BRICS expansion and the dollar

August 2023

Would a larger bloc mean faster de-dollarisation?

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Would a larger bloc mean faster de-dollarisation?

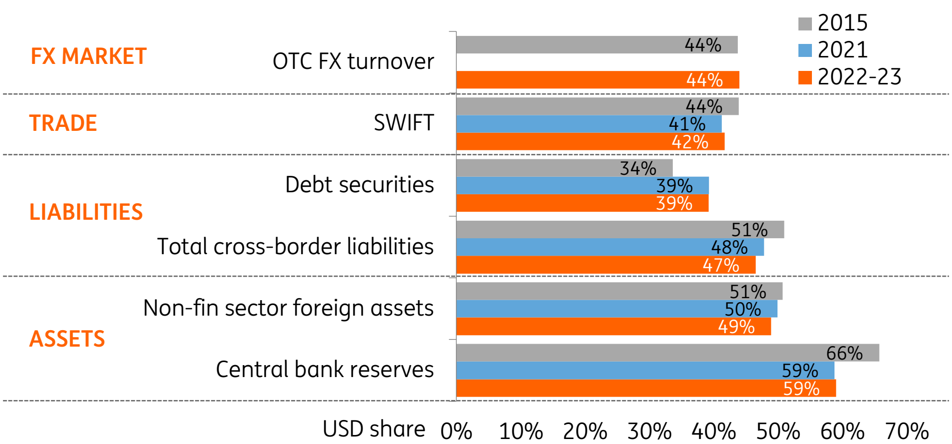
The BRICS grouping of major emerging economies, Brazil, India, China, South Africa and Russia, is holding its fifteenth summit later this month. Up for discussion: an expansion of the bloc, greater use of local currencies and the possibility of a BRICS currency which may have the potential to challenge the dominance of the US dollar.

Any expansion of the BRICS grouping could determine the speed with which the bloc adopts commercial and financial systems outside of the dollar sphere. Speculation is rife as to how many countries, if any, will join the club – for the first expansion in a decade.

In order to evaluate how the political ambitions correlate with underlying economic trends, we take a closer look at the overall evolution of the US dollar's role in the various areas of the global economy and markets. Here are the observations so far:

- There has been a drop in the dollar's share of central banks' FX reserves, but dollar usage has held up very well in commerce, private assets, debt issuance, and generally on the global FX market.
- Among the potential dollar challengers, the euro may seem like a runner-up, but its dominance is seen only in Europe. Looking at the BRICS, China's amplification of renminbi swap lines seems to have helped promote the use of its currency in trade and international reserves, and Russia's geopolitical aversion to the dollar gave CNY an additional boost, but China's capital controls and low issuance of panda bonds remain an obstacle.
- The rising usage of alternative currencies does not seem to be threatening the dollar but rather increasing the competition among the regional currencies amid fragmentation of the trade and capital flows.
- No currency has made any inroad to the dollar's pre-eminent status as the issuance currency of choice. Having been a major factor in removing sterling's crown last century, challenging the dollar's status in the international debt market has to be a central strategy for the young pretenders.

De-dollarisation summary



Source: IMF, SWIFT, BIS, ING

Overall, we do not see any conclusive evidence that the dollar is on the path of structural decline at this point. However, it is still facing challenges, stemming from both economics and geopolitics.

The challenge to the dollar

The war in Ukraine and freezing of Russian FX reserves in 2022 have prompted much discussion on the 'weaponisation' of the dollar, the splintering of geopolitical blocs and ultimately the "inexorable" decline in the use of the dollar – or 'de-dollarisation'.

An integral part of this debate will not only be how those geopolitical groupings develop, but also whether other currencies can challenge the dollar's international role.

We suspect the subject of de-dollarisation might gain some traction this summer when senior leaders of the BRICS nations meet in South Africa on 22-24 August. At the top of the summit's agenda is the proposed expansion of this geopolitical grouping and perhaps some proposals relating to a common payment system in BRICS currencies.

Regarding BRICS expansion, speculation is rife as to how many countries, if any, will join the club – for the first expansion in a decade. The focus here tends to be on countries that have already joined the BRICS-sponsored New Development Bank (NDB). These include countries such as the United Arab Emirates, Egypt, and Bangladesh.

The proponents for accelerated change argue that some of the major oil exporters like Saudi Arabia, Iran and Nigeria might be included, too. Experts, however, warn that friction between China - a proponent of expansion - and the more reticent India make the subject highly uncertain.

Why this is important to the de-dollarisation debate is that the speed of expansion in BRICS could well determine the speed with which this bloc adopts commercial and financial systems outside of the dollar sphere.

There are also suggestions that this summit could re-introduce the subject of a BRICS currency. Far from abandoning their own national currencies, we presume this venture could be pursued along the lines of a new 'Unit of Account' – similar to the IMF's Special Drawing Rights (SDR). For example, the NDB or other commerce being conducted in 'BRICS' could require users to hold more of these currencies and potentially gravitate away from the dollar.

The link to de-dollarisation here is that the creation of a BRICS unit of account could increase these currencies' shares in FX reserves of BRICS users – in the same way that China's 2015 entry into the SDR basket was meant to increase interest in the renminbi.

Away from the speculation over the future of BRICS, our article examines evidence of de-dollarisation seen so far. There are a whole host of scholarly articles on this subject and perhaps one of the best definitions of what makes an international currency is outlined in Figure 1. Here, the function of an international currency is assessed through the prisms of both the public and private sectors.

Fig 1 Roles of an International currency

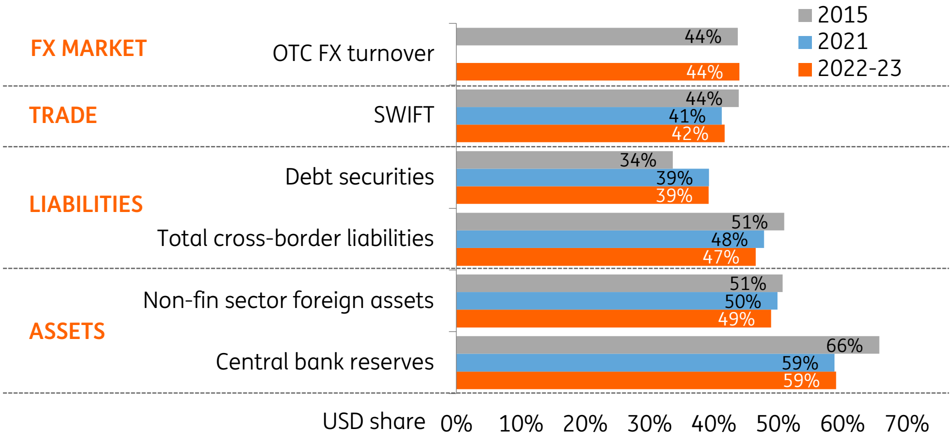
Function of Money	Public sector	Private sector
Unit of account	Exchange rate pegs/anchor currency	Trade invoicing/financial securities pricing
Medium of exchange	FX intervention/lender of last resort	Cross-border payments for trade and financial transactions
Store of value	International reserves	Financial securities denomination/cash

Source: Adapted from Cohen (1971) and Kenen (1983)

While we find this a useful framework to assess the extent of de-dollarisation, we prefer to examine the challenge to the dollar's dominance through the three key areas: of i) trade and commerce, ii) the asset side (store of wealth) and iii) the liability side (currency of issuance).

