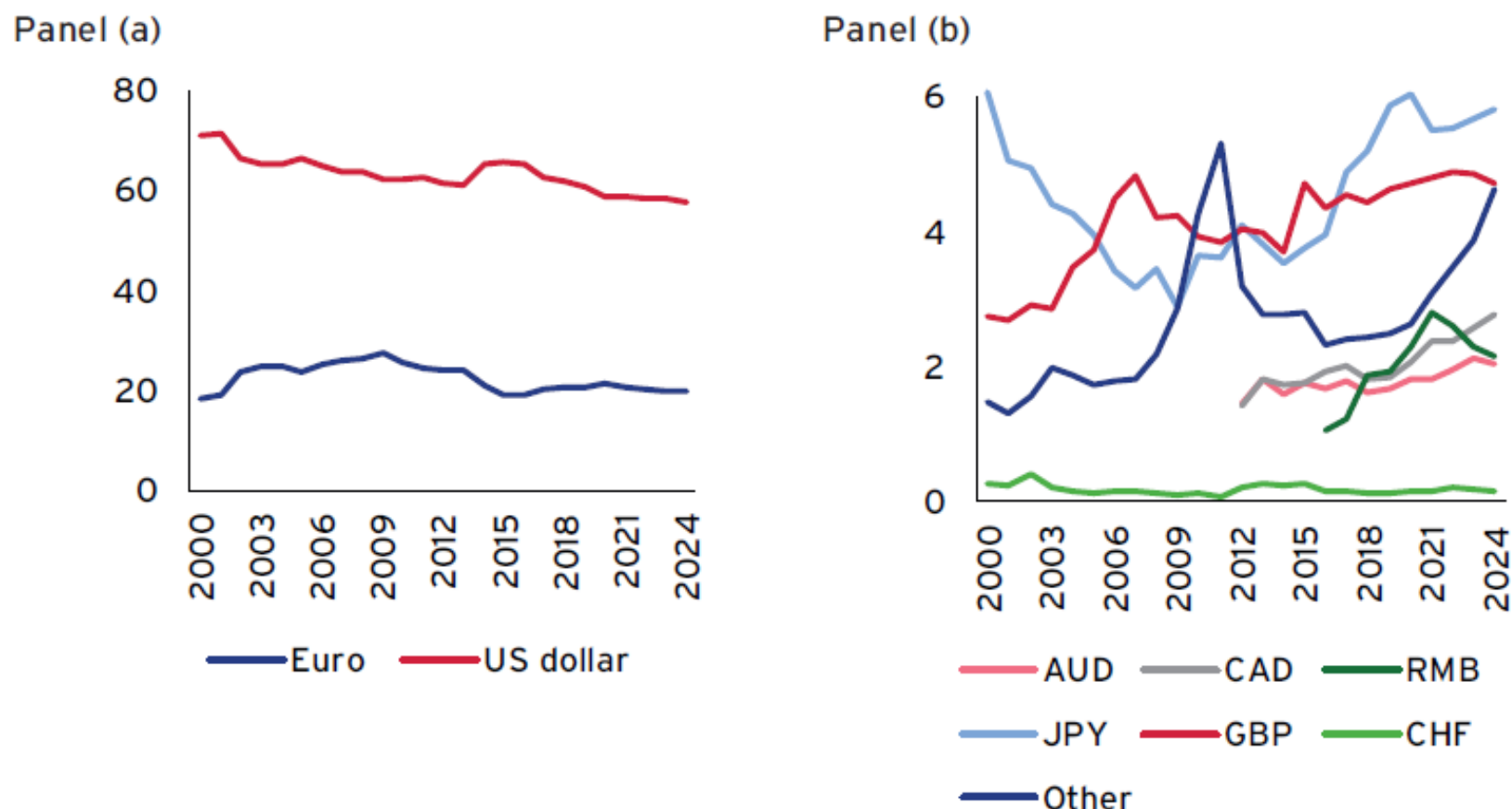
(percentages)



