

# The Dollar's Roles and Capital Flows

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NY Fed & Federal Reserve Board Conference

“International Roles of the U.S. Dollar”

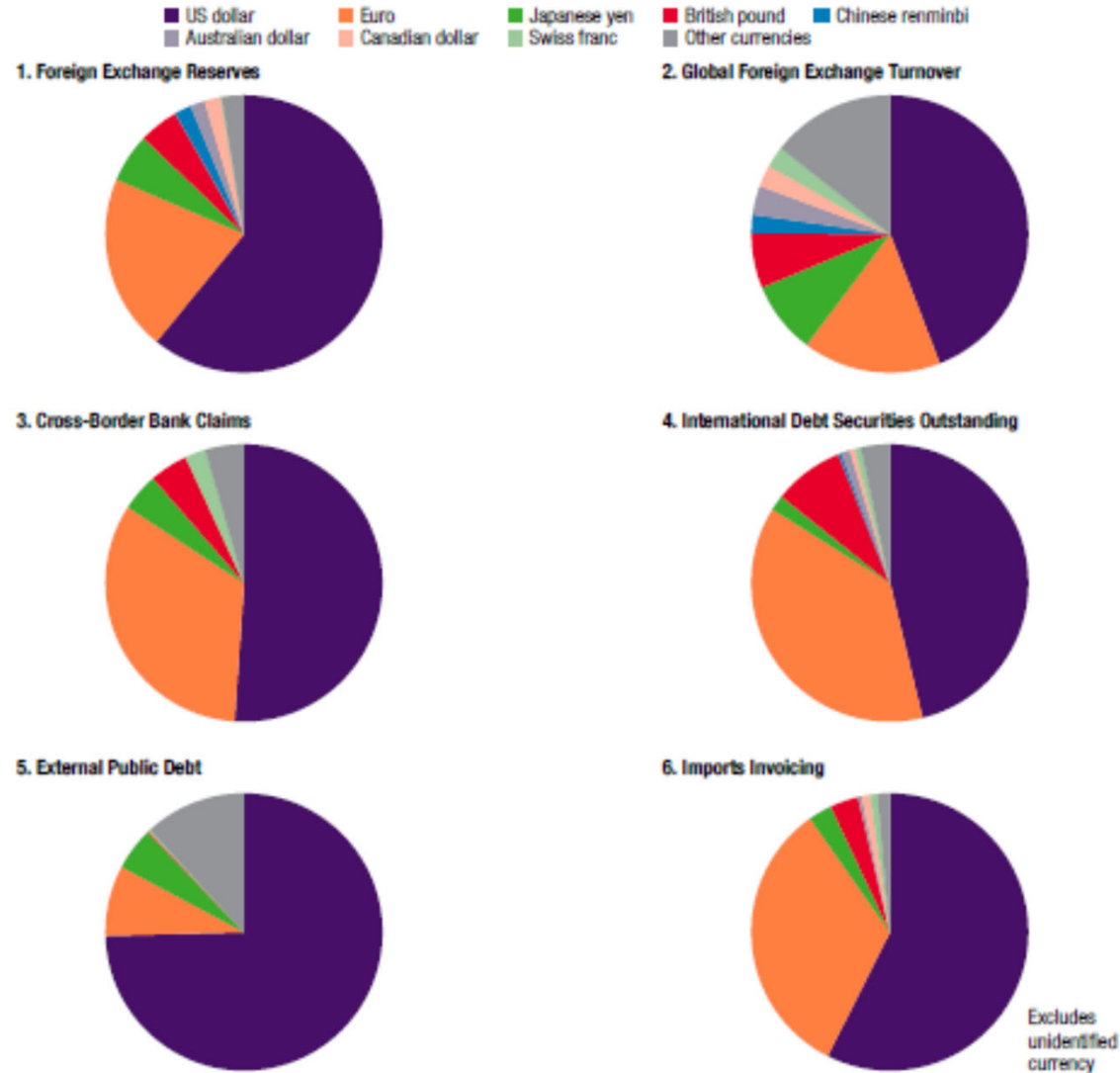
Washington, DC

June 16-17, 2022

# Roles of an International Currency

<i>Function of money:</i>	<b><i>Governments</i></b>	<b><i>Private actors</i></b>
<i>Store of value</i>	International reserves	Currency substitution (private dollarization)
<i>Medium of exchange</i>	Vehicle currency for foreign exchange intervention	Invoicing trade and financial transactions
<i>Unit of account</i>	Anchor for pegging local currency	Denominating trade and financial transactions