Looking at the evidence so far (Figure 2), it appears that despite some loss of popularity since 2015 (we use this year as a frame of reference due to its similarities with current exchange rates), de-dollarisation has not been very active in the last couple of years. Over the same time, the dollar's role in the debt securities market has even increased.

Fig 2 De-dollarisation summary



Source: IMF, SWIFT, BIS, ING

Overall, the USD presence in various segments has become more even, and its relative dominance versus other currencies has remained, which is especially noticeable in the unchanged share of the USD leg of currency pairs traded on the global OTC market.

At this point, it doesn't seem that the dollar is any immediate danger of losing its status as the primary global currency. At the same time, however, there are challenges.

In this report we will take a closer look at the changing role of US dollar in trade, assets, liabilities, and the FX market turnover, paying close attention to the role of China and Russia.

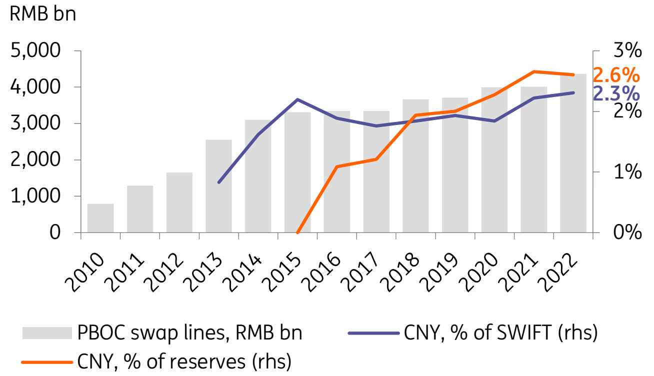
Trade/commerce

Despite some pressure, the USD remains the preferential currency for trade. A greater role of BRICS and other emerging markets in global trade may create more natural demand for alternatives to USD, but this has not happened so far. The higher share of CNY in trade invoicing doesn't seem to be dethroning USD, but rather pushing out second tier developed market FX, such as GBP. One direction in which USD could be challenged given the geopolitical confrontation is the higher focus of BRICS trade on other emerging market economies. Another area of focus might be the oil market, however BRICS' share of this market so far is not overwhelming, and the fuel trade overall accounts for a small fraction of the global trade.

One strategy to wean the world off the dollar has been to challenge its international role in trade invoicing. China is the flagship example of this strategy. Since 2009, the People's Bank of China has been promoting CNY through establishing bilateral swap lines with various central banks (Figure 3). By 2023, the number of those agreements reached almost 40, the total sums available at RMB 4tr (only 2% of it is currently tapped) with around 50% of the sums with China's Asian partners and neighbours.

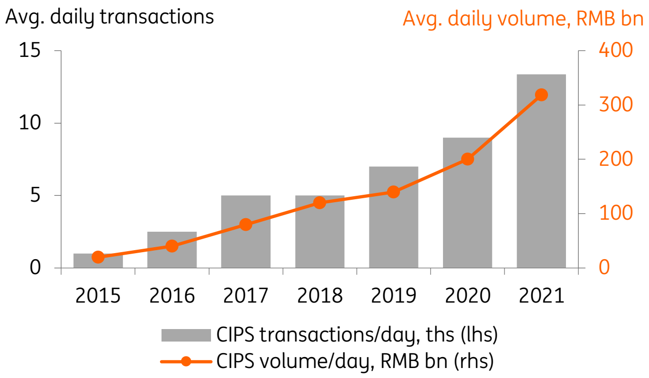
Amid those measures, the role of CNY in global international reserves increased from virtually zero to 2.6% in 2022, while the share of CNY transactions in SWIFT (an indirect measure of invoicing) doubled to 2.3%. In parallel, China has been developing its own RMB-based payment system CIPS, its alternative to SWIFT (Figure 4), which has been steadily growing since its inception in 2015 and currently has 91 direct and over a thousand indirect participants worldwide. Meanwhile, one should note that as of March 2022, the Western financial messaging/clearing systems SWIFT/CHIPS had 10X the participants of CIPS and 40X the transactions, likely making the SWIFT picture more representative of the global reality.

Fig 3 PBoC swap lines and global CNY usage



Source: PBOC, SWIFT, IMF, ING

Fig 4 Key parameters of CIPS cross-border transactions

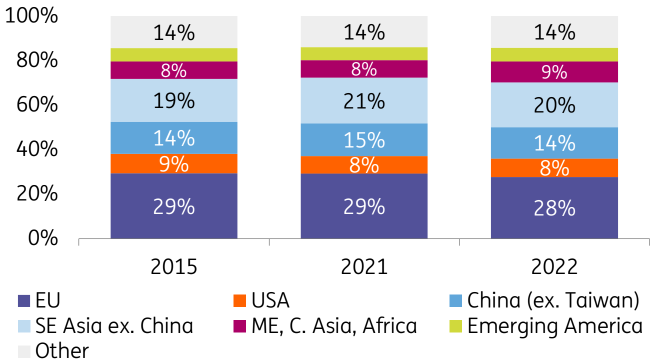


Source: PBOC, ING

It is also worth considering the structure of global trade and the role of dominant currencies per bloc. Based on the structure of global imports (exports would look similar), the geography seems sticky, with roughly one third attributable to the US and EU, another third to China and the rest of Asia, and another third represented by emerging America, Middle East, Central Asia, and Africa (Figure 5). The recent developments include a slight 1pp increase in the share of emerging market countries at the expense of the EU, likely reflecting near-shoring.

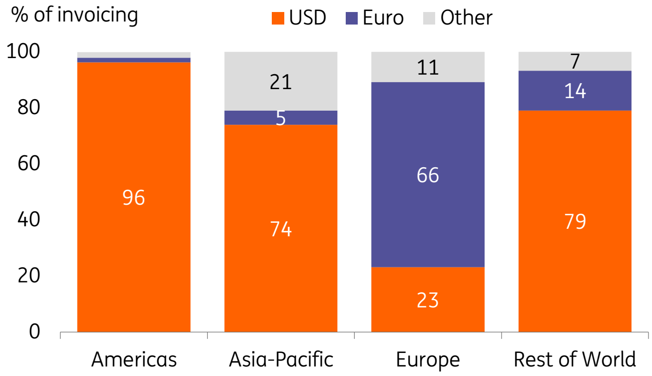
Meanwhile, looking at the structure of global invoicing (Figure 6) it appears that the euro is dominant only in the European region, while the rest of the world is a heavy user of the US dollar. As of 2019, non-USD and EUR currencies had a relatively high share of 21% in the Asia-Pacific, a region represented by China and its close partners. With the lack of fresh panel data on the FX breakdown of invoicing, the more recent trends could only be inferred through indirect data.

