

Joachim Nagel: The euro in a fragmented world - stability, sovereignty, and global responsibility

Speech by Dr Joachim Nagel, President of the Deutsche Bundesbank, to the Hohenheimer Kreis – Corporate Governance, Stuttgart, 15 July 2026.

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Check against delivery

1 Introduction

Ladies and gentlemen,

In just a few hours, we will know which team will meet Spain in the final of the FIFA World Cup. After 101 of 104 matches at this XXL World Cup, we can say one thing for sure: In football, it is usually the favourites that win, but sometimes the underdogs win, too – as the German team very painfully found out.

There are favourites and underdogs in the foreign exchange markets, too. And, like in football, it is usually the same currencies that play at the very highest level: The US dollar, the euro, the pound sterling, and the yen. For decades, the US dollar has been at the top of the table. The euro has been next in the ranking since its introduction. However, unlike in football, there are no sensations in the global monetary system. What matters are characteristics that have to be put to the test over many years: Stability, institutional strength, reliability, and trust from the international financial markets.

That is precisely why it is worth asking the following questions: Where does the euro stand today in the international monetary system? And what is needed if Europe wants to strengthen its position? These are the questions that I would like to address today. Let me begin with the first and more general question.

2 The euro vs. the US dollar: The status quo

Before we discuss the future of any given team, it is worth taking a look at the ranking table first. In the international monetary system, the picture is clear: Based on the usual criteria, the euro is the second most important currency in the world.¹ The most important currency remains the US dollar. And by a large margin. 57 percent. This was the share of global foreign reserve assets accounted for by the US dollar at the end of 2025.² The corresponding share attributable to the euro was around one-fifth. With regard to foreign currency debt, the euro's share grew considerably last year to around 30%, while the US dollar's share saw a slight decline. Nevertheless, the share accounted for by the US dollar in this category remains considerably higher, at around 60%.³

In international trade, there is also a pronounced difference between the two currencies. The United States charges its exports almost entirely in US dollars – and it also pays for

a very significant portion of its imports in its own currency, too.⁴ By contrast, exporters in the European Union accept payment in US dollars for around one-third of their exports. Around half of EU imports are also priced in US dollars.⁵

It is unlikely that the US dollar will lose its dominant role any time in the near future. This is because the US economy is of paramount significance for the global economy and the global financial markets. In addition, the costs of changing the system would be great. But, nevertheless, the US currency is unlikely to be invulnerable. In the spring of 2025, the announcement of the new US tariff policy led to marked tensions in the global financial markets. It seems that, during this period, the US dollar was not sought after as a safe haven currency to the same degree as usual.

The findings from Bundesbank research also point in this direction.⁶ In a working paper, the two authors analysed the impact of political pressure on the US Federal Reserve. The starting point of their investigation was that the Federal Reserve was subject to considerable political pressure last year and at the beginning of this year. For instance, the US President called for interest rate cuts and made unprecedented attempts to change the composition of the Federal Reserve Board. Jerome Powell, then Chair of the Federal Reserve, was also attacked on a personal level. Our experts studied how the financial markets responded to these events. To this end, they made use of high-frequency financial market data.

The result: Despite falling interest rates, the political pressure on the Federal Reserve was not reflected in the financial markets as an easing of monetary policy, but instead as a loss of confidence. This is because equity prices fell and measures of uncertainty rose. The price of gold rose particularly sharply. According to the estimate, such a loss of confidence is weighing on the US dollar on a persistent basis. Conversely, this development shows us that the government in office at any given time has the means to ensure continued trust in its own currency.

What we were able to observe in this context is that, measured by the criteria mentioned earlier, the euro saw only little benefit from this turmoil. Even though the euro's share in debt instruments increased, it was primarily gold that was, for a time, one of the greatest beneficiaries of the loss of confidence in the US dollar. The price of gold in US dollars rose by almost 70% between "Liberation Day" and the attack on Iran. Around half of these gains have since been lost.

On the other hand, there are also developments that could prospectively strengthen the position of the US dollar. Here, I am mainly thinking of stablecoins. Should stablecoins gain in importance, the US dollar is likely to especially benefit from this. This is because stablecoins are now based almost exclusively on the US dollar and are backed by US government bonds, in particular.

Overall, one thing is clear: A strong position of the euro in the international monetary system cannot be taken for granted. This leads us to an important question: Should we in Europe consciously strive for a stronger international role for the euro? An argument in favour of this is that a stronger role for our currency would be associated with greater strategic autonomy – and, in today's world, strategic autonomy is rapidly gaining in importance.

A stronger role for the euro would make us less vulnerable to foreign influence. For example, if we settle a significant portion of our trade in euro, exchange rate fluctuations will have less of an impact on us. Moreover, if a stronger role for the euro were to manifest itself in higher demand for euro assets, this would also dampen funding costs in the euro area.

3 Strengthening the international role of the euro

So, what can we do to improve the euro's score in terms of its international role? First, this is about measures that should be implemented as a matter of principle. Second, we are talking about measures that we as the Eurosystem are currently in the process of implementing – central bank digital currency, in particular, springs to mind.

First and foremost, we need trust in the stability of our currency. This is exactly what we are working on every day in the Eurosystem. We are committed to fulfilling our mandate of price stability and are thus creating the basis for this trust. A key prerequisite for this is our independence. I have already mentioned the US dollar as an example: If the independence of a central bank is called into question, trust in a currency can quickly become shaken.