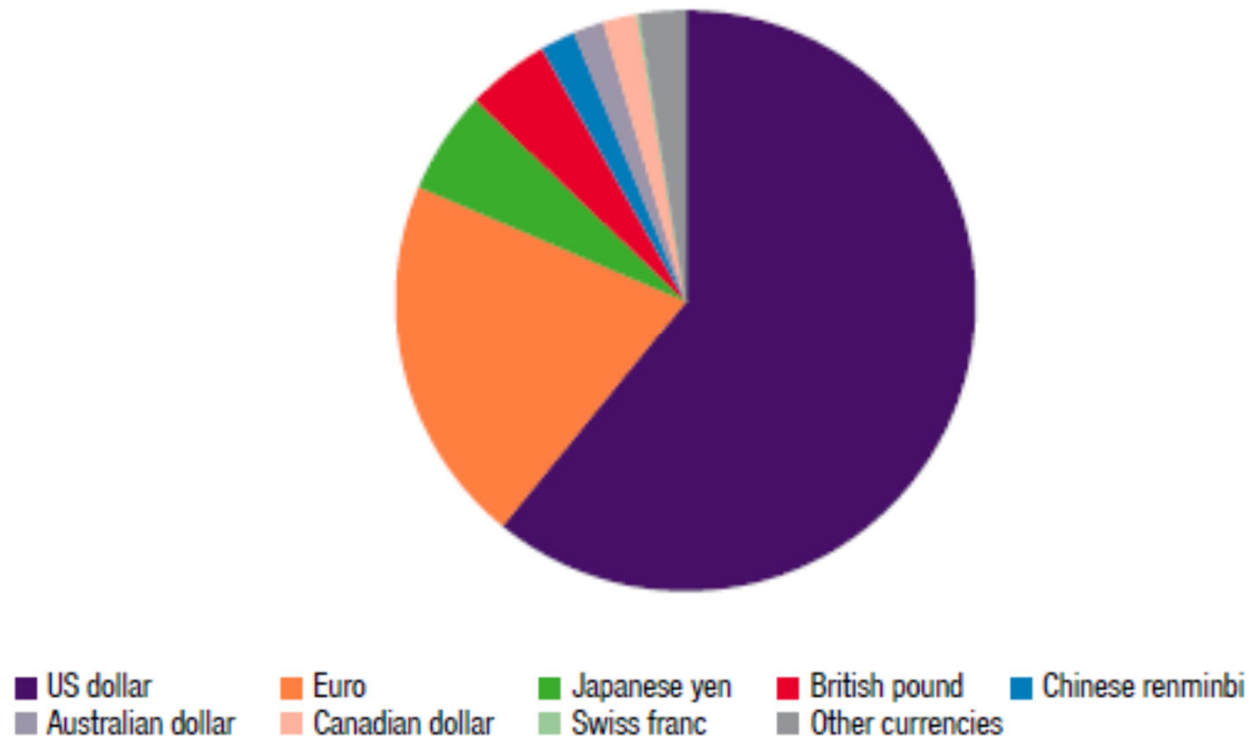
**Figure 1. Currency Composition of Reserves, Foreign Exchange Turnover, Financial Claims, and Trade Invoicing, 2019 or Most Recent (Percent)**



Sources: Bank for International Settlements; Gopinath (2015); IMF, Currency Composition of Official Foreign Exchange Reserves (COFER) database; World Bank, International Debt Statistics; and IMF staff calculations.  
 Note: External public debt data are for the end of 2018 and include only emerging market and developing economies; foreign exchange turnover comes from the BIS Triennial Central Bank Survey conducted in April 2019; invoicing data are averaged across all years for which data are available between 1999 and 2014 for 49 economies (Gopinath 2015). Using more recent data on currency shares in invoicing from Boz and others (2020) and currency breakdown of external debt liabilities from Bénétix and others (2019) yields broadly similar shares for US dollars and euros in imports invoicing and international debt securities outstanding, respectively. The remaining figures use data for the end of 2019. Panel 1 shows the shares in allocated reserves reported under COFER, with unallocated reserves being the difference between the total foreign exchange reserves in the IMF's International Financial Statistics database and the total allocated reserves in COFER. A further breakdown of currencies is not available for external public debt and cross-border bank claims.