Fig 5 Global imports geography



Source: IMF, ING

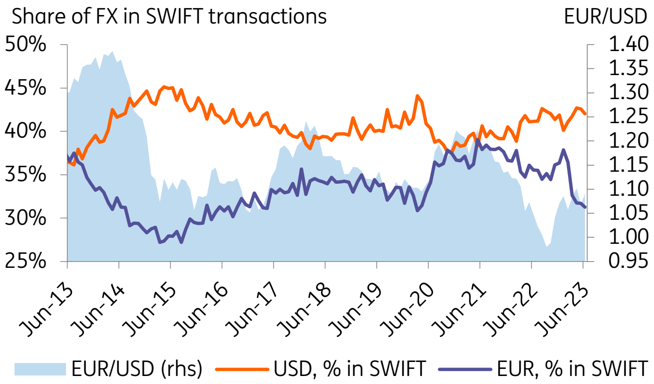
Fig 6 FX Structure of global invoicing by FX, 2019



Source: Fed, ING

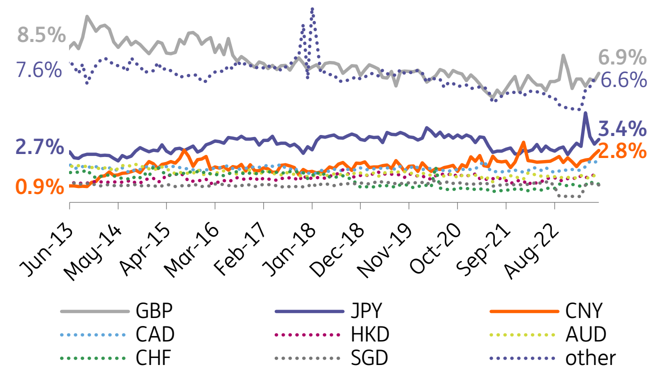
SWIFT is one of the possible indirect sources of data on the FX structure of trade. As can be seen (Figure 7) USD seems to be holding ground with a 42% share in 1H23, only slightly lower than the 44% seen in 2015 and higher than 2022's 41%, with EUR, the second most popular FX, losing share in 2022-23. Among other FX (Figure 8), Asian currencies, CNY and JPY, seem to be gaining ground in SWIFT, and not at the expense of USD or EUR but rather of GBP.

Fig 7 FX structure of SWIFT payments: key currencies



Source: SWIFT, Refinitiv, ING

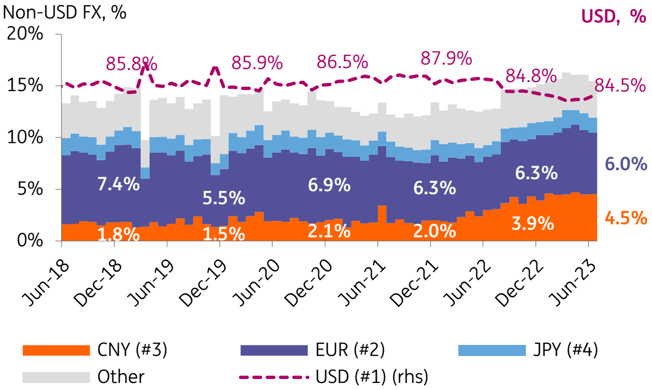
Fig 8 FX structure of SWIFT payments: other currencies



Source: SWIFT, ING

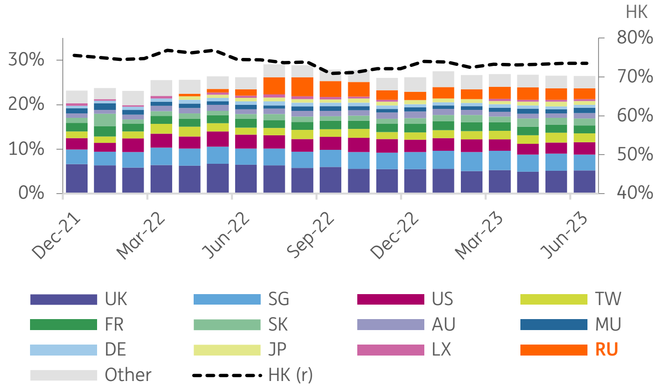
Interestingly, the monthly data from SWIFT is also pointing to the implications of the new geopolitical and military realities of the post Feb-2022 world through the more than doubling of the share of CNY to 4.5% of the trade finance market (Figure 9) at the expense of USD, as the latter became toxic in Russia. Unsurprisingly, Russia also emerged in 2022 as a noticeable offshore CNY market with 3-4% share (Figure 10). There are more details on the Russian de-dollarisation case in the annex.

Fig 9 FX structure of global trade finance market



Source: SWIFT, ING

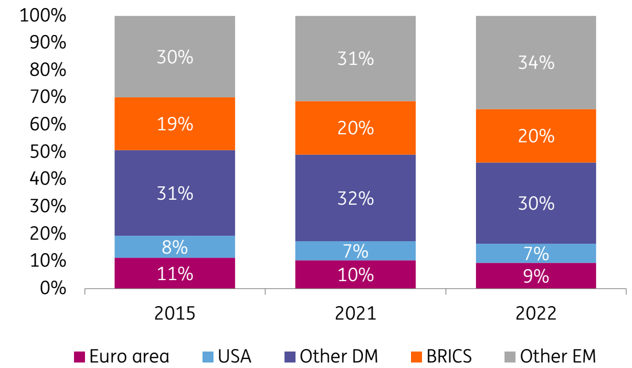
Fig 10 Offshore CNY user geography



Source: SWIFT, ING

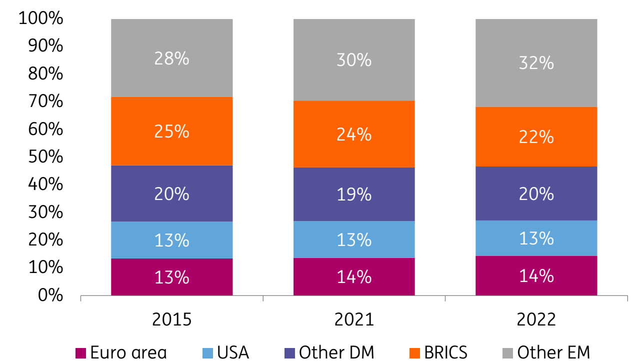
Returning to the subject of regional trading blocs and the currency of invoicing, data shows that BRICS are becoming more focused on other emerging markets. Although BRICS are not importing more from each other, their import dependence on the euro area, US, and other developed markets is declining in favour of emerging economies (Figure 11). On the export side (Figure 12), DMs are not losing importance for BRICS, and the only noticeable trend is that BRICS are becoming less focused on each other in favour of supplying other EMs.