## Changing reserves

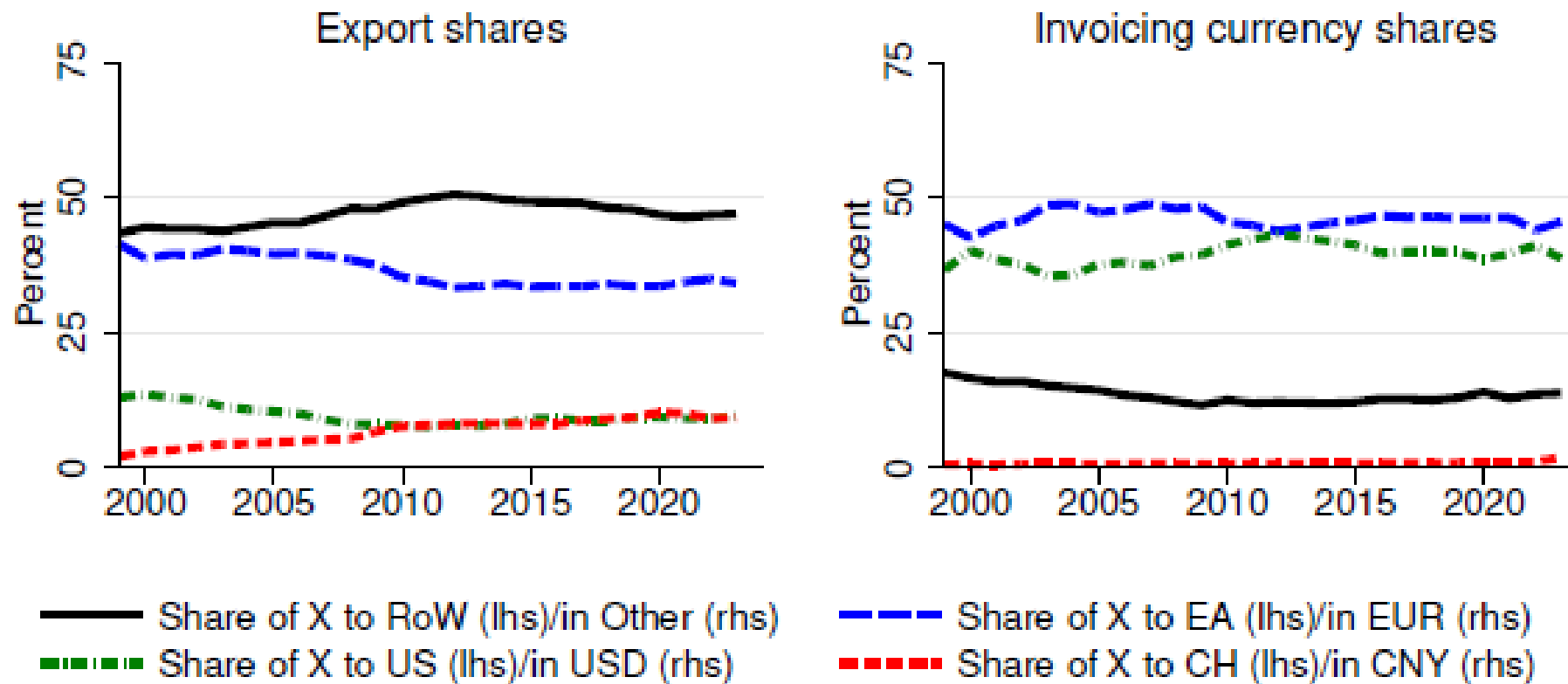
- ❑ Gradual reduction of the dollar share of foreign exchange reserves...
- ❑ ...towards a range of smaller currencies.
- ❑ Increasing, but small role of RMB.
- ❑ Rising role of yen.
- ❑ Rising role of Australia and «others»: Nordics, Korea, New Zealand.
- ❑ Minimal role of the Swiss franc (lack of a deep bond market).