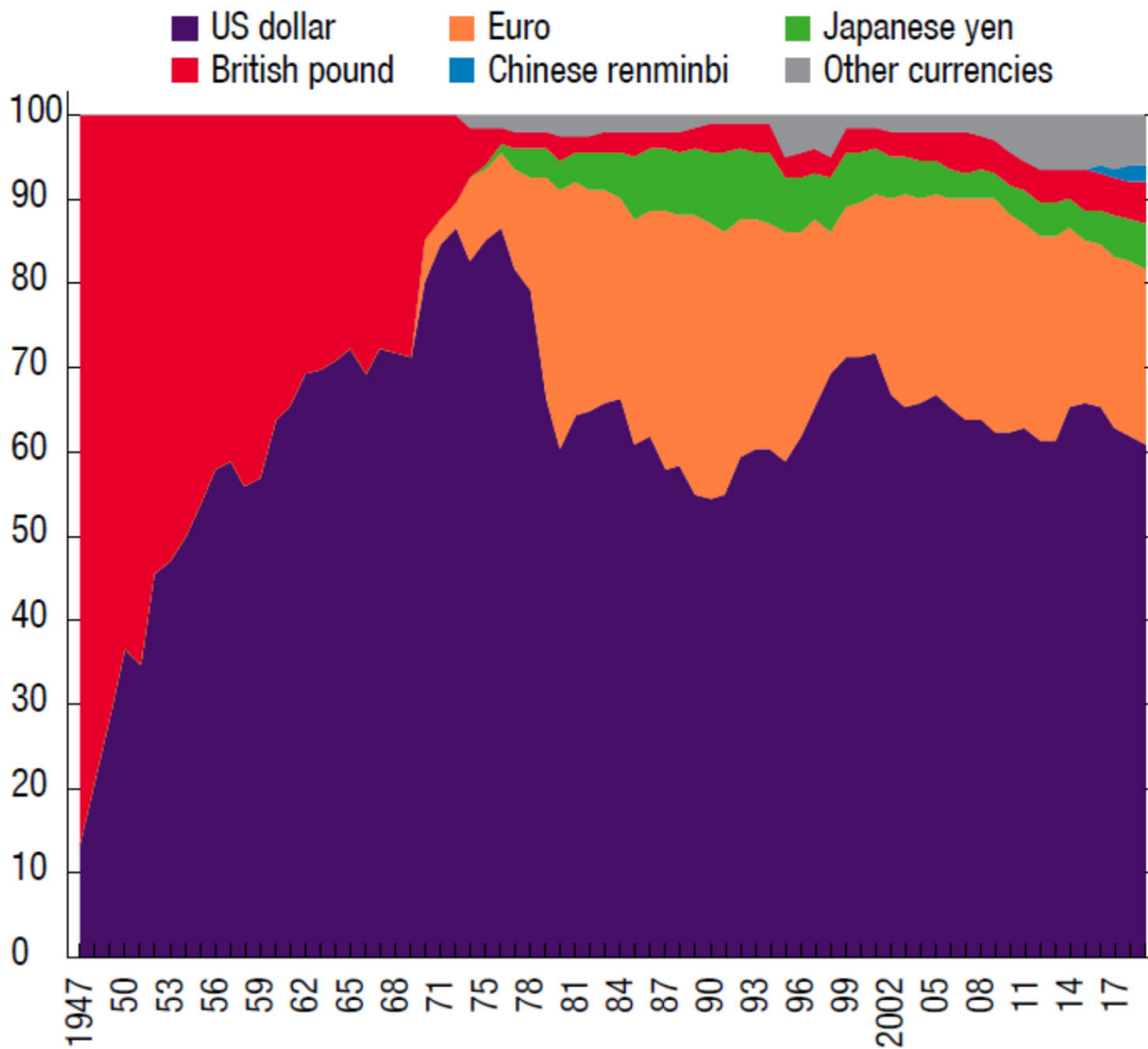
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### 1. Foreign Exchange Reserves