Fig 11 Geography of BRICS imports



Source: IMF, ING

Fig 12 Geography of BRICS exports

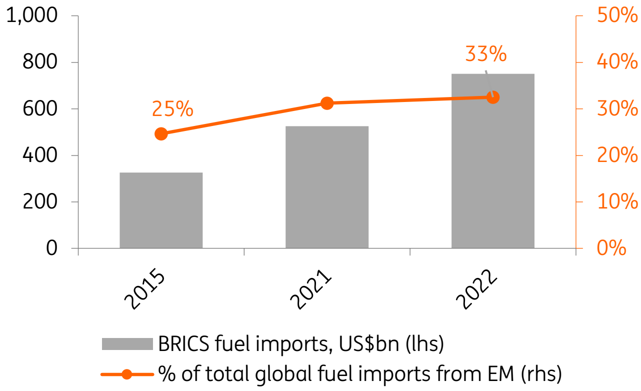


Source: IMF, ING

In terms of the fuel trade, one aspect which is gaining political and sanctions-driven importance is the discussion of potential de-dollarisation of commodities trade.

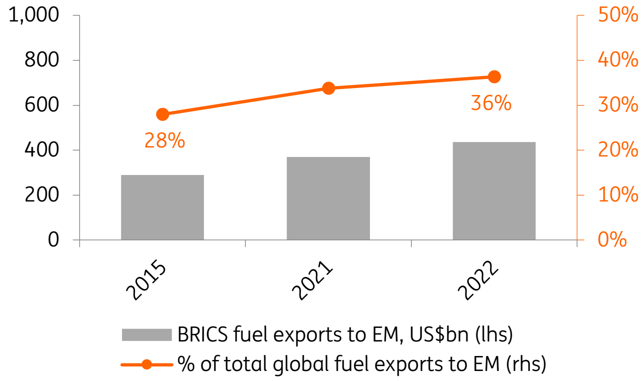
The inter-connectedness of the BRICS fuel trade within itself and other EMs seems to be growing (Figures 13 and 14) but is still around one third of the total EM market, suggesting limited market power (so far) versus key OPEC exporters and DM consumers. At the same time, regardless of the progress on de-dollarisation in this area, it is worth keeping in mind that despite all the noise and obvious importance of oil to the global energy market and inflation, oil and gas accounts for only around 15% of the global trade value.

Fig 13   BRICS fuel imports from EMs



Source: IMF, ING

Fig 14   BRICS fuel exports to EMs



Source: IMF, ING

The dollar as an asset currency/store of wealth

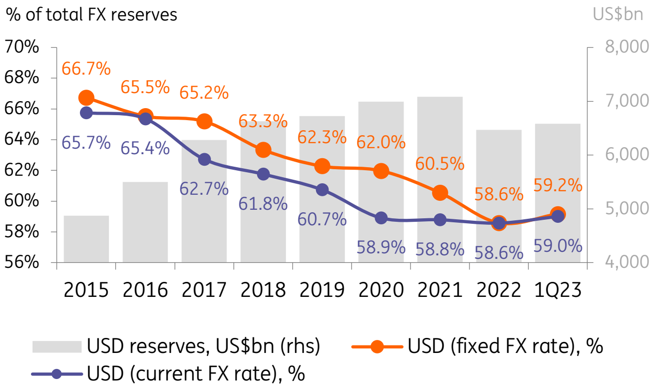
On the asset side, de-dollarisation is seen mainly in the central banks' international reserves, as the dollar is being pushed out by a variety of currencies including the CNY. At the same time, most of this de-dollarisation took place in the environment of zero interest rates. Given the recent normalisation of monetary policy in the US, the prospects of further de-dollarisation remain to be seen, and in 1Q23 the USD share in allocated reserves went up slightly. For the global private sector, the USD seems to remain just as attractive an international asset, especially in the non-financial sector.

Looking at the most tracked IMF COFER data, USD seems to be steadily losing ground as a reserve currency, even adjusted for FX rate movements (Figure 15). In 2022, the pace of de-dollarisation accelerated, and USD holdings were reduced in absolute terms for the first time. However in 2023, that process did not continue and may now be facing obstacles in the form of higher return on USD amid 5%+ Federal Reserve interest rates.

One argument partially explaining the drop in the dollar's share in 2022 could have been the strong dollar prompting heavy FX intervention sales in emerging markets to protect local currencies. For example, Chile spent about half of its FX reserves defending the peso. This could have meant that the dollar's share in reserves briefly fell below benchmarks.

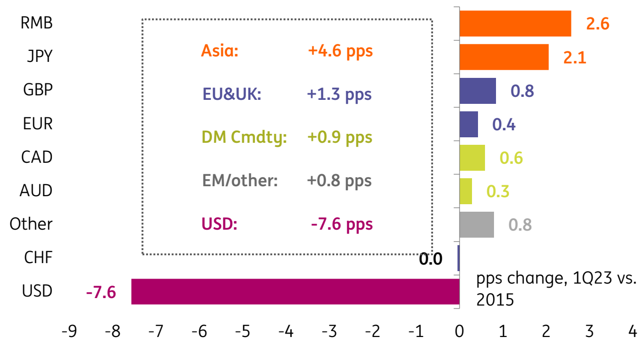
Looking at the long-term developments, the USD seems to be replaced (Figure 16) mostly by Asian currencies, namely CNY and JPY, but also with European currencies, except CHF. The most noticeable progress is seen in CNY as its share went up from zero in 2015 to 2.6% as of 1Q23. For reference, the renminbi was formally included in the SDR basket in late 2015.

Fig 15 USD share in global FX reserves



Source: IMF, ING

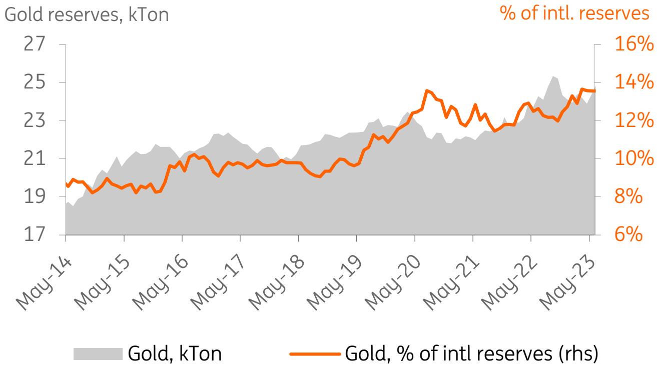
Fig 16 Change in FX composition of reserves vs. 2015



Source: IMF, ING

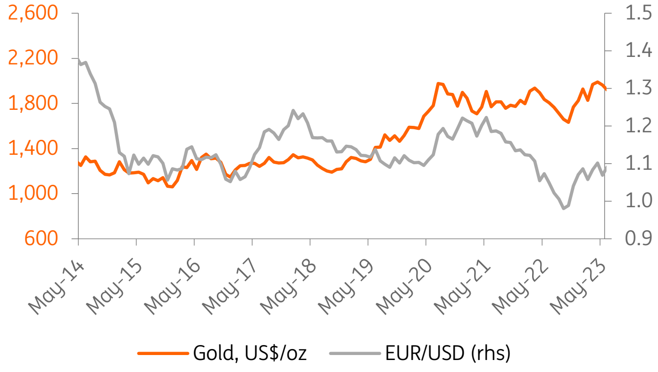
In addition to the structure of FX reserves discussed above, diversification towards gold is often mentioned by the de-dollarisation watchers. The popularity of this topic seems to be growing as gold is more insulated against financial sanctions. Looking at the data (Figures 17 and 18) however, one can see that despite the increase in physical gold in FX reserves in 2014 and 2022 (coinciding with the rounds of Russia's geopolitical challenges), the overall share of gold in global central bank reserves has increased only modestly and mostly thanks to the increase in its price.

