

The Car Currency Reservation

By Warren Lovely

Rental Car Agent: "I think I know why we have reservations."

Jerry Seinfeld: "I don't think you do... See, you know how to *take the reservation*, you just don't know how to *hold the reservation*. And that's really the most important part of the reservation: 'The holding.' Anyone can just take them."

— Excerpt from Seinfeld episode "The Alternate Side" (ep. 11, season 3, 1991)

Beyond an appeal to Seinfeld fans, what does our introductory quote have to do with anything? Well, instead of car reservations, imagine we're talking about **currency reserves**. Canada knows a thing or two about *taking* official FX reserve dollars. But *holding* onto reserves has been a more difficult of late. At least that's what recent IMF COFER data tell us.

For context, let's acknowledge that (largely due to currency revaluation efforts) the U.S. dollar's share of allocated reserves took another step lower in 2025:Q2 (Chart 1). At 56.3%, the greenback's share allocated reserves—which surpass US\$12 trillion (Chart 2)—has never been lower (at least back to 1995). Looking back, Canada succeeded in attracting marginal reserves during earlier stages of this so-called de-dollarization trend (Chart 3). Indeed, you're apt to hear some tut-tuting about the loonie

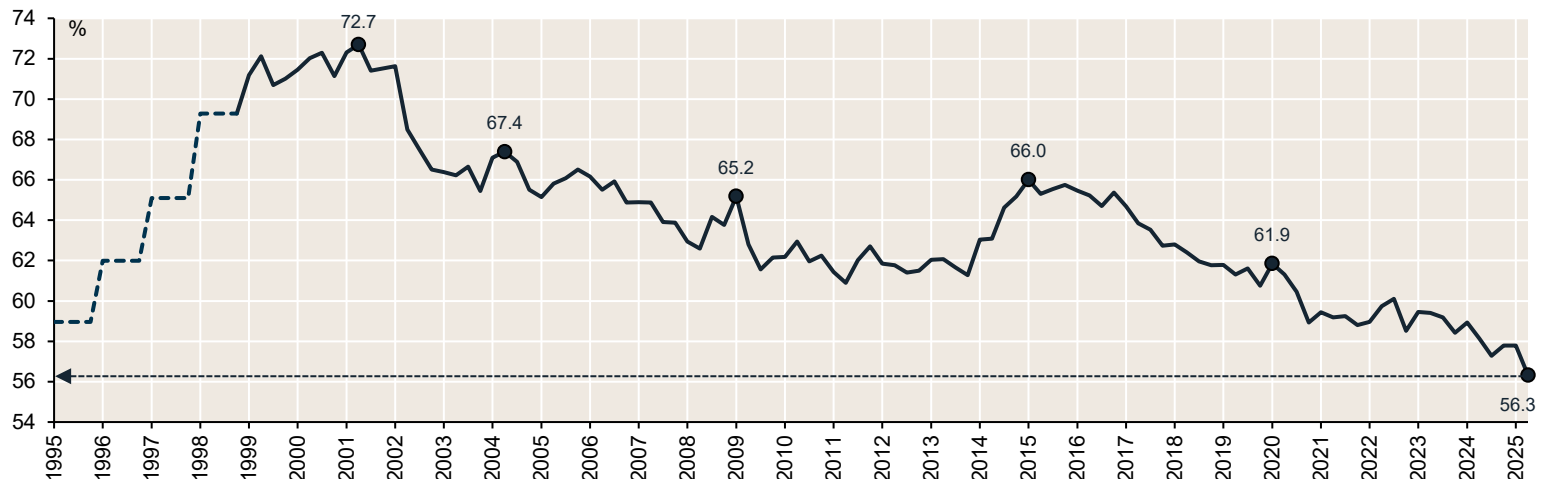
ranking as the fifth most widely held 'reserve' currency (based on current IMF reporting) (Chart 4). While that's true, the CAD accumulation story was suspended in the first half of 2025, as geopolitical, economic and fiscal uncertainty contributed to a re-assessment of Canadian risk.

