

# Not all currencies created equal in de-dollarization trend

By Warren Lovely & Noah Black

The end of 2025:Q1 was a genuinely exceptional moment in time, as the imminent announcement of U.S. tariffs had cast a pall. Suffice it to say, this was hardly a static or normal environment, which must be kept in mind when digesting the IMF's latest FX reserve data.

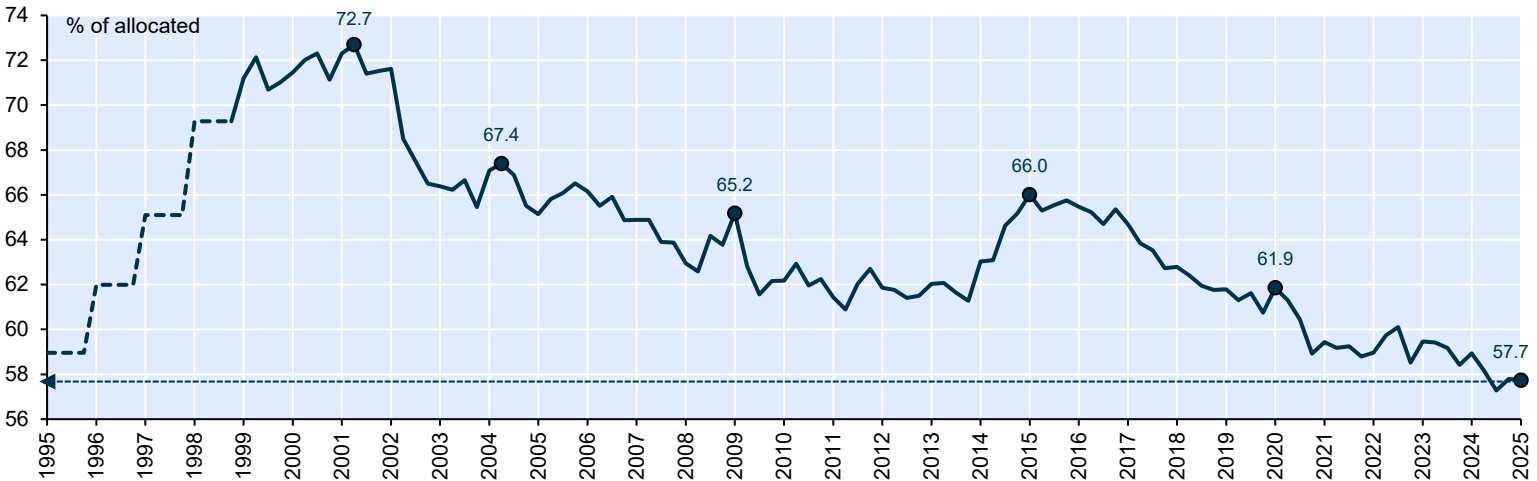
The official release in question—formally known as the Currency Composition of Official Foreign Exchange Reserves report or COFER for short—provides a detailed allocation of official FX reserve holdings by major currency as of March 2025 (i.e., in the run-up to “Liberation Day” on April 2<sup>nd</sup>). And it seems reserves managers opted for material adjustments to their portfolios in Q1. Amidst a broader, longer-standing ‘de-dollarization’ trend, FX reserves managers reportedly moved out of JPY and into GBP in the first quarter. Similarly, FX reserves managers

apparently dumped AUD in favour of CHF, the quarter-over-quarter swings for both ‘aussie’ and ‘swissy’ legitimately unprecedented.

As for the Canadian dollar, it would be fair to say that investors had been somewhat anxious early in the year, given the outsized impacts that could accrue from U.S. trade protectionist policies. Indeed, the share of official FX reserves allocated to CAD slipped a touch in Q1. Mind you, that undid only a fraction of earlier gains. And it's still the case that no other major reserve currency has received a larger net allocation since COVID first hit. Moreover, judging from the loonie's recovery in Q2, foreign investors (including but not limited to reserves managers) appear more at ease with Canada exposure, whether that is expressed in foreign exchange, equity or fixed-income markets.