However, trust in the euro requires more than an independent central bank committed to price stability. It needs an institutional and legal framework in Europe that is based on the rule of law. The rule of law, legal certainty, and reliability are indispensable prerequisites for a strong international role for the euro. At the same time, the fact that these characteristics can no longer be taken for granted nowadays makes them all the more valuable. Defence capabilities are another key factor, particularly in today's global climate.

When we talk about the international role of the euro, we must also consider Europe's economic power. In order to persuade people outside of the euro area to invest in euro assets, we need to offer them the prospect of reliable and adequate returns. Stable economic growth is a prerequisite for this. So how do we achieve that? One essential building block is to channel savings to where they are used most productively. That is why the creation of a Savings and Investments Union is so important.

It includes far-reaching measures, such as harmonising previously fragmented national practices in the field of capital market supervision – for example, through partial centralisation at the European Securities and Markets Authority (ESMA), creating cost-effective opportunities for small investors to participate in capital markets, and promoting financial literacy amongst EU citizens.⁷ Through these measures, the Savings and Investments Union can help to facilitate the financing of young and innovative enterprises. And it is precisely such enterprises that have the potential to strengthen economic growth on a sustainable basis.

The international importance of the euro also depends on other countries being able to rely on an adequate supply of euro liquidity even in times of crisis. To this end, the ECB Governing Council decided at the start of the year to make the EUREP repo facility available to central banks worldwide on a permanent basis. Central banks can use this facility to obtain euro liquidity from the Eurosystem. In order to do so, they must pledge euro-denominated collateral. In addition to repo lines, the Eurosystem maintains swap

lines with some central banks. These differ from the repo lines mainly in that the other central banks pledge the corresponding equivalent value in their currency as collateral. Providing euro liquidity to other central banks helps to prevent market turmoil. This contributes to the smooth functioning of our monetary policy.

4 The digital euro

Finally, the international role of our currency also depends on efficient, sovereign, and innovative European payments. In today's world, payments are increasingly shifting to the digital sphere. We in the euro area need to keep pace with these developments. To meet this challenge, the Eurosystem has drawn up a comprehensive strategy for the future of European payments.^{[8](#)}

A key component of this strategy is the digital euro. The digital euro is often perceived as a project for consumers or for the financial sector. But there is more to it than that. The real economy also stands to benefit considerably. This is because payments have long been an integral part of digital value chains. Today, making payments is no longer an isolated process, but is increasingly intertwined with digital business processes – from ordering and delivery, through invoicing and accounting, to platform services, machine communication, and usage-dependent business models.

The digital euro could make a key contribution here: First, it would be a single digital payment solution for payments throughout the euro area. For firms operating across borders within the euro area, this would reduce fragmentation and facilitate scaling. Second, a digital euro would reduce dependence on non-European payment infrastructures. This is not a protectionist argument, but rather a matter of Europe's digital sovereignty and strategic capacity to act.

Conditional payments are a particularly innovative concept: In future, payments could be triggered automatically as soon as predetermined conditions have been met – for example, after delivery, once services have been rendered, or in pay-per-use models. The Eurosystem's innovation platform has already demonstrated the enormous potential of such applications as well as the great variety of potential uses that they could have in a wide range of economic sectors.

It is important to stress here that the digital euro will not be programmable money – neither the government nor the central bank will be able to determine what it can be used for. Users will remain in control of their payments.

Firms, in particular, will be able to take advantage of new opportunities going forward: From automated invoicing and usage-dependent billing to the integration of payments into digital platforms.

In addition to the digital euro for households, there is another variant of central bank digital currency for the financial industry, which we refer to as wholesale CBDC. From as early as this autumn onwards, the Pontes project will provide central bank money via distributed ledger technology, or DLT. A well-known example of this technology is the blockchain on which Bitcoin is based. Even if the wholesale variant of central bank money is initially only geared towards the financial industry, this will also pave the way for offerings for enterprises in the future.

The digital euro and wholesale CBDC would thus not only be a new means of payment, but would also form part of a broader European payment strategy with public money as a stable basis, private sector providers as drivers of innovation – and the real economy as a winner, benefiting from more efficient, sovereign, and integrated payment processes. In addition, we are working on improving cross-border payments. These measures will therefore also help to make the euro more attractive and strengthen its international role.

5 Concluding remarks

I will bring my remarks to a close in good time before the second World Cup semi-final kicks off. As we have seen over the past few weeks and months, a team's success is not down solely to its star players, but is rather the result of a strong group effort. And, as my remarks have shown today, the Eurosystem is making its contribution to ensuring that the euro remains a strong player on team Europe. I am confident that Europe has a great future – and that goes for its role in the international monetary system, too.

¹ ECB (2026), [The international role of the euro, June 2026](#).

² IWF (2026), [IMF Data Brief: Currency Composition of Official Foreign Exchange Reserves](#).

³ See ECB (2026).

⁴ Boz, E., A. Brüggen, C. Casas, G. Georgiadis, G. Gopinath and A. Mehl (2025), [Patterns of Invoicing Currency in Global Trade in a Fragmenting World Economy](#), IMF Working Paper No 25/178.

⁵ Eurostat (2026), [Extra-EU trade by invoicing currency](#).

⁶ Frankovic, I. and S. Karau (2026), [Political Pressure on the Fed – Is This Time Different?](#), mimeo.

⁷ European Commission (2026), [Savings and investment union](#).

⁸ See European Central Bank (2026), [The Eurosystem's comprehensive payments strategy](#).