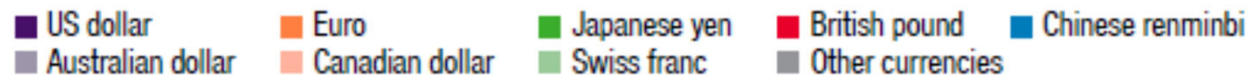
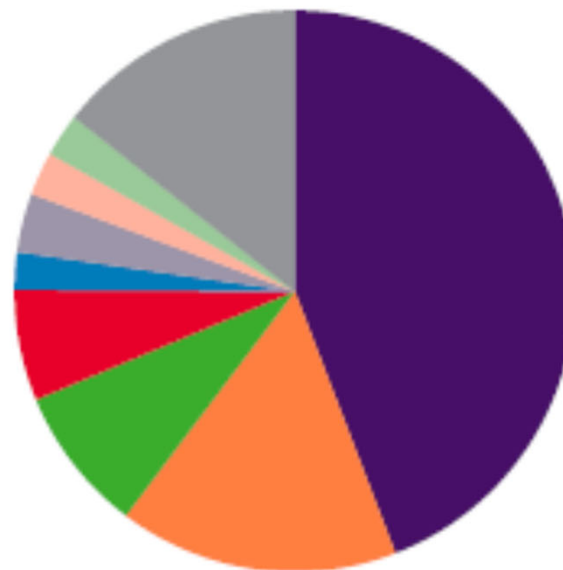
## Figure 2. Currency Composition of Allocated Reserves, 1947–2019

(Percent of total)



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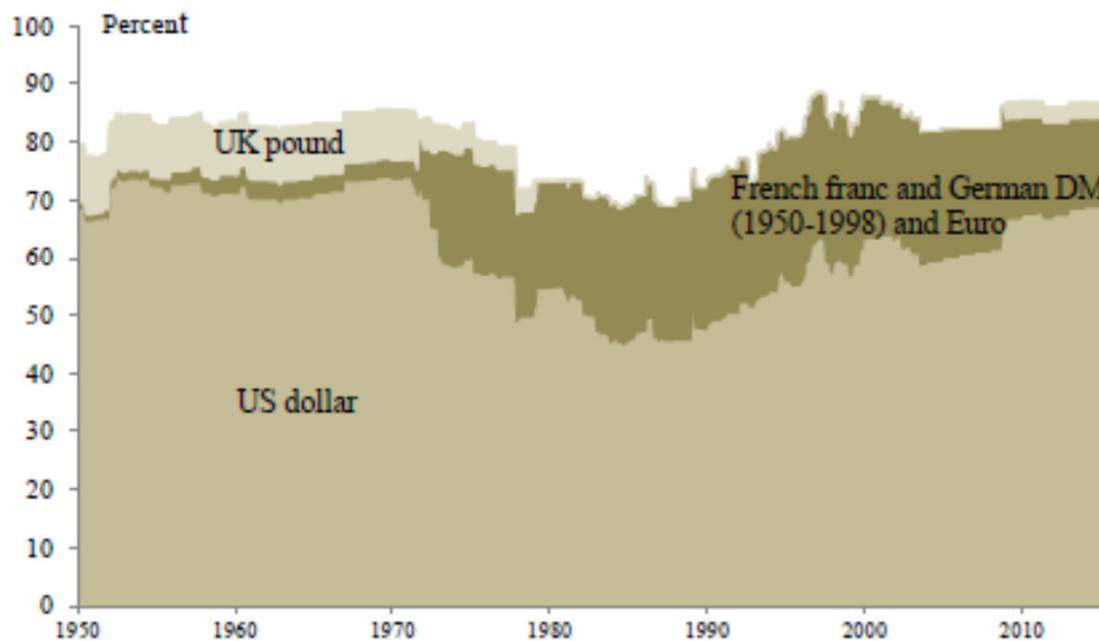
## 2. Global Foreign Exchange Turnover



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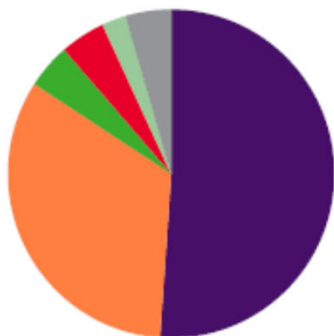
Figure II. Post-World War II Major Anchor Currencies

