



ADVANTAGES OF THE INTERNATIONALISATION OF THE EURO

Conference on “The internationalisation of the euro and the creation of the Union of Capital Markets in the EU”

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ADVANTAGES OF A GREATER GLOBAL ROLE FOR THE EURO

Euro area and Europe more broadly

- Strategic autonomy in face of geopolitical uncertainty
- “Exorbitant privilege” of global safe asset issuers
- Ensuring more stable financing conditions and attracting investors

International financial system and global investors

- Help diversify assets and liabilities, reduce spillovers and increase resilience
- Diversification under current architecture reduces risk of fragmentation

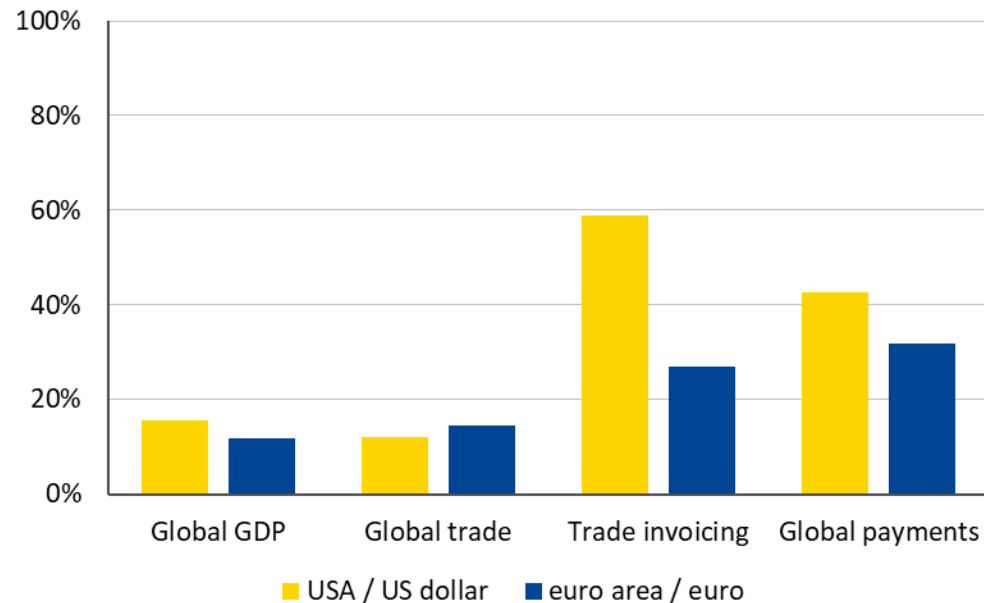
Rationale for other countries to use the euro

- Aligning financial assets and liabilities with bilateral trade exposures
- Reduce geopolitical dependence by diversification

EURO: LAGGARD OR RUNNER UP?

The euro's role is underpinned by trade...

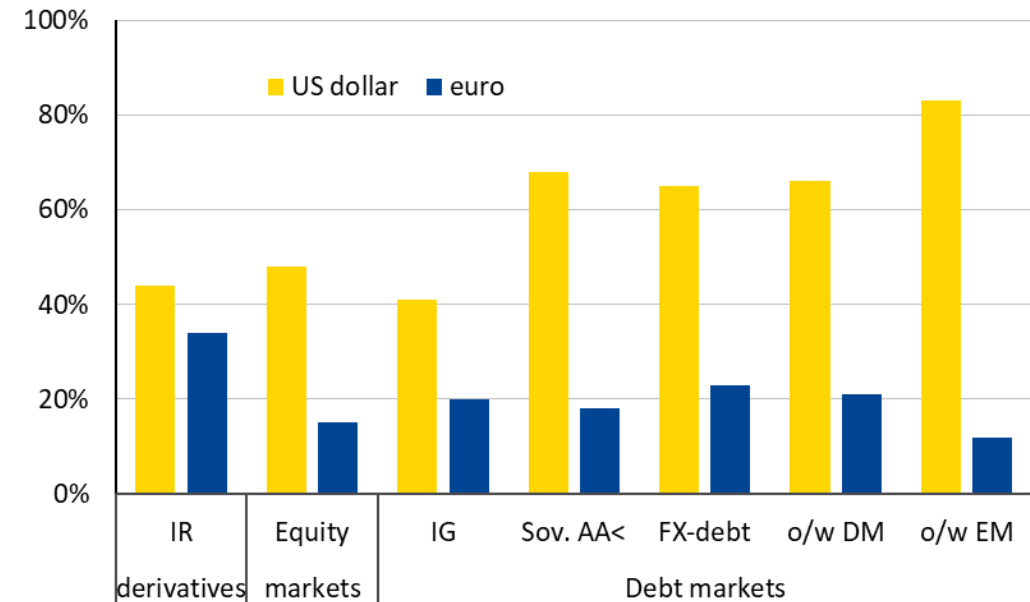
Global share of the US dollar and the euro, %



Note: Share of global GDP is based on purchasing-power parity. Shares of global trade and invoicing exclude intra-euro area trade. Source: ESM based on MF WEO/DoT, Boz et al. (2022) and SWIFT via Bloomberg Finance L.P.