Fig 17 Gold in global FX reserves



Source: IMF, Refinitiv, ING

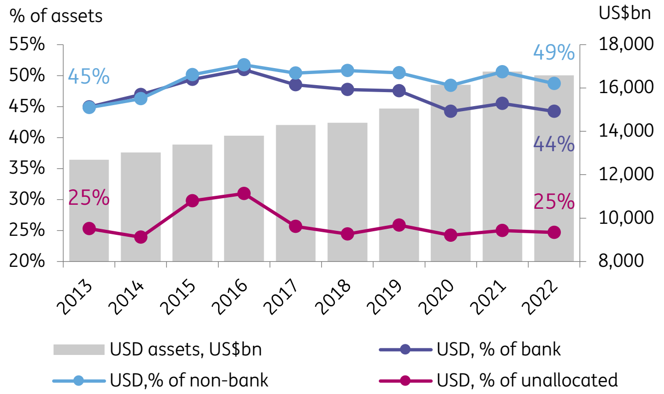
Fig 18 Gold prices and EUR/USD FX rate



Source: IMF, Refinitiv, ING

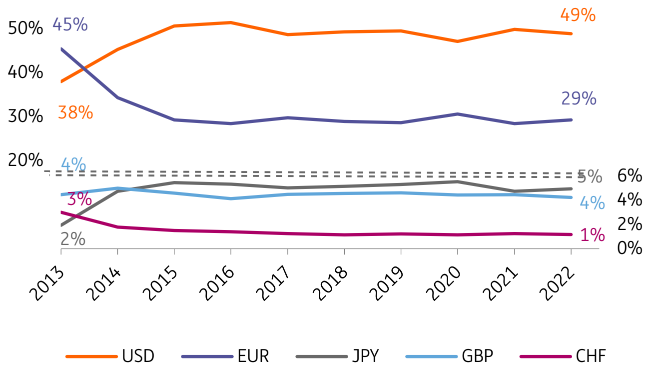
Looking at the preferences for FX as an international asset outside of central bank reserves (mostly represented by the private sector), it appears that USD remains quite attractive. The BIS locational banking data (Figures 19 and 20) suggests that the cross-border US dollar claims have been steadily growing in absolute terms. On a relative basis, the share of USD has been in a slow decline 2015-16, but the overall structure has been quite sticky. The share of other currencies not covered in the charts (which include CNY) increased very modestly from 5% to 6% over the last seven years, suggesting that the roles of USD and EUR as the top two currencies have not been challenged so far.

Fig 19 USD share in foreign assets ex. reserves



Source: BIS, ING

Fig 20 FX structure of foreign assets ex. reserves



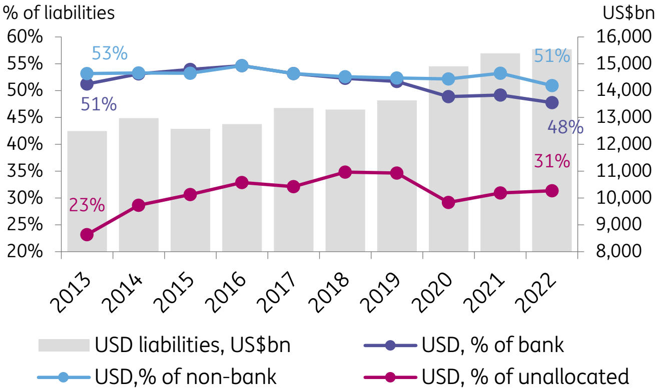
Source: BIS, ING

The dollar's liability status

One of the most compelling reasons offered for sterling's fall from grace in the inter-war period was the surge in international USD debt issuance. The denomination of international debt can deliver all kinds of leverage – including feeding back into trade. And one commonly hears that the composition of a central bank's FX reserves is partially a function of the sovereign's currency mix of international debt. Evidence suggests that the dollar very much retains its crown as the preferred issuance currency – in fact it has become even more popular for EM issuers over recent years. The euro remains a distant challenger and despite the renminbi's entry into the SDR in 2015, the Panda bond market – international debt issued in renminbi – remains exceptionally small. It seems that both issuers and investors remain concerned over both liquidity issues and China's capital controls.

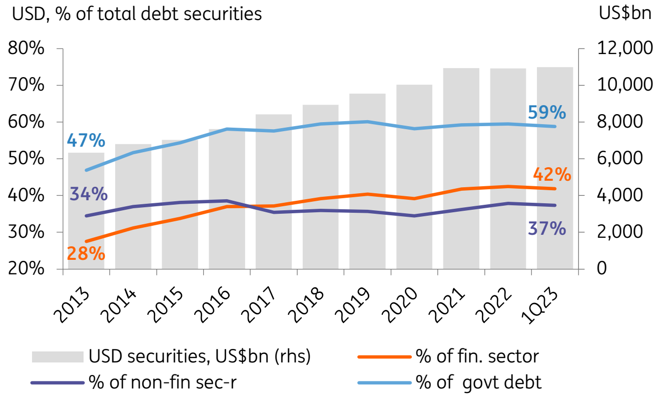
Looking at the global level, BIS data suggests the share of USD in cross-border liabilities seems to be relatively stable, with minor declines in banks and corporates recently (Figure 21). The role of USD-denominated international debt securities has been stable in recent years (Figure 22).

Fig 21 USD share in foreign liabilities



Source: BIS, ING

Fig 22 USD share in debt securities



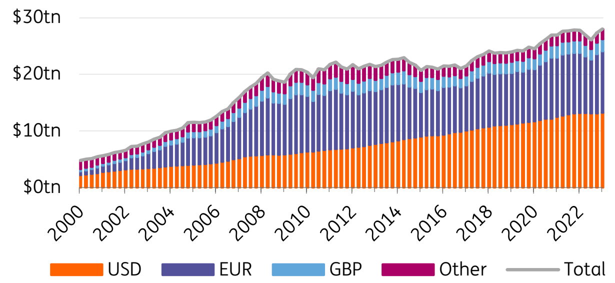
Source: BIS, ING

The subject of the currency choice of international debt issuance bears greater scrutiny. A European Central Bank working paper from 2012 made the compelling argument that sterling's loss of supremacy in the inter-war years was a function of the surge in international debt issuance in dollars. In fact, the first 'Strategic Target' for the BRICS New Development Bank is to ensure that 30% of its total financing is done in local currencies.