*Share of countries, 1946-2015, excludes freely falling cases*

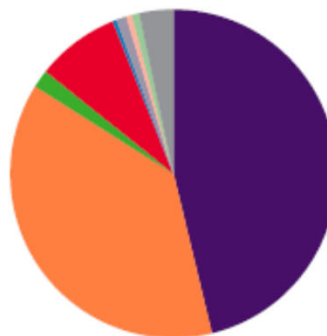


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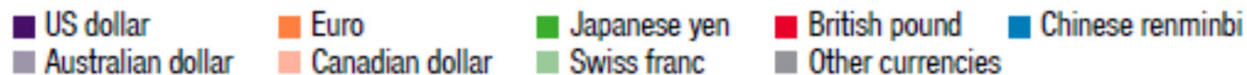
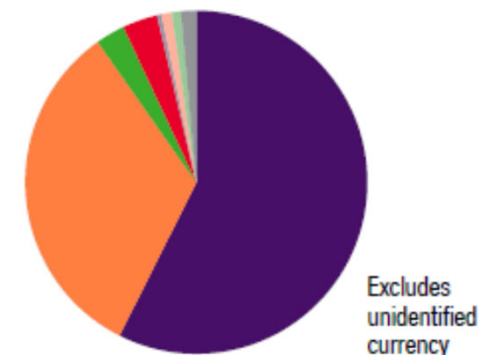
3. Cross-Border Bank Claims



