



Reserve Management: FX Reserve Management Trends UBS 30th Reserve Management Seminar

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The views expressed in this presentation are those of the author and not necessarily the views of the BIS. I thank Michela Scatigna for sharing the material contained in these slides.

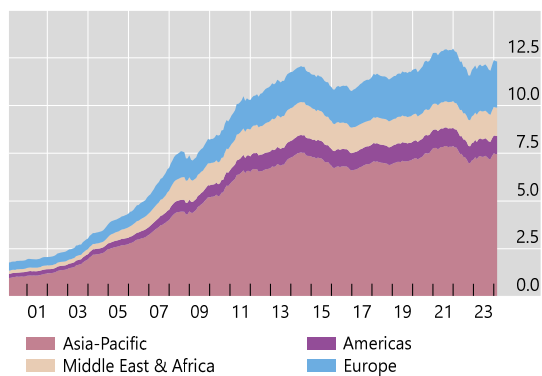
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Unrestricted

Global official exchange reserves remain stable

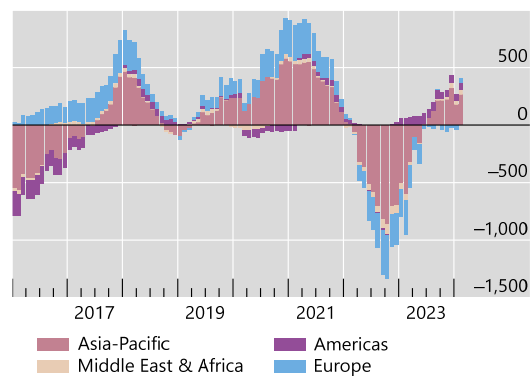
- The accumulation of reserves has undergone some ups and downs but overall the trend has been one of stabilisation rather than growth around **USD 12 billion**.

Global foreign exchange reserves
USD trillions



Source: IMF.

Twelve-month cumulative FX reserves flows
USD billions



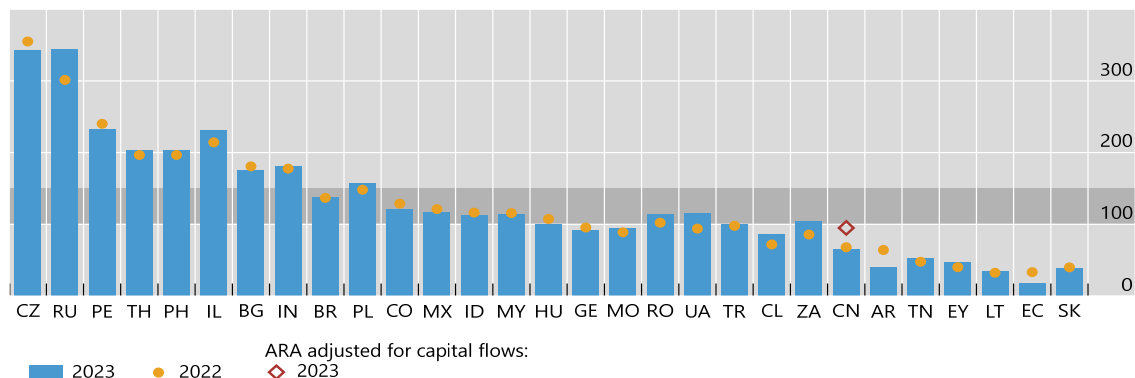
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Reserve adequacy levels still high

- **Reserve adequacy** continues to be ample, providing reserve managers with the flexibility and security to keep their holdings diversified both in terms of asset classes and currencies. New risk factors are having an impact.

