



The Edge Economic Update

De-Dollarization & Gold

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De-Dollarization vs. Dollar Dominance: What Central Bank Gold Buying Really Tells Us

Is the world truly breaking away from the U.S. dollar, or are recent moves just portfolio tweaks? A surge in central bank gold buying has reignited debate over “de-dollarization” – the notion that countries are reducing reliance on the dollar in favor of gold and other assets. This report examines the data behind the narrative, balancing striking shifts (record gold purchases, a modest slide in the dollar’s reserve share) against the enduring pillars of dollar dominance. Our analysis finds that while diversification is unmistakably underway, it remains gradual and constrained by market realities. The dollar is down but not out – and gold’s rising role carries its own message that nuance is needed in the de-dollarization discussion.

Central Bank Gold Buying Spree: Record Highs and Drivers

Central banks worldwide have been on an extraordinary gold buying spree in recent years. In 2022, official net gold purchases hit a record 1,082 tonnes, the largest annual increase in gold reserves in modern history. This figure corrects earlier estimates (often cited as ~1,136 tonnes) and underscores the scale – 2022’s gold buying was more than double the 2021 total of 463 tonnes, and even surpassed the previous 2018-2019 highs (around 650 tonnes each). The heavy buying continued in 2023 with 1,037 tonnes added, and 2024 saw similarly elevated demand (~1,044 tonnes). In other words, the past three years have seen central banks accumulate over 3,100 tonnes of gold, twice the amount purchased in the three years 2014–2016. For the full year 2025, central bank net gold purchases totaled 863 tonnes. While this figure is a slight dip from the “1,000-tonne club” streak of 2022–2024, it remains remarkably high in a historical context—nearly double the pre-2010 annual average of roughly 473 tonnes.

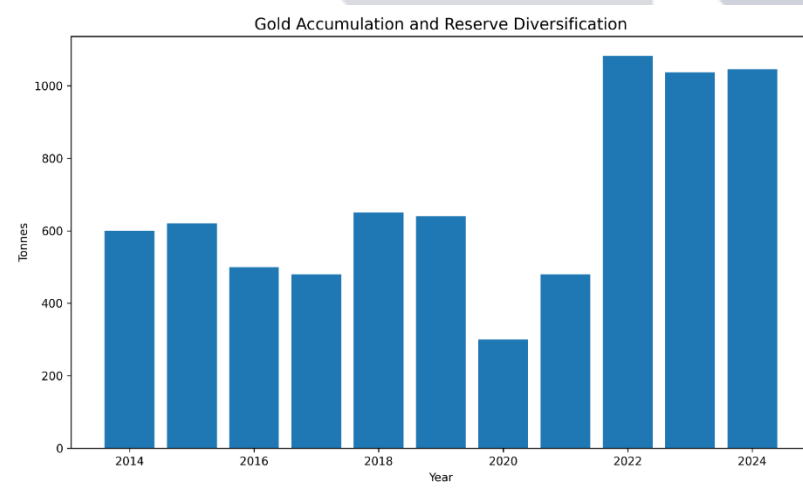


Illustration: Central bank net gold purchases by year (in tonnes). 2022 marked a record high of 1,082 tonnes, more than doubling the prior year. 2023 and 2024 continued near-record buying, far above the post-2010 average. Central banks have been net gold buyers every year since 2010, with a sharp acceleration in the past few years

Who is buying and why? Emerging-market central banks have led this charge – notable buyers include China, Turkey, Russia, India, and smaller nations across Asia and the Middle East. Geopolitical and economic factors are key drivers. In the wake of financial sanctions and global tensions, countries like Russia and Turkey sought to reduce exposure to the U.S. dollar by bolstering gold and yuan holdings. Indeed, Russia famously cut its dollar reserves to near-zero, shifting heavily into gold, and other countries facing U.S. political pressure (e.g. Iran) followed suit. More broadly, 95% of central banks now view gold favorably for diversification. Gold is seen as a safe-haven asset – it carries no credit risk, is highly liquid, and crucially, lies outside any single country’s



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control. In an era of uncertain U.S.-China relations and weaponization of finance, holding gold is a hedge against the dollar-centric system.

However, it would be a mistake to interpret record gold buying as an abandonment of the dollar. Central banks' appetite for gold reflects a desire to diversify at the margins rather than a wholesale switch from USD to gold. Even at 1,082 tonnes, 2022's gold purchases equated to roughly \$70 billion – sizable, yet modest next to the \$12–13 trillion in global foreign exchange reserves. In effect, central banks are reinforcing buffers (gold) without dumping their core holdings (dollar and euro assets). Notably, the People's Bank of China – one of the largest buyers – still holds the vast majority of its \$3 trillion reserves in dollar and euro assets, even as it steadily adds gold each month. The gold spree signals hedging and incremental adjustment, not a sudden flight from the dollar.

Global Reserve Composition: Dollar Dips, But Dominance Remains

If de-dollarization were accelerating, we would expect to see the U.S. dollar's share of global foreign exchange reserves plunging. The data tell a more nuanced story. Over the past two decades, the dollar's share of officially disclosed FX reserves has declined gradually – from about 71% in 1999 (just after the euro's debut) to roughly 58% by 2020. The latest IMF data (through Q3 2025) shows the dollar now comprises around 56.9% of global FX reserves. This is a touch lower than a year ago and indeed near an all-time low, but the pace of decline has been very slow. In fact, when accounting for exchange rate fluctuations (the strong dollar in 2022 temporarily raised its share, and a weaker dollar in mid-2025 lowered it), the underlying dollar share has been stabilizing in the mid-50% range. In early 2026, the U.S. dollar still makes up roughly 56–57% of global reserves – a sign of resilience at a level that appears to be a floor for now rather than free-fall territory.