Looking deeper into this subject, currencies other than the USD and EUR have yet to make a significant impact in international debt markets, with 'other' currencies outside the USD, EUR and GBP making up just 6% of the outstanding stock, or US$1.8tn (Figure 23).

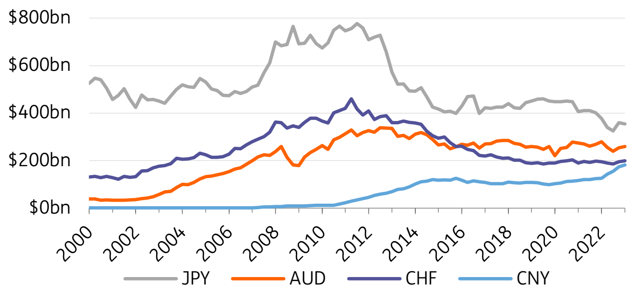
When drilling down further into these 'other' currencies, we can see a slight uptick in the use of the CNY over the past decade from almost nothing, which shows a slight increase in interest in the renminbi from investors, issuers, and perhaps Chinese officials too. But generally, this appears to have come at the expense of less use of other G10 currencies outside the USD and remains a tiny part of the international bond universe, with just under US$200bn outstanding (Figure 24).

Fig 23 Outstanding debt securities, excluding residents



Source: BIS, ING

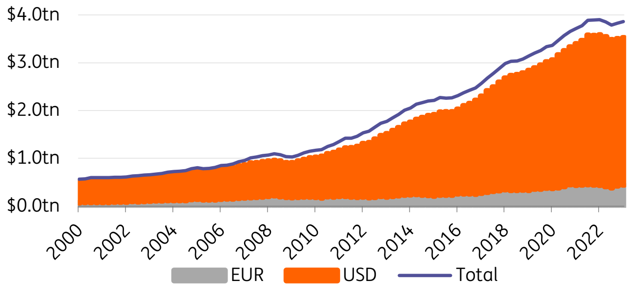
Fig 24 International debt securities in select currencies



Source: BIS, ING

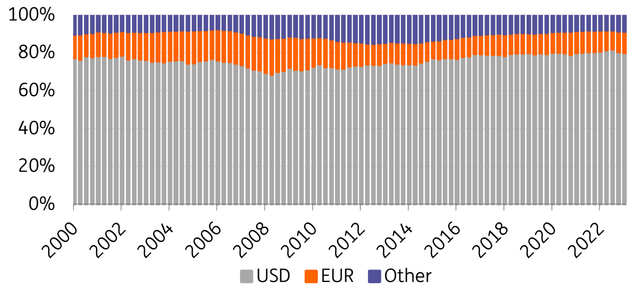
A similar picture appears even when looking at issuance from emerging market economies. If anything, the USD has increased its dominance within EM international bond issuance over the past decade, while 'other' currencies outside of the USD and EUR have failed to make much headway (Figures 25 and 26).

Fig 25 Outstanding international debt securities, EMDEs



Source: BIS, ING

Fig 26 Currency share in EMDE international bonds



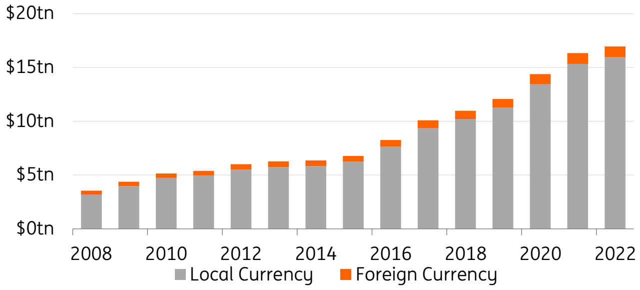
Source: BIS, ING

When looking at the potential challengers for USD bond issuance, 'Panda' bonds (issued in CNY, on the domestic mainland China market by foreign entities) have been discussed a lot in the media, but the volumes involved have been relatively small so far, especially when drilling down into true foreign entities (i.e., excluding offshore units of Chinese companies).

Annual volumes in recent years have been a few billion dollars. Of note, there has been some supranational issuance, including from the BRICS New Development Bank, along with some issuance from European financials and auto companies. In the EM space, there have been some small deals for Hungary, Poland, the Philippines, Sharjah (UAE) and South Korea. The market for 'Dim Sum' issuance (issued in renminbi, offshore in Hong Kong) is more developed, but again volumes have been relatively low, especially when excluding Hong Kong and China entities. A relative lack of liquidity and lingering investor concerns over potential capital controls may be inhibiting the growth of the market. In this respect it seems the renminbi has not yet registered in most investors' consciousness for bond issuance.

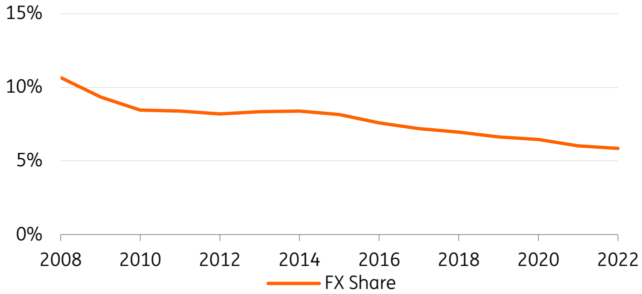
One area within emerging markets where we can see some signs of 'de-dollarisation' over the past decade or so has been where governments are attempting to avoid the 'original sin' of issuing too much debt in foreign currencies (Figures 27 and 28). As capital markets and economies have developed, many emerging market sovereigns have been able to fund much more of their borrowing needs via issuing domestic, local currency debt.

Fig 27 EM government debt securities by currency



Source: BIS, ING

Fig 28 Foreign currency share in EM government debt

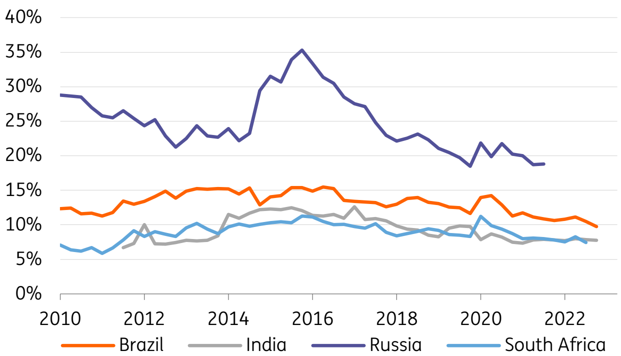


Source: BIS, ING

However, more recently even this dynamic has become less certain when looking forward. Issuers in the CEE region (that over the past decade had largely shifted to local debt, or in EUR when needed) have ramped up their USD sovereign bond issuance since late 2022, preferring the large potential investor base and better liquidity in this market. While it is unlikely to mark a long-term trend and reverse the dynamic seen in the past decade, in the coming few years USD bond issuance will remain an active area for most EM sovereigns.