FX reserve adequacy measures

Reserves/ARA measure ratio, April 2024



Note: ARA (Assessing Reserve Adequacy)

For Fixed Exchange Rate Regimes: ARA = 10% × Exports + 10% × Broad Money + 30% × Short-term Debt + 20% × Other Liabilities

For Floating XR:

ARA = 5% × Exports + 5% × Broad Money + 30% × Short-term Debt + 15% × Other Liabilities

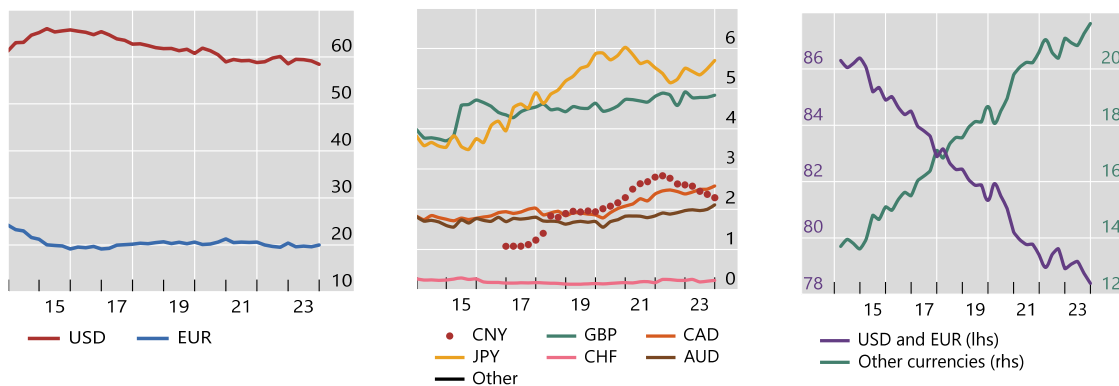
Source: IMF: <https://www.imf.org/external/np/pp/eng/2016/060316.pdf>

FX reserve currency allocation is slowly changing

- The USD and the EUR continue to be the primary **reserve currencies**. However, their share of FX reserves has continued to decline below 80% in favour of less traditional reserve currencies.

Foreign exchange reserves by currency share

(% of total allocated reserves at current exchange rates)



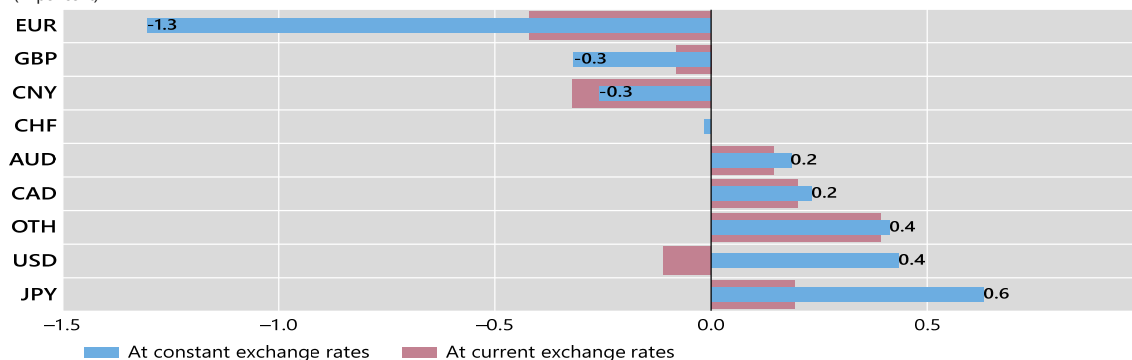
Sources: IMF-COFER; BIS calculations.

Valuation effects have been quite important last year

- The share of global FX reserves allocated to the **EUR** declined the most through 2023, in particular when considered at constant exchange rate terms, with the proceed mostly reallocated to **other currencies**.

Foreign exchange reserves currency share changes since end 2022

(In per cent)