...but lagging on financial markets

The share of the US dollar and the euro across market segments

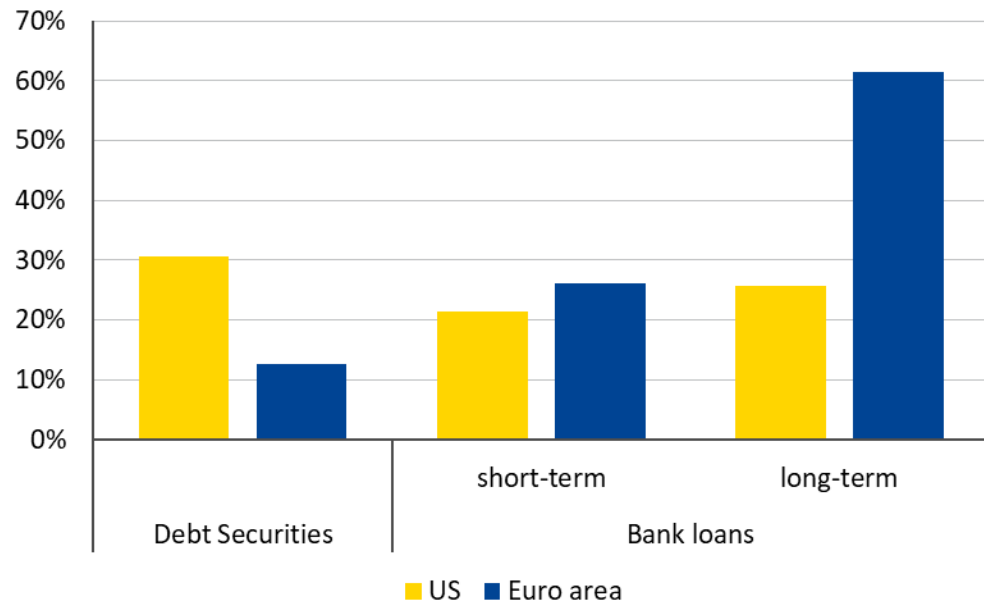


Note: Equity market share is calculated based on the market capitalization of the MSCI indexes for the EU and the USA compared to the global MSCI ACWI index. Investment grade (IG) debt market share is based on the market capitalization of the Bloomberg Global-Aggregate index. Sov. AA< represents safe assets, sovereign debt rated AA or better. FX-debt refers to bonds and bills that are issued in a currency different from the borrower's residency. DM covers developed market issuers, and EM covers emerging and developing markets, according to BIS classification. Source: BIS and Bloomberg Finance L.P.

EUROPE NEEDS MORE MARKET-BASED FINANCE...