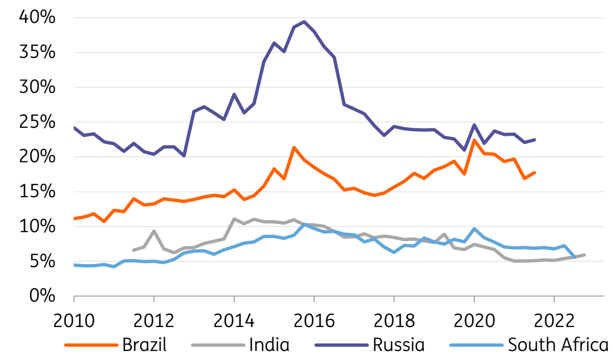
Another area of 'de-dollarisation' that can be observed across some emerging markets in within domestic banking systems (Figures 29 and 30). A key aim for many governments in reducing vulnerabilities to a crisis has been to reduce the share of FX loans and deposits within their banking systems, which in practice has been reducing the role of the dollar (or the euro for some EM Europe economies). Within the BRICS economies, we can observe a general downtrend in the FX share of loans within the banking system since around 2015, and a similar story for Russia, India and South Africa in terms of FX liabilities.

Fig 29 FX share in bank loans, select EMs



Source: IMF, ING

Fig 30 FX share in bank liabilities, select EMs



Source: IMF, ING

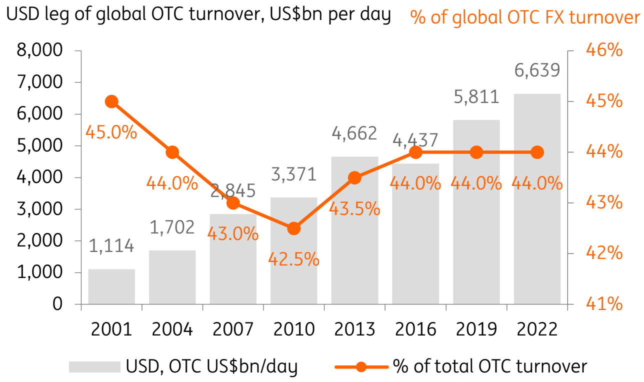
This trend is most visible within sovereigns in the CIS region, including Kazakhstan, Armenia and Georgia, while Turkey is a high-profile example of a government that has been actively trying to reduce deposit dollarisation in the banking system, with policies including an FX-protected deposit scheme to encourage savers to switch back to local-currency deposits. Of course, this trend has not been entirely uniform, with economies like Ecuador and El Salvador (despite recent experiments with bitcoin) dollarised and some talk of full dollarisation still being a potential solution for perennial crisis countries such as Argentina. In Emerging Europe, the situation is naturally somewhat different, with the goal for many eventual euro adoption (at least over a longer-term horizon).

Dollar's role in the FX market

Finally, we look at the FX market structure as an important reflection in developments in the trade and capital flows discussed in the previous sections. Based on the recent BIS data, the share of the USD leg on the OTC FX market's turnover has been stable in the last couple of years despite its somewhat declining role in assets, liabilities, and trade (Figure 31). This may mean that despite the possible decline in the usage of USD on the organised exchanges, the dollar has retained its role as the primary settlement currency in the peer-to-peer trade.

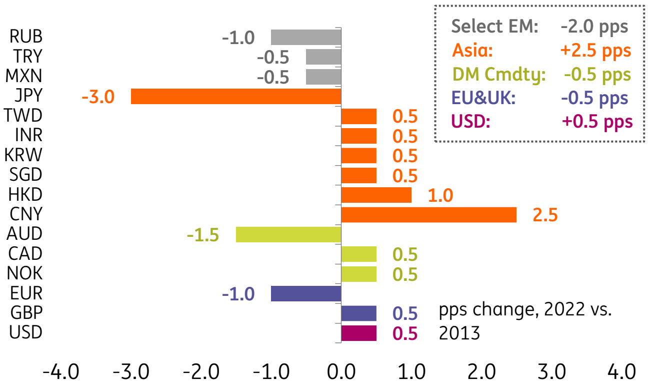
At the same time, the relatively flat share of the USD leg in global OTC FX transactions doesn't mean that the overall structure is rigid. Looking at the evolution of the FX market turnover over the last nine years (Figure 32), Asian currencies, including RMB, HKD, SGD, KRW, INR, TWD are noticeably gaining ground, but interestingly they don't seem to be pushing out USD. They are rather competing for the market shares of other DM and EM currencies, including EUR, AUD, JPY, RUB, TRY, and MXN.

Fig 31 USD share on FX market



Source: BIS, ING

Fig 32 Evolution of FX shares on OTC vs. 2013



Source: BIS, ING

In a sense, the evolution of FX market transactions is painting a picture similar to the situation seen in global invoicing and capital flows: the US dollar has generally retained its global role, while the rise of CNY and some other currencies is tightening the competition among the regional currencies. We take this as a sign of shifting preferences at the regional level and potential demand for an alternative to USD, but it doesn't seem at this point that such an obvious alternative has emerged.

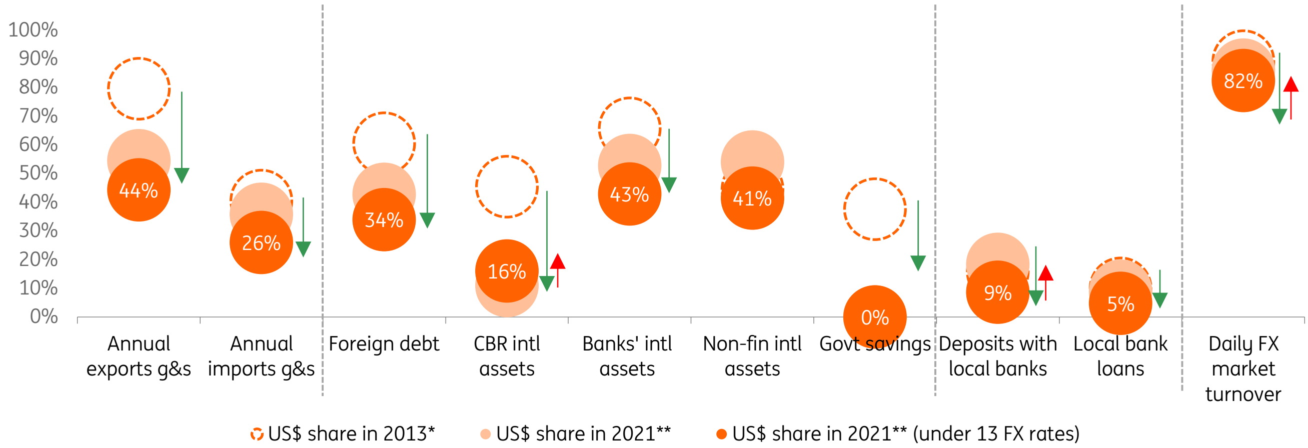
Annex

Russian dedollarisation – the second wave means yuanisation

Russia has been one of the leading forces of global de-dollarisation since 2014, when the first round of geopolitical tensions led to higher political risks of USD usage. In 2013-21, the period for which most of the official data is available (Figure 33), Russia managed to significantly reduce its USD usage in exports, imports, foreign liabilities and official international assets. However, the role of USD in private international assets, domestic deposits, and on the FX market did not decline. Also, the de-dollarisation in Russia reflected mostly the replacement of USD with EUR and other DM currencies rather than higher usage of the ruble or other EM currencies.

