



By: Daniel Lacalle

De-dollarization remains largely a myth



The US dollar index has **risen** to 98.4 at the close of October 17th, 2025. In 2025, the consensus trade against the US dollar became crowded until investors recognised that the euro posed larger risks due to France's significant fiscal challenges and those of other member countries, while the yen declined as investors recalled that Keynesian excess would be the preferred policy.

Occasionally, the idea that the world is turning away from the U.S. dollar grabs global headlines. It is the "de-dollarization" concept. However, hard data contradicts this idea.

Of course, it is a fact that global central banks are purchasing more gold and reducing developed nations' sovereign debt holdings, but that is a rebalancing of assets, not a real de-dollarization process.

For the story to be true, a different fiat currency should be gaining global use, but it isn't.

The US dollar's dominance remains

The anti-US dollar narrative gained traction in 2025 due to negative press against the Trump administration, the BRICS announcements, and the central banks' diversifying reserves.

However, the hard data from the IMF, SWIFT, and the Bank for International Settlements (BIS) shows a different picture: the US dollar's dominance remains, and it is very far away from being displaced.

According to SWIFT's September 2025 tracker, the U.S. dollar accounts for 46.9% of all global payment flows, more than the euro, yen, pound, and renminbi combined.

The euro and the renminbi are not even the European and Chinese exporters' currencies of choice

The euro, despite enjoying one of the largest internal markets in the world, lags at 25.6%, while the Chinese renminbi stands at just 2.9% of global payments. Even when adjusting for intraEurozone transactions, the yuan's share barely crosses 2%.

This means that the euro and the renminbi are not even the European and Chinese exporters' currencies of choice.

These figures debunk the myth of an ongoing global trend of currency realignment. The US dollar is still the world's top medium for global trade, energy transactions, and cross-border financial contracts.

Furthermore, when looking at the financial sector, the US dollar is the backbone of international banking liquidity, an advantage that no other fiat currency is even close to matching.

Still the world's reserve asset

The International Monetary Fund's COFER report, **released** in October 2025, proves that the US dollar is still the world's reserve asset.

As of the second quarter of 2025, the dollar was 56.3% of total allocated global reserves. That figure is almost unchanged compared to five years ago and remains more than double the euro's 21% share. The Chinese renminbi is just 2.1%.

Despite trade concerns, geopolitical challenges, the freezing of Russian reserves, and financial deglobalisation rhetoric, central banks still see U.S. dollar assets as a key holding, and developed nations like France, Canada, Belgium, the UK, Luxembourg, and others have been purchasing record quantities of U.S. reserve assets in the form of Treasuries.

Why other currencies cannot replace the dollar

Why is the U.S. dollar a reserve asset, and why

is there no real alternative?

Reserve managers value liquidity, transparency, and legal and investor protection, and on all these fronts, U.S. Treasuries and dollar-denominated securities are overwhelmingly superior to other fiat alternatives.

When the euro or yen strengthens temporarily, the dollar share appears to drop

The renminbi has capital controls and price fixing, the euro has enormous challenges ahead of issuing a central bank digital currency and considering the unfunded liabilities of member states, the yen is in perennial internal destruction due to massive debt and fiscal challenges, the UK has entered a long period of stagnation and debt, and the Swiss franc is too illiquid.

The small changes in the dollar's share of reserves since 2000 come mostly from valuation changes due to exchange rate movements, not deliberate holding diversification.

When the euro or yen strengthens temporarily, the dollar share appears to drop, yet on an exchange rate-adjusted basis, the dollar's weight has barely changed.

Unmatched role in global capital markets

The Bank for International Settlements' 2025 Triennial FX Survey debunks any narrative of diminishing use of the U.S. dollar. In the latest report published in September of 2025, 89.2% of all foreign exchange transactions worldwide **involve** the U.S. dollar, up from 88.4% in 2022.

The euro is involved in 28.9% of trades, while the renminbi represents just 8.5%, which means that the Chinese multinationals and exporters prefer the dollar to their own domestic currency for their global

transactions.

Nearly nine out of ten trades globally use the U.S. dollar on one side. There is no alternative to the U.S. dollar's quality, market depth, legal certainty, and financial infrastructure. U.S. money market instruments, repo markets, and derivatives remain the safest and most liquid options for global capital.

A fiat alternative is not just scarce; it does not exist

Considering China has capital controls, the fragmentation risks within the Eurozone bond market, and the limited scale of competing safe assets, a fiat alternative is not just scarce; it does not exist.

Those who claim that the U.S. dollar will lose its reserve status never mention which currency provides a similar level of liquidity and, more importantly, a similar strength in terms of independent institutions, legal and investor security.

As the IMF and the Federal Reserve have noted, displacing the dollar would require not just an alternative currency but an economic system offering equal credibility, scale, and legal and regulatory assurance.

The tough reality

Defenders of de-dollarisation mention the rise of local currency settlements among BRICS and ASEAN countries and the surge in central bank gold purchases as proof of the change in trend.



The narrative of de-dollarisation is mostly politically biased and based more on wishful thinking than hard data
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However, these actions only represent incremental hedging, not systemic realignment. Such diversification is rational insurance against sanctions or exchange rate volatility, but it does not manifest a change in the use of the U.S. dollar or its status compared to other fiat currencies.

In global payments (47%), FX reserves (56%), and trading turnover (89%), the U.S. dollar shows a strength unmatched in monetary history.

The narrative of de-dollarisation is mostly politically biased and based more on wishful thinking than hard data.

No other nation's currency offers a combination of investor and legal security, independent institutions, a free market, and liquidity. Can it change? Hardly.

Most issuers of major currencies prefer to increase interventionism and capital control rather than to open their economies.

The tough reality is that no other nation wants to be a world reserve currency because they all want to continue intervening in their financial systems as much as possible.