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PRESS RELEASE

REVIEW OF THE INTERNATIONAL ROLE OF THE EURO

The European Central Bank (ECB) publishes today its “Review of the international role of the euro”, focusing on developments during the year 2007.

In the period under review, developments in the international use of the euro have differed across market segments. In international debt securities markets, the euro’s share declined by around 1 percentage point over the review period, reaching 32.2% in December 2007, based on the narrow measure. The ongoing financial market turbulence may explain some of this decline.

In international banking activity, the euro’s share increased by 1.1 percentage points on the international loans side, but declined by 1.8 percentage points on the side of international deposits.

By contrast, the use of the euro remained broadly unchanged in foreign exchange markets. Data on foreign exchange trades settled by the Continuous Linked Settlement (CLS) system indicate a slight decline in the average share of the euro in daily settlements, from 39.1% in 2006 to 37.8% in 2007. More comprehensive survey data compiled by the Bank for International Settlements (BIS) suggest that the euro was used in around 37% of all foreign exchange transactions in April 2007, which is broadly comparable to the figures obtained in the last survey three years ago.

In derivatives markets, covered for the first time in this Review, the role of the euro differs strongly across specific market segments. For foreign exchange derivatives, the US dollar’s leading role as a vehicle currency, also observed in traditional foreign exchange markets, is clearly confirmed. By contrast, the euro’s share outpaces that of any other currency in the market for interest rate derivatives.

Developments in the use of the euro as a settlement or invoicing currency of euro area countries’ trade showed a diverging pattern across countries. The euro maintained its role as an exchange rate anchor, especially in countries with close geographical or institutional links to the European Union.

The use of the euro in foreign exchange reserves held by countries outside the euro area, increased moderately by around 1½ percentage points between December 2006 and December 2007 owing to positive valuation effects. When measured at constant exchange rates, the share of the euro in global foreign reserves decreased by almost 1 percentage point over the same period. Recently released IMF

data, covering the first quarter of 2008, confirm the trend of a slightly increasing share of the euro when measured in current exchange rates, but a slight fall when a correction is made for valuation effects.

The stock of euro banknotes held outside the euro area continued to increase gradually in the course of 2007 and was estimated to have reached the upper end of a range of 10% to 20% of total currency in circulation by end-2007. The use of euro-denominated deposits also increased, in particular across most non-euro area EU countries and EU candidate countries.

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

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