FIGURE 2.1 CURRENT COMPOSITION OF OFFICIAL FOREIGN EXCHANGE RESERVES (%)



# Rising role of geopolitics

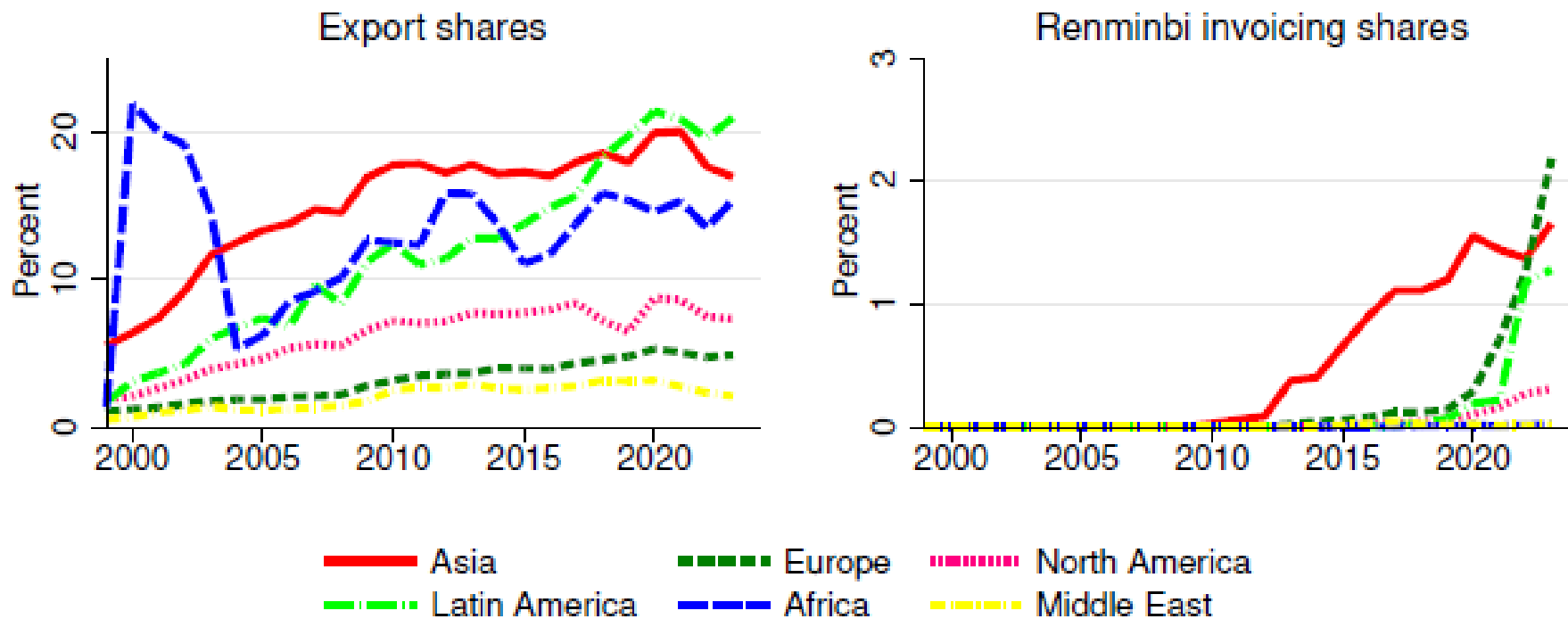
- ❑ Evidence that FDI is moving towards distinct blocs (Chari et al. 2025).
- ❑ Evidence of rising role of geopolitics in trade invoicing (Boz. et al. 2025).
- ❑ The dollar (and euro) account for the bulk of trade invoicing.



# Renminbi rising

- ❑ China is a major destination market (10-20% of exports).
- ❑ RMB invoicing is on the rise.
  - First in Asia, then in Europe and Latin America.
  - But the magnitude remains small.

Figure 5: Zooming in on exports to China and renminbi invoicing



# Geopolitics and invoicing

- ❑ Invoicing reflects fundamentals: use the currency of the destination, also the dollar for commodities.
- ❑ Geopolitical distance (UN votes) used not to matter...
- ❑ ...but it does since 2021.
  - Shift out of dollar (euro) into RMB, exporter's currency, others.
  - And conversely.