4. International Debt Securities Outstanding



6. Imports Invoicing

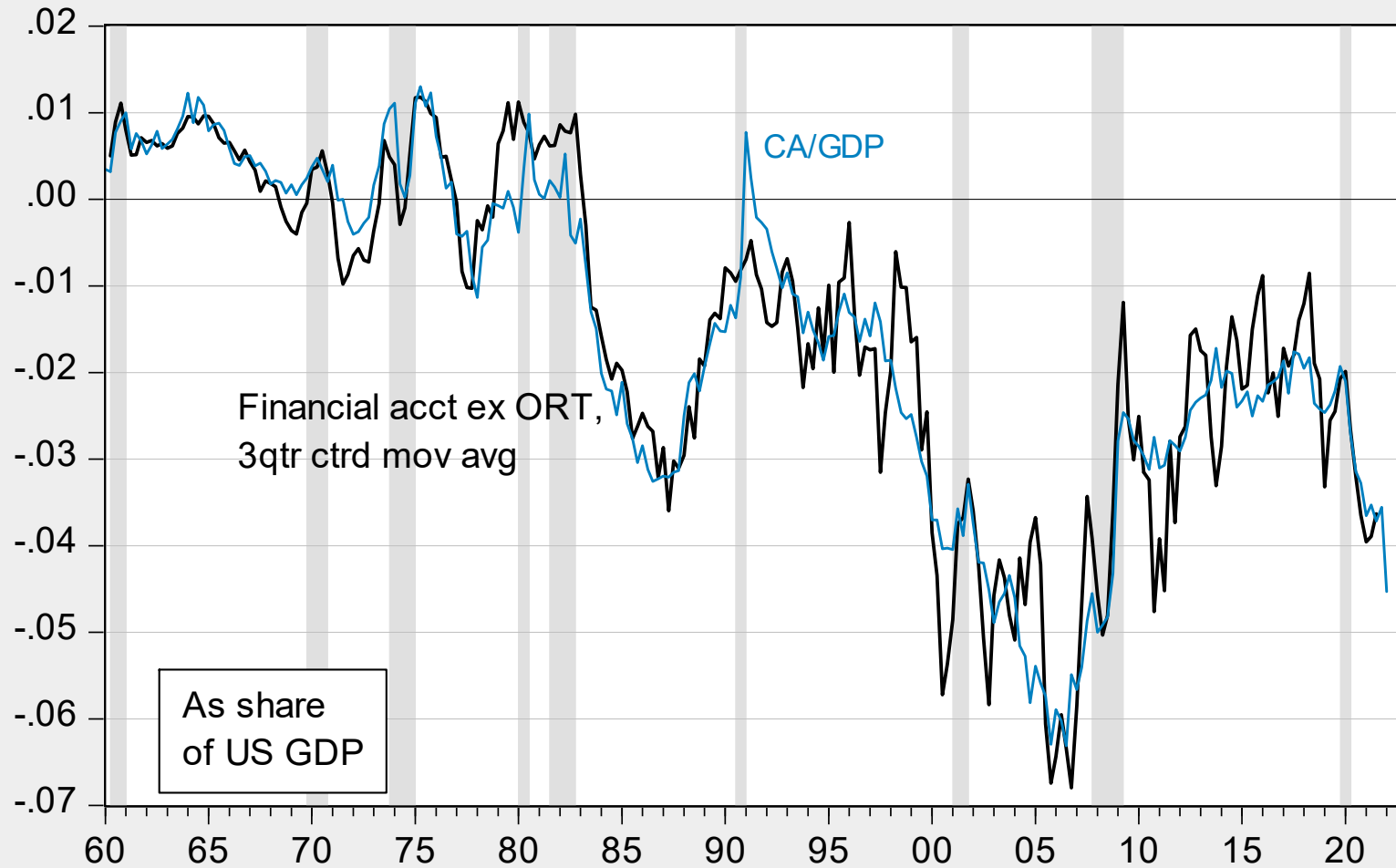




# Int'l Currencies & Capital Flows

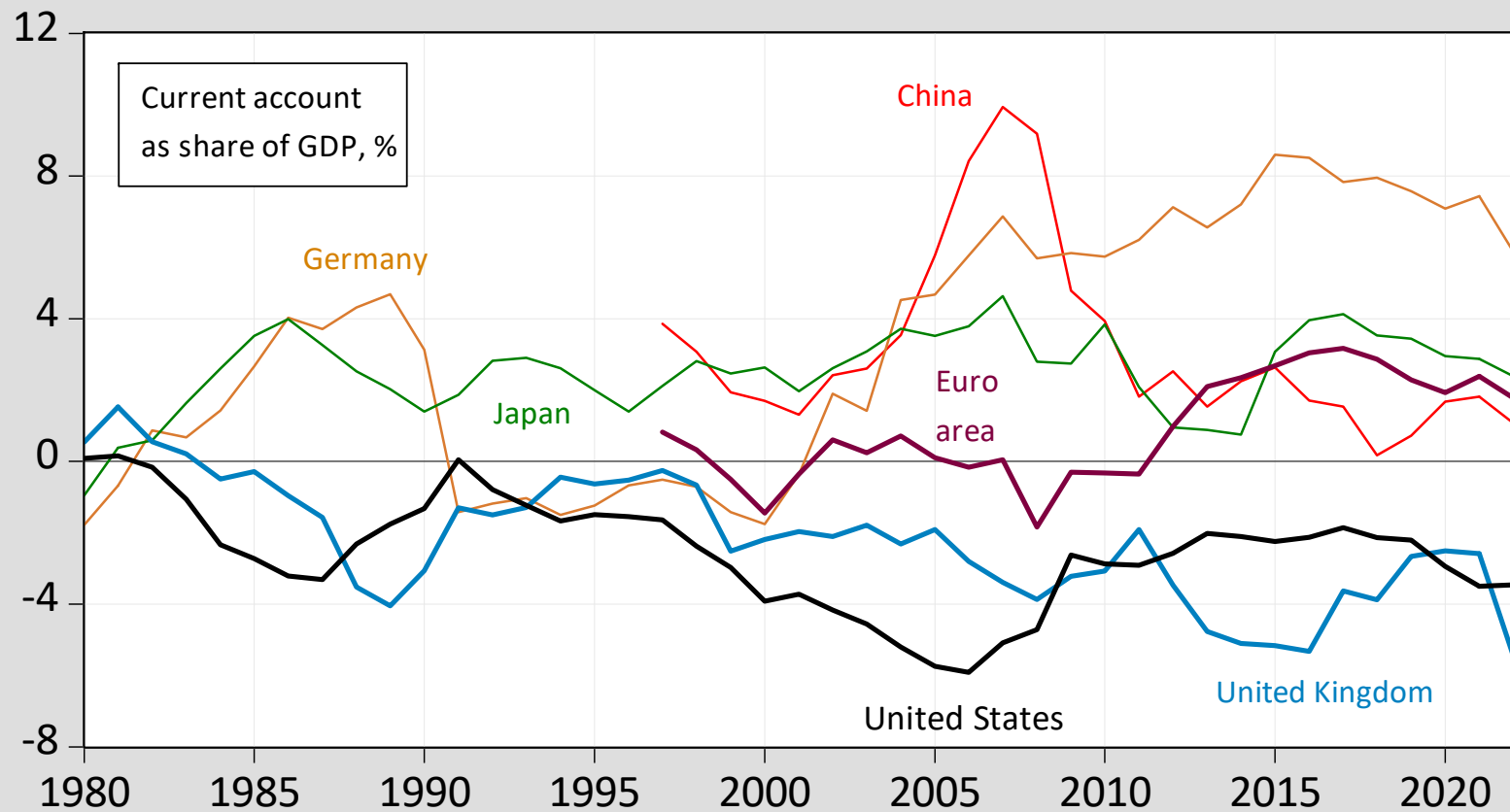
- One definition of an international currency is as hedge against economic “disasters”
- Implies capital inflows in good times, outflows in bad times
- (Hence, not valuation but flows)
- Some international currencies fit, some don't