As per the COFER data, CAD's share of allocated reserves edged down in both Q1 and Q2. The combined decline of 0.16%-pts may not sound like much (Chart 5). But when expressed in local currency terms, it meant reserves managers cut their holdings of CAD assets by more than C\$30 billion (or 6.6%) in the first half of 2025 (Charts 6-7). That at a time when Canada's debt stock was stepping up quickly. Aside: COFER data for the first half of 2025 align with the broader foreign investor apathy towards Canada earlier reflected in StatCan's national balance sheet accounts and international securities transactions data (Chart 8).

Seinfeld was right; it's the *holding* of the reserves (or debt securities) that's probably the most important thing. Given the ambitious plans and resulting borrowing needs of Canadian governments, it's vital that foreign investors—official or otherwise—are given compelling reasons to hold on.

Chart 1: USD share of allocated FX reserves down again in Q2

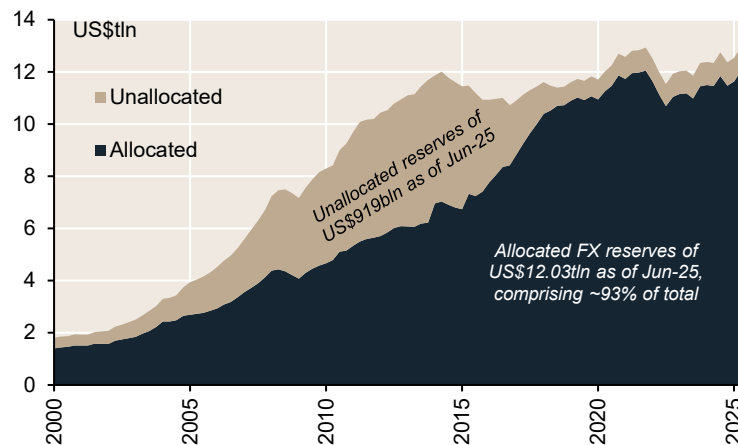
Share of official FX reserves allocated to USD



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:Q2

Chart 2: Allocated FX reserves top US\$12 trillion

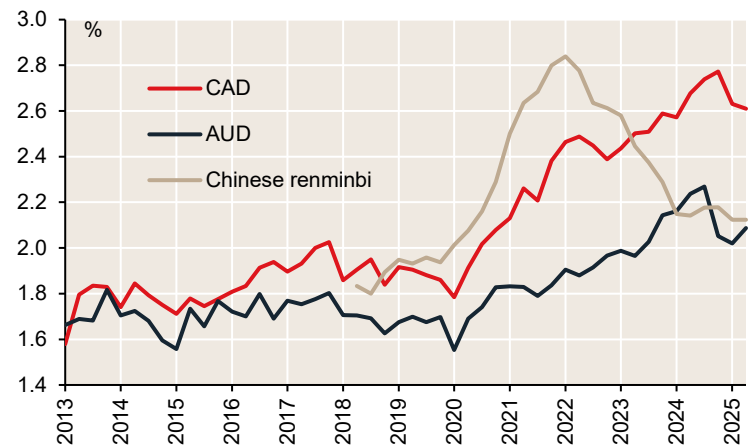
Official FX reserves: Allocated & unallocated



Source: NBC, IMF | Note: Quarterly to 2025:Q2

Chart 3: Prior to 2025, CAD attracted marginal interest

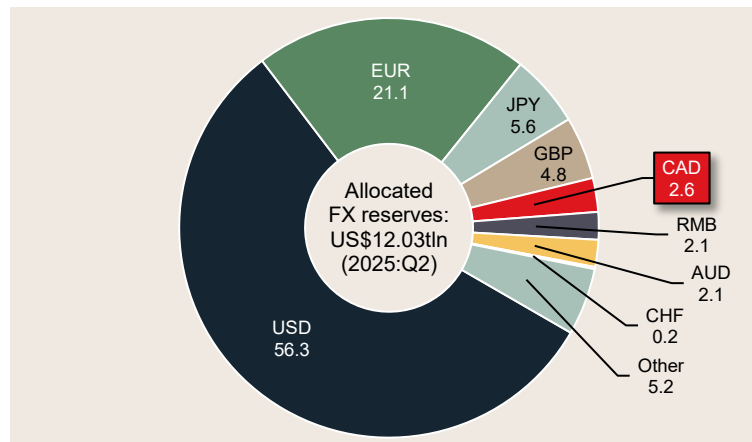
Share of official FX reserves allocated to CAD, AUD & RMB



Source: NBC, IMF | Note: Quarterly to 2025:Q2; CAD/AUD shares available from 2012:Q4

Chart 4: CAD may be 5th most widely held reserve currency...