This was because the sanctions that Russia faced following the annexation of Crimea and the downing of flight MH17 over Ukraine were limited to foreign debt of some state-owned entities, the usage of SDN (ban on transactions) was very limited, which didn't lead to the loss of attractiveness of USD and EUR as savings currency for the private sector. Contrary to global de-dollarisation which is focused mainly on international reserves, Russian de-dollarisation was driven primarily by trade.

Fig 33 Russian de-dollarisation 2013-21: the first wave



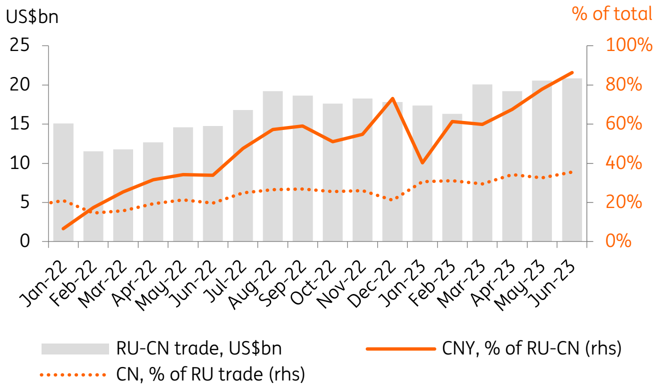
Source: Bank of Russia, Finance Ministry, MOEX, bank reports, ING * - ING estimates for 2013 intl. assets and 2013-21 local banks' balance sheets; ** - latest available data for 2021 vary from 1Q21 to end-2021.

The situation changed dramatically in 2022, when the sanctions were focused on SDN sanctions covering around two thirds of the banking sector, expanded to the central bank and the government and started covering Russia's key exports. This resulted in a new wave of de-dollarisation, which this time involved the FX market and led to the replacement of USD, EUR and currencies of other sanction-imposing countries with ruble and yuan. Starting in 2022, official Russian data on the FX breakdown has become scarce, but some bits of information are still available.

Looking at the trade statistics, it appears that Russian foreign trade is becoming more China- and CNY-focused (Figure 34), and the usage of CNY is more active on the imports side (Figure 35) leading to a trade deficit in CNY. The higher share of China in Russia's foreign trade is by no means a new trend, but the more active usage of CNY instead of

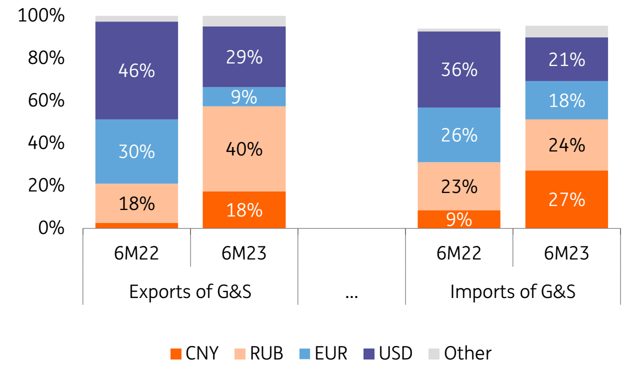
USD and EUR is new. By now, almost 40% of Russia's foreign trade turnover is with China, and around 80% of the bilateral trade is in CNY.

Fig 34 Russia-China merchandise trade



Source: Bank of Russia, China customs, ING

Fig 35 FX structure of Russia's foreign trade

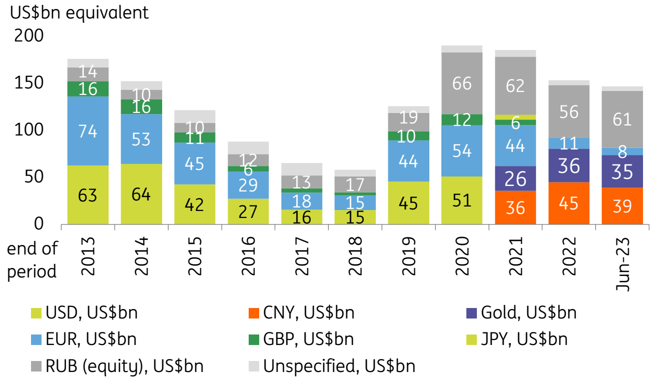


Source: Bank of Russia, ING

On the foreign asset side, very little is known, as the Central Bank of Russia (CBR) stopped disclosing the structure of its international reserves, and the international investment position of the Russian economy. The Finance Ministry is still disclosing the structure of the National Welfare Fund (the sovereign fund), which contributes to the funding of the central bank's international reserves. The available data suggests that the government had de-dollarised already in 2020, with USD and EUR replaced by CNY and gold, which have become the only two liquid assets available to the Russian government since 2022 (Figure 36). Since 2023, the Russian government has been selling CNY in 1H23 as per the fiscal rule (due to the under collection of budgeted fuel revenues versus its plan).

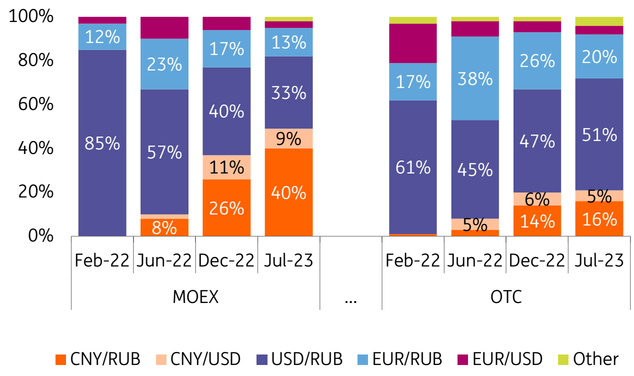
The dramatic change in the FX structure of trade and quite possibly the capital flows finally led to a material de-dollarisation of the FX market (Figure 37), something that was not possible during the first wave. According to the Bank of Russia, the CNY-leg of the FX trading on the Russian FX market reached 15-40%, pushing down the USD share to 30-50% depending on the segment.

Fig 36 FX structure of the Russian sovereign fund



Source: Finance Ministry, Bank of Russia, ING

Fig 37 FX structure of the Russian FX market turnover



Source: Bank of Russia, ING

Overall, the Russian experience of de-dollarisation, despite its country-specific geopolitical features, seems to mirror the general global trends, which include: (1) the private sector being less active than the central bank in terms of de-dollarisation of assets, (2) de-dollarisation leading to diversification of foreign currencies rather than straight forward increase in the role of a national currency, and (3) a lack of synchronisation in the de-dollarisation of trade, capital flows and the FX market.

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