# United States



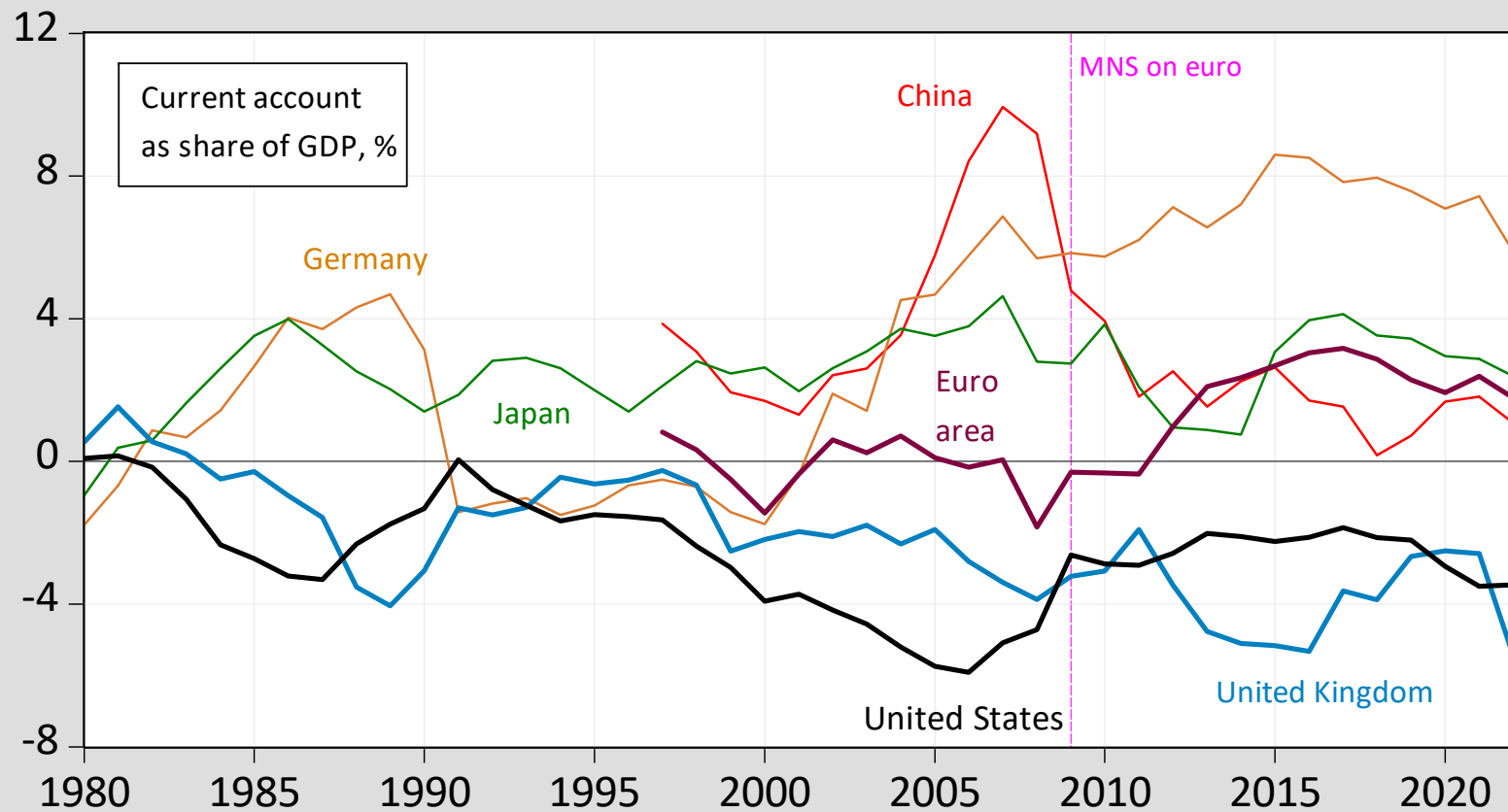
Source: BEA International Transactions, NIPA

# Other Int'l Currency Countries



Source: IMF WEO (April 2022) database

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