## Chart 1: A longer-term perspective on notional ‘de-dollarization’ trend

Share of official FX reserves allocated to USD

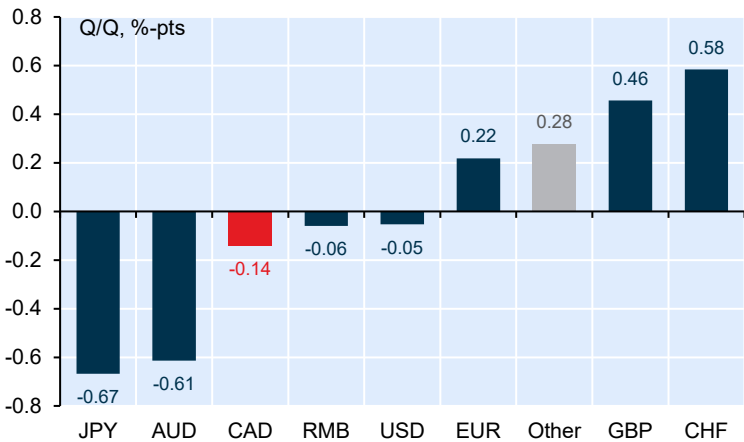


Source: NBC, IMF | Note: 1995-1998 (dotted line) are end-of-year shares; quarterly data (solid line) from 1999:Q1 onwards; latest data point refers to 2025:Q1

The U.S. dollar share of allocated FX reserves decreased modestly in the latest available quarter (2025:Q1), contributing to a wider ‘de-dollarization’ trend that has been in place for some time. At 57.7%, the latest USD allocation is only slightly higher than the all-time low of 57.3% registered in 2024:Q3.

## Chart 2: Non-trivial reshuffling of FX reserves in Q1

Change in share of official FX reserves allocated to major currencies: 2025:Q1

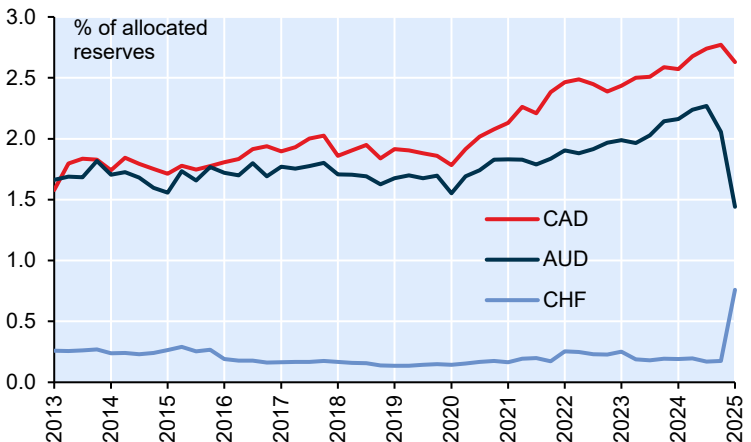


Source: NBC, IMF | Note: One-quarter change from 2024:Q4 to 2025:Q1

The yen posted its second largest decrease on record to bring its share to 5.15% as of 2025:Q1, with more reserves allocated to sterling. Of note, the Swiss franc posted its largest single quarter increase in allocated reserves of all time, causing its share to rise to 0.76%. On the flip side, the Australian dollar recorded its largest-ever quarter-over-quarter decrease to bring its share to 1.44%.

## Chart 3: Bailing out of ‘aussie’... diving into ‘swissy’?

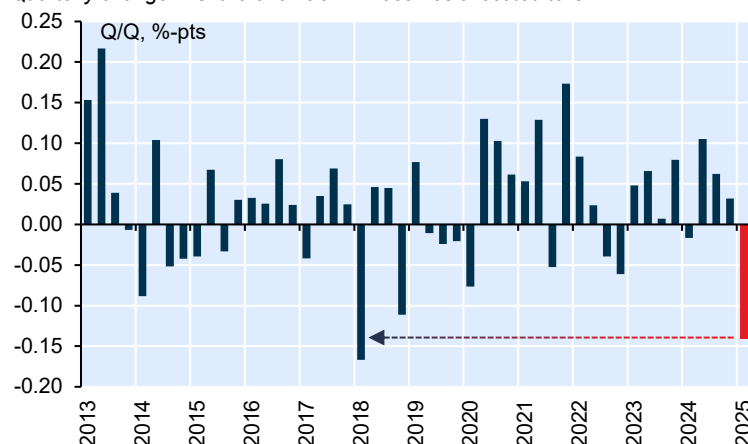
Share of official FX reserves allocated to CAD, AUD & CHF