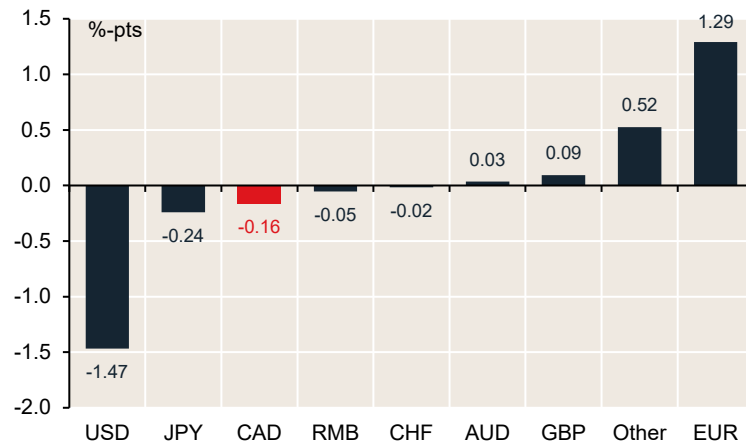
Share of allocated official FX reserves allocated to major currencies



Source: NBC, IMF | Note: Figures refer to share (%) of allocated reserves as at 2025:Q2

Chart 5: ... but the loonie's share was clipped in 2025:H1

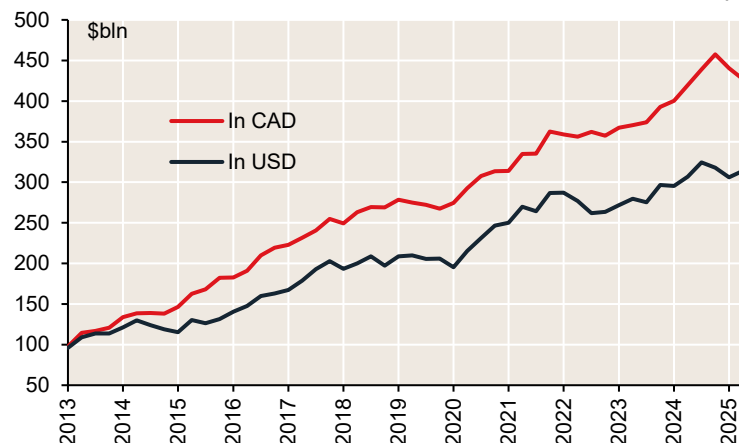
Change in share of official FX reserves allocated to major currencies: Latest 2Q



Source: NBC, IMF | Note: Cumulative change in share from 2020:Q4 to 2025:Q2

Chart 6: Expressing CAD reserves in the local currency...

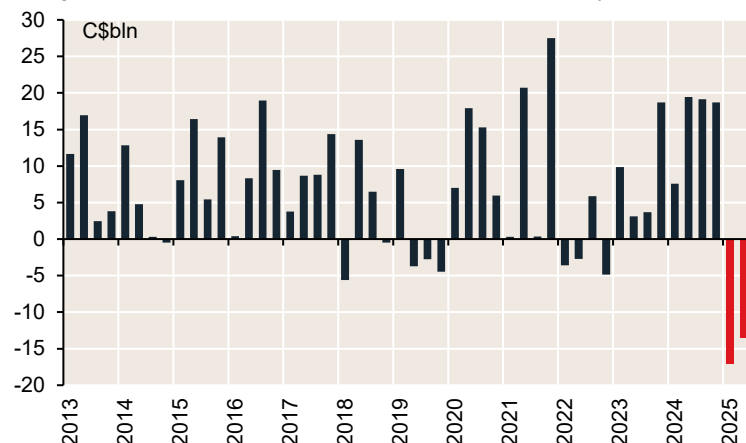
Level of official FX reserves allocated to CAD, incl. conversion to local currency



