



EUROPEAN CENTRAL BANK

EUROSYSTEM

COURTESY TRANSLATION

Christine LAGARDE
President

Mr Engin Eroglu
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 6 July 2022

L/CL/22/179

Re: Your letter (QZ-017)

Honourable Member of the European Parliament, dear Mr Eroglu,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 30 May 2022.

The review of the Special Drawing Right (SDR) currency basket takes place every five years to determine currency weights and amounts in the SDR basket. Originally slated for 2021, it was postponed to spring 2022 owing to the coronavirus (COVID-19) crisis. The new weights will take effect from 1 August 2022 for a period of 5 years.

The International Monetary Fund (IMF) reviews the weights of the currencies in the SDR currency basket using a methodology approved by its Executive Board at the time of the 2015 review. The methodology takes into account a number of indicators¹ for the most recent five-year period, i.e. 2017-21 for the latest review. The application of the established methodology to data for that period led to a reduction of 1.62 percentage points in the share of the euro (down from 30.93% to 29.31%) relative to the basket in the 2015 review (which covered the period 2010-14). This decrease was not driven by exchange rate movements, which are not a direct component of the IMF methodology, but can be attributed mostly to the decline in the euro's share of global foreign exchange (FX) reserves, FX turnover and international debt securities.

¹ The formula implies a 50% weight for exports of goods and services and a 50% weight for financial variables (reserve holdings, FX turnover and the sum of international banking liabilities and debt securities denominated in the currencies of the SDR basket). See "Review of the Method of Valuation of the SDR", available at: <https://www.imf.org/en/Publications/Policy-Papers/Issues/2022/05/16/Review-of-the-Method-of-Valuation-of-the-SDR-517967>.

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Taking into account a broad set of indicators, ECB staff analysis shows that the international role of the euro has remained stable in recent years,² which also demonstrates the euro's resilience during the COVID-19 crisis. As you may be aware, the ECB has publicly communicated on various occasions that the international role of the euro is primarily supported by a deeper and more complete Economic and Monetary Union, including further progress with the capital markets union, as part of the pursuit of sound economic policies in the euro area. The ECB supports these policies and emphasises the need for further efforts to complete Economic and Monetary Union. In addition, it will continue to monitor developments and publish information on the international role of the euro on a regular basis.³

Yours sincerely,

[signed]

Christine Lagarde

² See [The international role of the euro](#), ECB, Frankfurt am Main, June 2022.

³ The report on the international role of the euro is published every year.

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