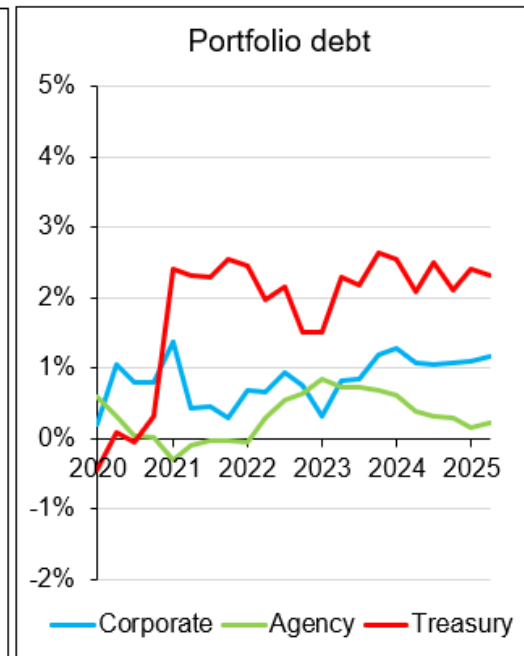
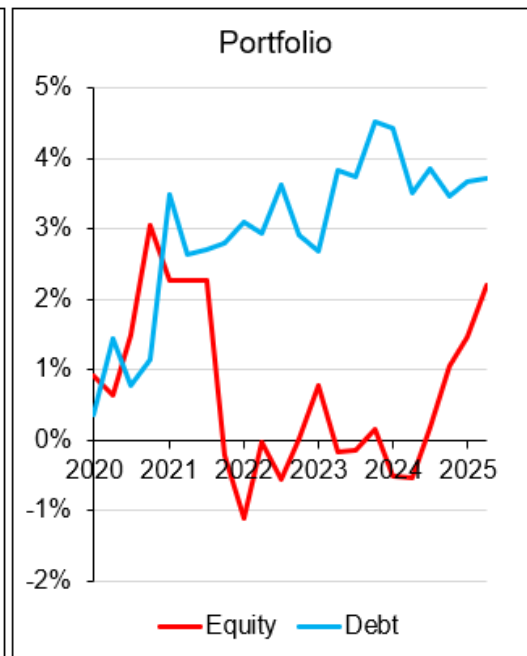
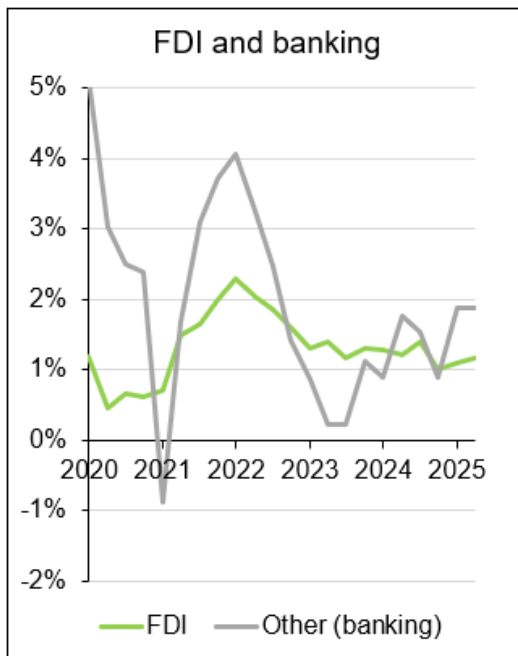
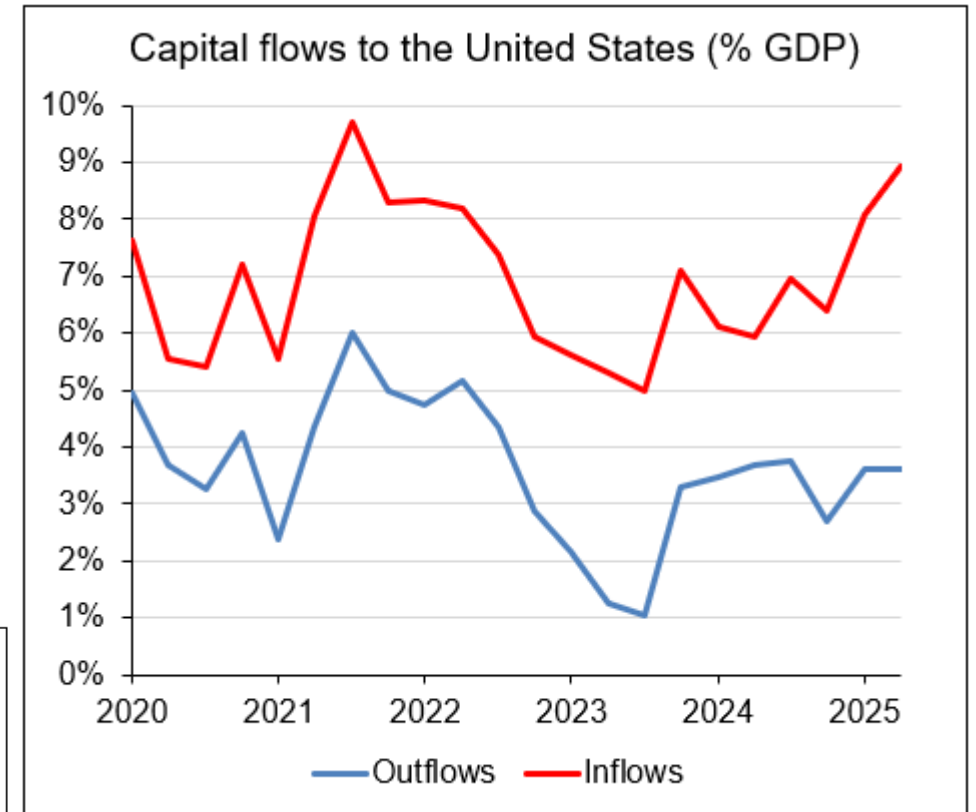
Table 3: Panel regressions for export invoicing shares and geopolitical distance