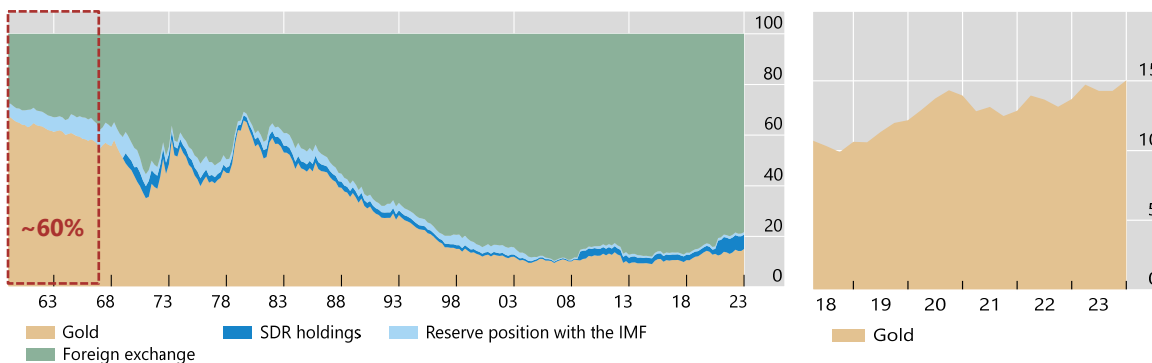
Note: quantity-shares are calculated with exchange rates fixed at the 31.12.2019. Latest data available for reserves as of Q4 2024.
Sources: IMF-COFER, BIS calculations.

The share of gold in official reserve assets is increasing

- The bulk of official reserve assets is made up of foreign exchange. In recent years, the share of gold has slowly but steadily increased to **16% of total reserves**.

Composition of official reserve assets by type of international asset

As a percentage of total reserves

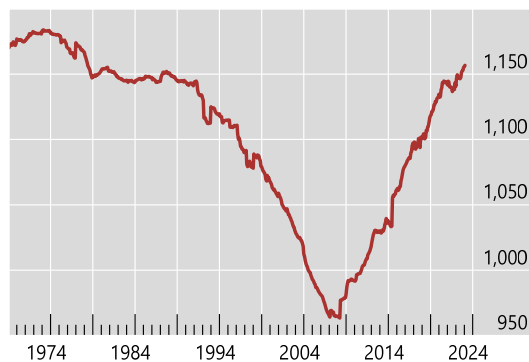


Source: IMF.

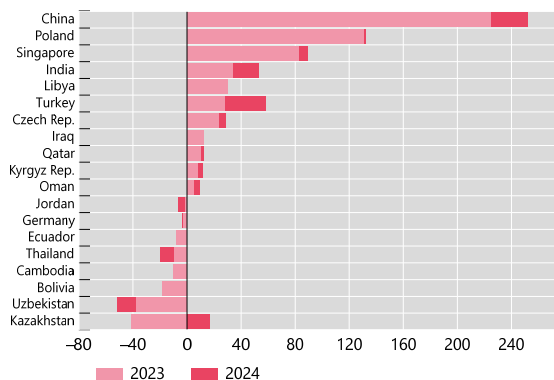
Motives for holding gold are changing

- A growing number of central banks, mostly from emerging economies, have stepped up their gold purchases which is seen as a **long-term store of value** and an effective portfolio diversifier.

Official gold holdings
In million of fine troy ounces



Disclosed official sector buyers and sellers in the last two years
Tonnes

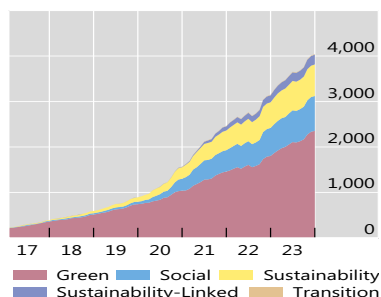


Labelled bonds are the most accessible

- Reserve Managers have continued to diversify into sustainable investments and in particular in "labelled" or use-of-proceeds bonds that have reached an estimate of **3% of reserve currencies**.

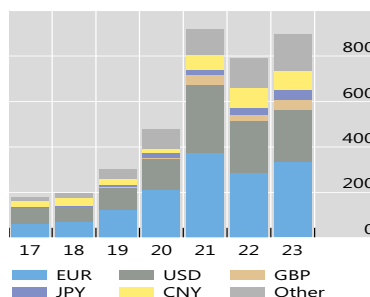
Outstanding amounts of labelled bonds

In USD billions



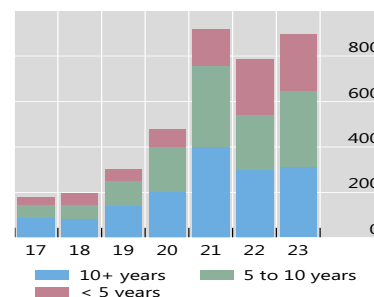
Labelled bonds annual issuance by currency

In USD billions



Labelled bonds annual issuance by original maturity

In USD billions



Source: BIS Sustainable Bonds database.