Source: NBC, IMF | Note: Quarterly to 2025:Q1; CAD/AUD shares available from 2012:Q4 on

#### Chart 4: CAD share of reserves dipped in 2025:Q1...

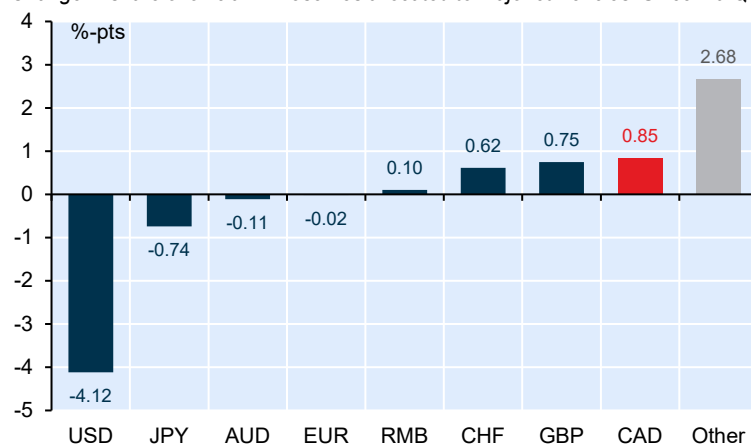
Quarterly change in share of official FX reserves allocated to CAD



Source: NBC, IMF | Note: Based on CAD allocations starting 2012:Q4

#### Chart 5: ... but CAD allocation still up vs. pre-COVID level

Change in share of official FX reserves allocated to major currencies: Since '20:Q1

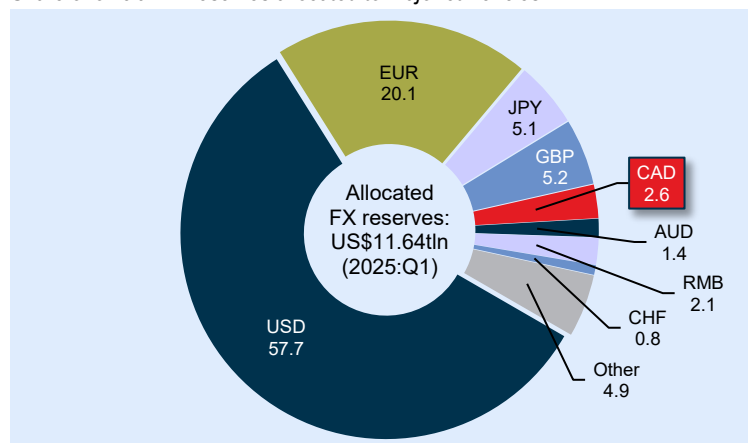


Source: NBC, IMF | Note: Cumulative change from 2020:Q1 to 2025:Q1

While not as extreme as the quarterly swings in AUD or CHF allocations, the Canadian dollar posted its largest decrease in its share of allocated reserves since 2018. Despite this, the CAD has seen its share of allocated FX reserves grow by more than any other major reserve currency since 2020, part of broader de-dollarization movement that may still have room to run.

#### Chart 6: Canadian dollar accounts for a narrow slice...

Share of official FX reserves allocated to major currencies

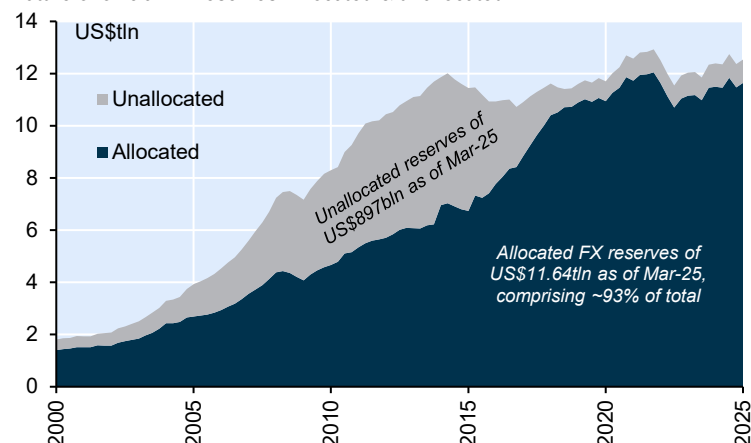


Source: NBC, IMF | Note: Figures refer to share (%) of allocated reserves as at 2025:Q1

