

The euro in the world

Since its launch in 1999, the euro has also emerged as a global currency, creating confidence among consumers, producers and investors well beyond the borders of the euro area.

- **Forex markets.** On foreign-exchange markets, the euro is the second most actively traded currency, with a rather stable share. Between July 2004 and June 2005, it accounted for 21½ percent of all foreign-exchange transactions versus 45 percent for the US dollar.
- **Reserve currency.** The share of the euro in official foreign exchange reserves held by central banks around the world is gradually increasing - standing at 25 percent by end-2004 versus 66 percent for the US dollar - and significantly exceeding positions held by the national currencies that preceded the euro.
- **International debt securities.** Today, the euro accounts for a substantial and increasing part of international debt markets (31½ percent versus 44 percent for the US dollar by the end of June 2005), with European companies and institutions located in the vicinity of the euro area accounting for the largest share. The euro also represents a large part of international bank liabilities. For example, since 1999, the euro has been the second currency of denomination in euro-area bank loans to non-bank borrowers outside the euro area, with the share above 39 percent in the first quarter of 2005 (against 44 percent for the US dollar).
- **International trade.** The euro is also used extensively to quote, invoice and settle external trade transactions between the euro area and third countries and, in some cases, between third countries. In 2004, in most euro-area countries for which data are available, the share of euro-denominated exports and imports (in extra-euro area trade) was above 50 percent, for both goods and services.
- **Anchor currency.** The euro plays a role as an anchor or reference currency, notably in acceding and accession countries, Northern Africa and the CFA Franc-Zone. A few countries, mainly in Central Europe and the Western Balkans, are using the euro as a de facto currency, sometimes in parallel to their own national currency.

The expanding international use of the euro can be seen as a sign of confidence in the euro and the economic-policy framework underpinning it. Future euro-area enlargement coupled with continued stability-oriented macroeconomic policies, growth-enhancing structural reforms and financial-market integration will contribute to further increasing the euro's attractiveness as an international currency.