	USD		EUR		CNY	
	(1)	(2)	(3)	(4)	(5)	(6)
Lagged invoicing currency share	0.73*** (0.00)	0.75*** (0.00)	0.80*** (0.00)	0.80*** (0.00)	0.92*** (0.00)	1.02*** (0.00)
Commodity trade share	0.09*** (0.00)		-0.04** (0.04)		0.00 (0.42)	
Oil trade share		0.17*** (0.01)		-0.17*** (0.00)		-0.01* (0.06)
Geopolitical distance to invoicing currency issuer	1.06 (0.15)	-0.51 (0.54)	0.09 (0.85)	-0.28 (0.62)	-0.08** (0.02)	-0.05 (0.23)
Geopolitical distance to invoicing currency issuer × post-2021	-0.12 (0.68)	-0.36* (0.09)	-0.44* (0.06)	-0.77*** (0.00)	-0.05 (0.14)	-0.03 (0.11)
Standard controls	✓	✓	✓	✓	✓	✓
Year FEs	✓	✓	✓	✓	✓	✓
Within R-squared	0.65	0.65	0.77	0.78	0.83	0.96
Observations	1278	1307	1284	1303	696	704
Countries	113	111	111	110	89	88
p-value full effect	0.13	0.34	0.52	0.08	0.01	0.04

*Notes: The last line of the table shows "full effect" means the p-value for the overall effect.*

# US capital flows remain robust

- ❑ Inflows into the U.S. (and out of) remain large.
- ❑ Focusing on inflows:
  - FDI is steady.
  - Equity has surged.
  - Bonds have remained steady at a high level, including Treasury.



## What are we likely to see?

- ❑ What underpins the international role?
  - Size and liquidity: U.S. solid.
  - Rule of law and institutional predictability: U.S. challenged.
- ❑ But where to go?
  - RMB: even more challenged.
  - Euro: good fundamentals, but fragmented markets.
- ❑ Possibility of moving depends on dimension.
- ❑ Invoicing: can use one's own currency.
- ❑ Finance: move more limited by above fundamentals.
  - Quantity vs price: still invest in the U.S., but on different terms.
  - Sharp depreciation of the dollar since April, esp. against Europe.
  - Possible reduction of convenience yield looking forward.