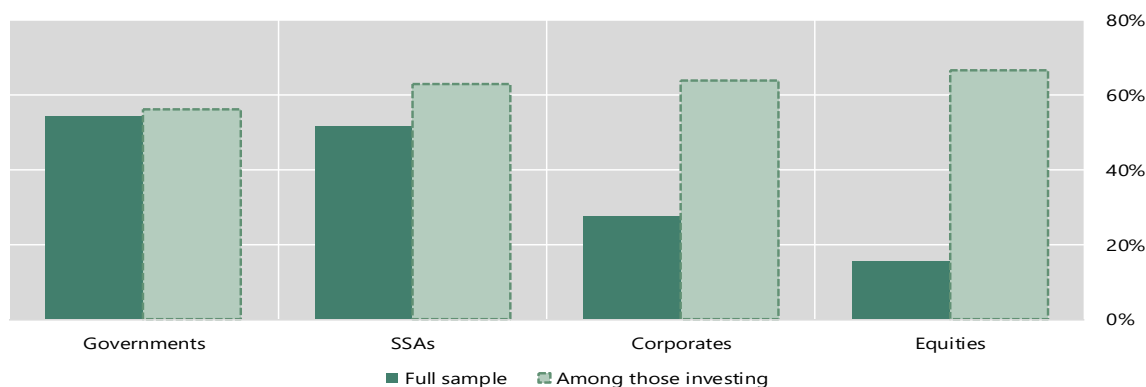
Bonds are classified according to ICMA criteria: green = raise funds for projects with environmental (E) benefits; social = raise funds for projects with social (S) benefits; sustainability = raise funds for projects with a mix of E and S benefits.

A more holistic approach towards climate risk

- Central banks with **larger investment tranches** tend to have more diversified portfolios and integrate sustainability across all assets classes (eg corporates and equities).

Asset classes into which sustainability considerations are integrated

Percentage of respondents



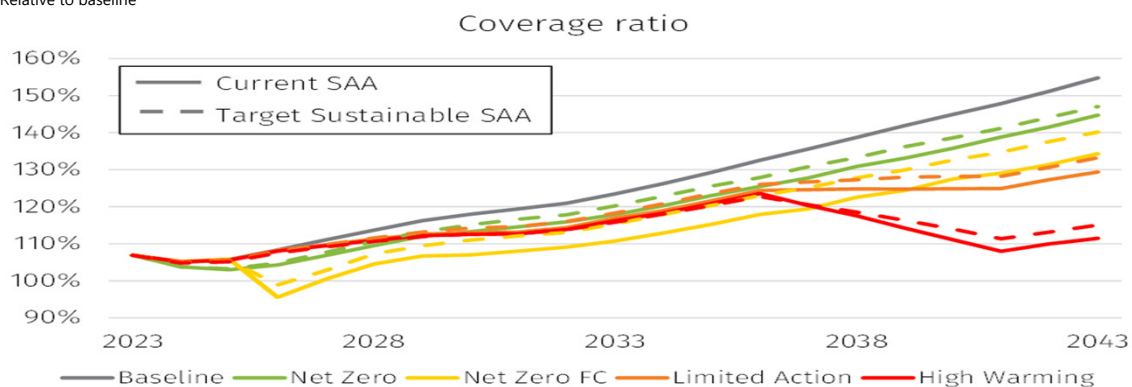
Source: Seventh BIS Reserve Management Practices Survey (2024), [preliminary results](#).

Exploring strategies to make portfolios more resilient

- Beyond labelled bonds, the switch to net-zero investment strategies and sustainable infrastructure could make portfolios more resilient towards **adverse climate scenarios**.

BIS Pension Fund coverage ratio projections

Relative to baseline



Source: Ortec Finance

Environmental risks ranked highest over the long-term

Global risks ranked by severity over the short and long term

"Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period."



Thank you!

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