The Canadian dollar arguably accounts for a relatively small slice of the allocated reserves pool at 2.63% (as of 2025:Q1). However, due to the sheer size of the global FX reserve pool, the loonie's relatively modest allocation still works out to a serious number of Canadian dollars...

#### Chart 7: ... of a jumbo (~US\$12tn) FX reserve pie

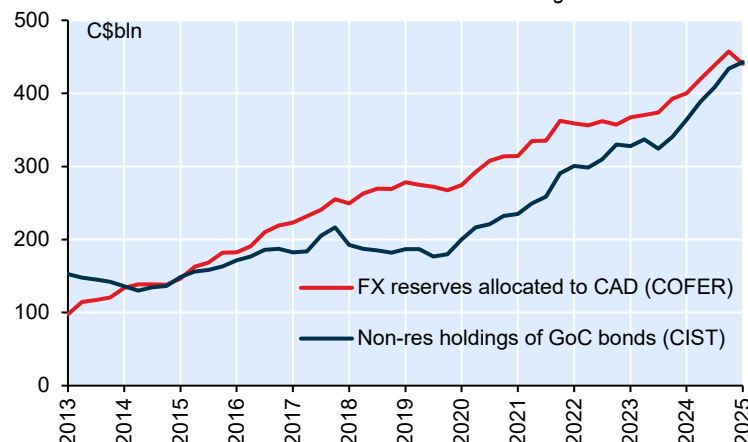
Nature of official FX reserves: Allocated & unallocated



Source: NBC, IMF | Note: Quarterly to 2025:Q1

#### Chart 8: Non-residents hold plenty of Canadian bonds

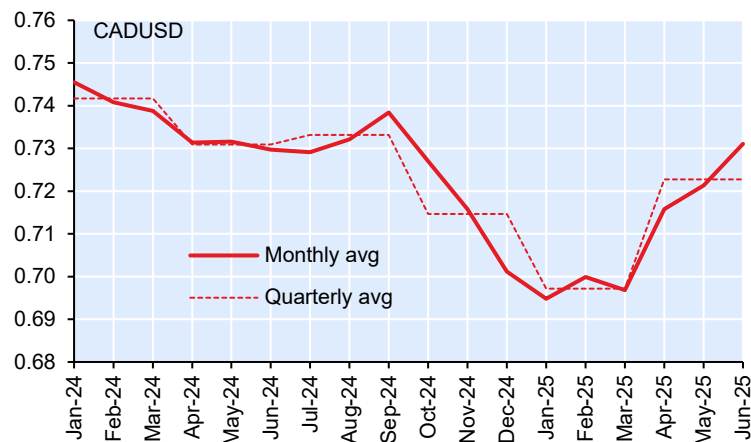
Official FX reserves allocated to CAD & non-resident holdings of GoC bonds



Source: NBC, IMF, StatCan | Note: Reserves converted to CAD; domestic GoC bonds only

#### Chart 9: Investors grew more comfortable with CAD in Q2

Canadian dollar vs. U.S. dollar



Source: NBC, BBG

... Indeed, when converted to Canadian dollars, this 2.63% official FX reserve allocation amounts of C\$440bn. The longer-term growth in CAD-allocated FX reserves dovetails with separately reported data from StatCan on foreign holdings of domestic GoC bonds, with non-residents holding a non-trivial share (roughly 40%) of the sovereign's outstanding debt stock. Foreign investor attachment to Canada quite likely strengthened in Q2, with the 5.7% appreciation of the currency against the USD suggesting the return of a solid non-resident bid for Canada.



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