

Report | 1 September 2025

FX

100 days in, is the euro gaining ground on the global stage?

100 days since ECB President Christine Lagarde's call for a global euro moment, our team looks at whether progress has been made in boosting the euro's global role, and whether investors are buying into the vision



AI-generated image

Executive summary

Looking for early signs of the euro's progress

It has been 100 days since ECB President Christine Lagarde hit the headlines with her 'Europe's "global euro" moment' speech. Her plea to Europe was to take advantage of the profound shift in the global order to position the euro for greater global prominence.

Acknowledging that a 100-day period is too short to see tangible results, we take this opportunity to look at whether global investors like what they hear so far and what, if any, progress Europe has made towards those ideals. Importantly, we try to identify key areas, factors and leading indicators to look out for in terms of the euro's global role.

- **FX reserves:** After a strong 2024, the euro's share stopped growing quarter-on-quarter

amid dollar restocking by emerging market central banks, but year-on-year diversification remains euro-positive, and smaller reserve holders are emerging as new sources of demand for the euro.

- **Trade:** The euro's share in SWIFT transactions has stagnated year-to-date, and progress will depend on whether US protectionism will be used by the eurozone to improve its role in global trade. EU-India/Switzerland deals offer near-term euro invoicing gains.
- **Portfolio flows:** The Japan case study shows that shifting trade ties from the US to the EU could lift demand for euro debt; recent outflows from Japanese investors have stabilised with a slight uptick recently, suggesting renewed interest in EZ debt.
- **Asset supply:** In bond markets, euro issuance keeps growing (though lagging dollar), with some notable issuance in the sovereign EM space. The euro remains the world's second-most used FX on international bond markets, with a 38.7% share as of 1Q25, with a broadening issuer base across CEE, Asia, LatAm and the Middle East.
- **Asset demand:** In 2Q25, foreign buying of eurozone debt and equity picked up. Foreign investors play an important role in absorbing the additional supply from quantitative tightening (QT). EU Sovereign, Supranational and Agency (SSA) spreads remain tight and suggest strong demand. More than 55% of global AAA is now euro-denominated and fund flows favour EUR IG.
- **Market integration and digitalisation:** In terms of addressing the fragmentation concerns of EU asset markets, the European Commission in June published its plans to reform the regulatory framework for securitisation. Meanwhile, in October, the ECB is going to have to decide on how to progress the digital euro.
- **Politics:** Political follow-through on Lagarde's plea has been scarce over the past 100 days. Decisions, such as introducing Qualified Majority Voting for institutional reform, remain a long way off – as does the discussion about a closer fiscal union to support the more consistent supply of safe assets such as EU bonds. Discussions on the capital markets union or savings and investments union have not met new momentum in Europe's capitals.

In all, the euro is already well established in global markets and trade, but has ample opportunities to gain more ground, especially given institutional concerns over the dollar. We find early evidence (largely in debt markets) of issuers and investors (again) warming to the euro project, potentially already benefiting from borrowing costs. Having said that, competing against the dollar dominance remains a long-term challenge. To ensure progress, European policymakers will need to deliver credible reforms for the set-up of the monetary union, institutions and the economy.

Author

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Dmitry Dolgin

Chief Economist, CIS
dmitry.dolgin@ing.de

Ruben Dewitte

Economist
+32495364780
ruben.dewitte@ing.com

Michiel Tukker

Senior UK & Eurozone Rates Strategist
michiel.tukker@ing.com

James Wilson

EM Sovereign Strategist
James.wilson@ing.com

Benjamin Schroeder

Senior Rates Strategist
benjamin.schroeder@ing.com

Timothy Rahill

Credit Strategist
timothy.rahill@ing.com

Marine Leleux

Sector Strategist, Financials
marine.leleux2@ing.com

Carsten Brzeski

Global Head of Macro
carsten.brzeski@ing.de

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