Source: NBC, IMF | Note: Quarterly to 2025:Q2; converted at quarter-end exchange rate

Chart 7: ... reserves managers dropped >C\$30bln in first half

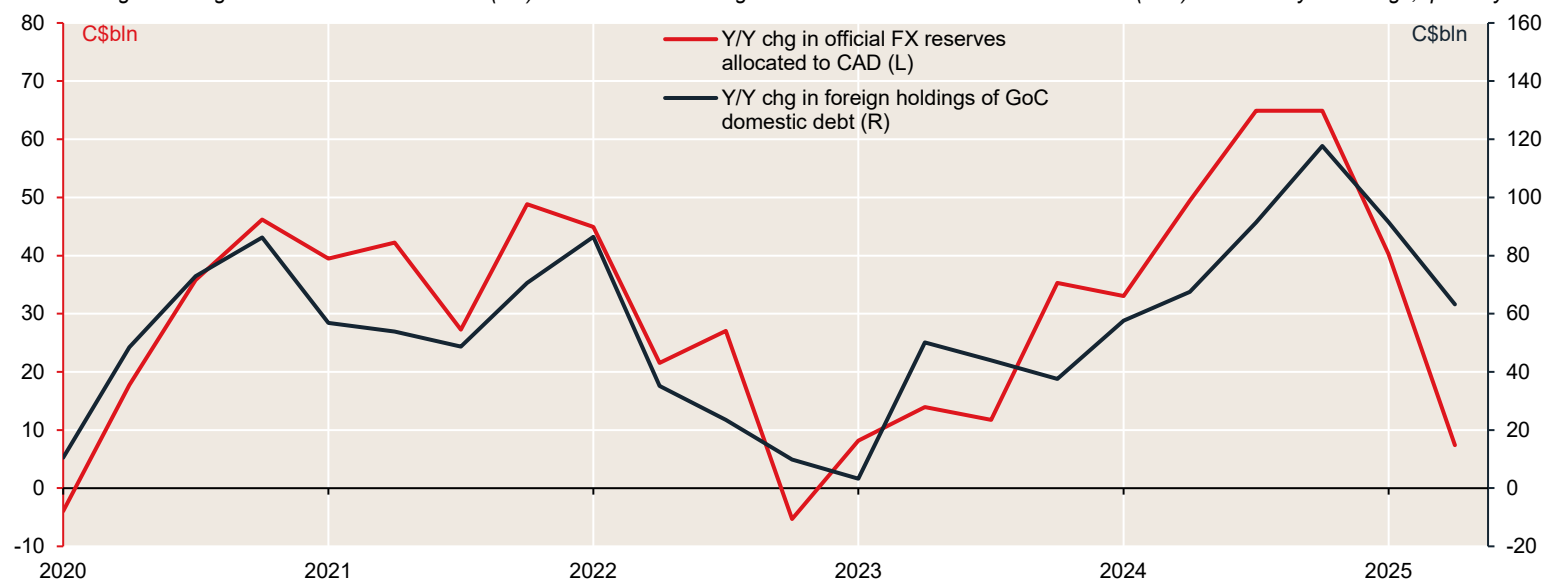
Change in official FX reserves allocated to CAD, in local currency terms



Source: NBC, IMF | Note: Quarterly to 2025:Q2; converted at quarter-end exchange rate

Chart 8: COFER data dovetail with earlier reported slowdown in foreign accumulation of GoC debt securities

Official foreign exchange reserves allocated to CAD (red) & non-resident holdings of CAD-denominated GoC T-bills/bonds (blue): Year-over-year change, quarterly



Source: NBC, IMF, StatCan | Note: Data reflects year-over-year rate of change in quarter-end levels; IMF COFER data released quarterly (latest 2025:Q2) in USD, but here converted to CAD at prevailing FX; StatCan data on non-residents flows/holdings released monthly (latest Jul-25), but here presented on quarterly basis (to 2025:Q2) to align with IMF frequency



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