European corporates rely on banks

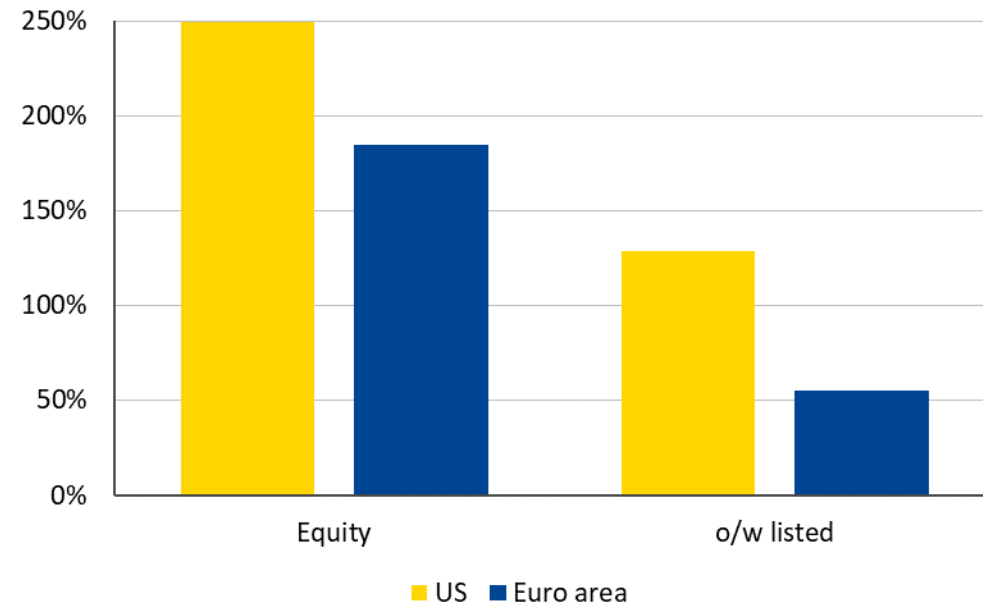
Corporate debt, % of GDP



Source: OECD

Stock market capitalisation remains shallow

Output and stock market capitalisation, % of GDP

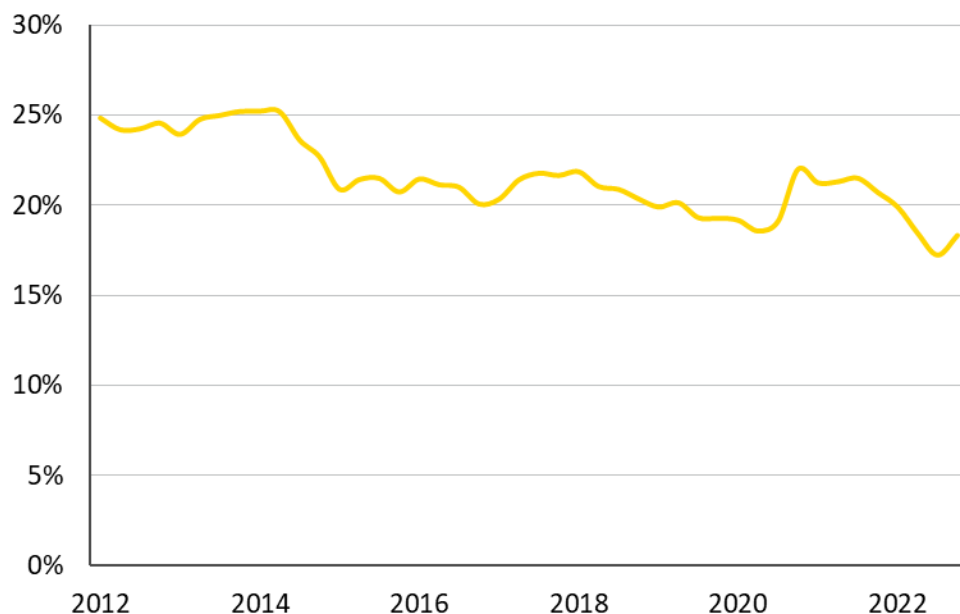


Source: OECD

...AND MORE SAFE ASSETS WOULD ALSO HELP

Euro area share of global safe assets

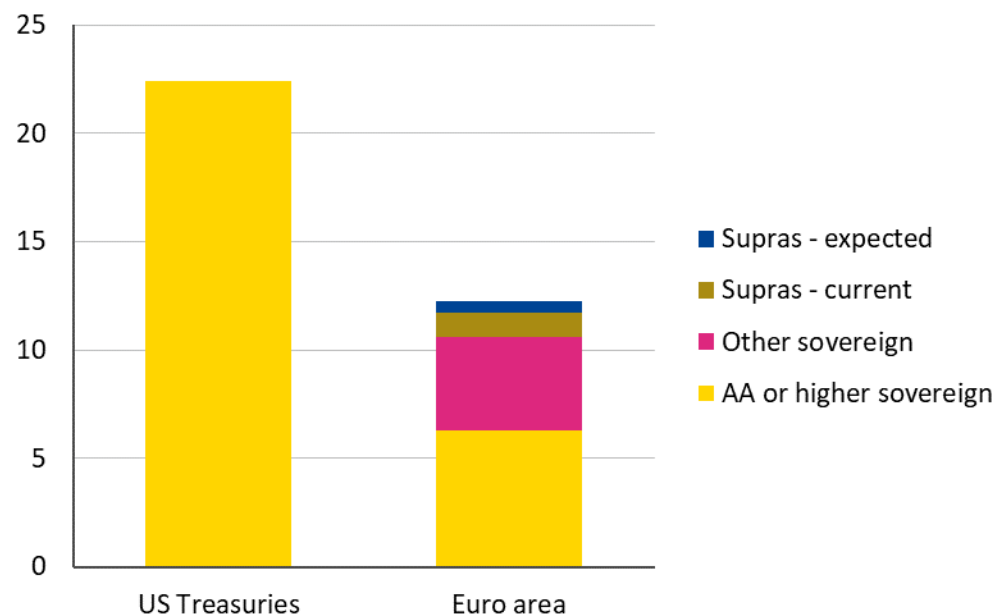
with average rating of AA or above, changing composition



Note: AA rated euro area sovereign debt include Austria, Belgium, Finland, France, Germany, Luxembourg, and The Netherlands, as well as supranationals (EIB, EFSF/ESM and EU); in addition to this, AA rated sovereigns globally include Australia, Canada, Denmark, Norway, Sweden, Switzerland, UK and US. Sources: BIS, Bloomberg, DBRS, Fitch, Moody's and S&P.

US- and European safe assets

€ trn



Source: Bloomberg and US Treasury

CONCLUSION: EUROPE'S HOMEWORK

Strengthen macro-financial stability and resilience

- Global status requires economic stability, rule of law and accessible capital markets
- Addressing the risk of fragmentation via reforms and risk sharing mechanisms
- Joint debt issuance to increase supply of safe assets for reserve managers

Develop market infrastructures

- Capital Markets Union for deeper and more liquid financial markets
- Increased euro-role and stronger coordination of global liquidity provision

Increase diversity – reaching out beyond the euro area

- Euro's global role will ultimately depend on private actors and other jurisdictions
- Support the euro's role in digital transition and green finance