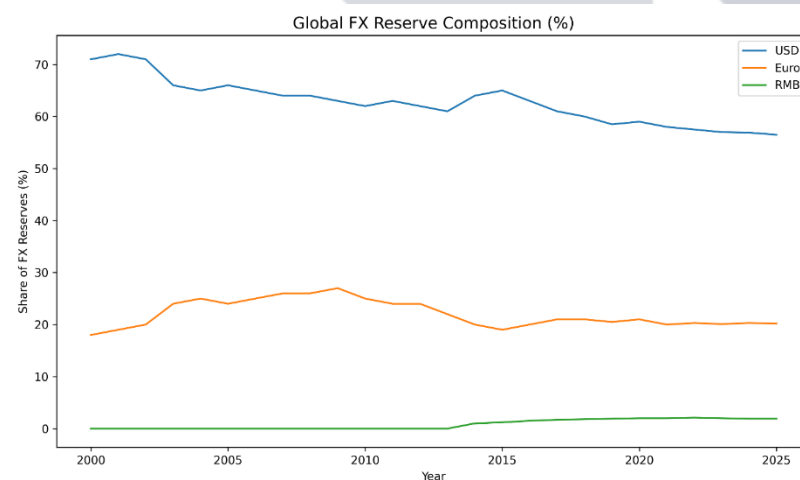


Illustration: Global FX reserve composition over time (1999–2025). The U.S. dollar's share (blue line) has declined from ~70% to ~56–57%. The euro (orange line) remains around 20%, fluctuating with Eurozone fortunes. The Chinese RMB (yellow line) climbed to ~2% by 2021 but has since leveled off. No major upheaval is evident – the dollar is lower than 20 years ago, but remains by far the dominant reserve currency.

Meanwhile, the euro – the second-largest reserve currency – has held fairly steady in the ~20% range. After an initial rise in the 2000s, the euro's share fell back during the Eurozone debt crises (2010–2015) and has hovered around 20% for the past several years. As of 2025 the euro accounts for about 20.3% of global FX reserves. Other traditional reserve currencies like the Japanese yen (around 5–6%) and British pound (~4–5%) have seen only minor fluctuations. The notable newcomer, China's renminbi (RMB), rose from essentially 0% in 2015 to about 2.4% by 2021. However, that growth has stalled. The RMB's share peaked at roughly 2.8% in 2022 and has since slipped to about 1.9–2.0%. This plateau – even slight decline – reflects China's own capital controls



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and depreciating currency in 2023, underscoring that the yuan has not continued to gain ground in global reserves despite de-dollarization rhetoric. In short, no other single currency has substantially filled the gap left by the dollar's modest retreat – instead, reserve managers have diversified into a basket of smaller currencies (Canadian and Australian dollars, Swiss franc, Korean won, etc., collectively now about 8–10% of reserves).

Gold's rising role: An important recent development is that when we include gold in reserve portfolios (valued at market prices), gold's share of global reserves has surged thanks to record buying and a rally in gold prices. By the end of 2024, gold accounted for roughly 20% of total official reserve assets, surpassing the euro (which stood around 16%) as the world's second-largest reserve asset by value. The European Central Bank noted this historic milestone: gold is now second only to the U.S. dollar (which, when gold is included in the base, represented ~46% of total reserves). This reflects not only the massive central bank purchases but also a blistering increase in gold's price over the past year. Gold prices hit all-time highs by late 2025, with futures trading around \$4,300–4,350/oz by year-end, representing an increase of roughly 65% from January 2025 levels. This momentum has carried into early 2026, with gold prices in January trading above \$5,500/oz on an intraday basis, reinforcing the sharp revaluation of official gold holdings and further elevating gold's weight in global reserve portfolios. This surge has substantially boosted the value of central banks' gold holdings. As a result, gold has increasingly taken on the characteristics of a quasi-reserve currency, now rivaling the euro's role in the international monetary system by reserve value. It is a striking development: central banks collectively hold more assets in gold than in any single foreign currency except the U.S. dollar.

It's worth noting, however, that gold's ascendance has a different character than a currency like the euro or RMB. Gold cannot finance

deficits or facilitate trade in the same way; its rise in reserves is a passive store-of-value play rather than a shift in invoicing or payment practices. The dollar's dominance in trade invoicing, debt markets, and international loans remains largely unchallenged – those functions are still overwhelmingly dollar-centric. Gold's new status as the #2 reserve asset underscores central banks' desire for safety amid uncertainty, rather than signaling the emergence of a new transactional rival to the dollar.

Interpreting the Signals: Diversification ≠ Dollar Collapse

The above trends present a mixed picture often oversimplified in public discourse. Yes, central banks are diversifying away from the dollar at the margins – but no, the dollar's dominance is not ending overnight. The evidence suggests structural diversification rather than an outright “dumping” of dollars:

- The dollar's share drop from ~71% to ~57% occurred over 25 years. That averages to only about half a percentage point decline per year – a glacial pace. In the most recent data, the dollar's share has been oscillating in the mid-50s and showed signs of stabilization around ~56–57% through 2025. Notably, exchange rate effects (USD valuation swings) explain much of the short-term moves. The IMF estimates that in Q2 2025, 92% of the dollar's apparent decline was due to the dollar's depreciation against other currencies, not active selling by reserve managers. In other words, there has been no mass exodus from dollar assets – central banks largely held their dollar positions, and it was currency market fluctuations that nudged the percentages.
- Surging gold purchases demonstrate a quest for safety and diversification in uncertain times (pandemic aftermath, geopolitical conflicts, inflation). They do not indicate that central banks believe the



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dollar is on the verge of collapse. Gold and dollars often serve complementary purposes: in fact, during periods like 2022–2023, we saw the dollar and gold both strengthen as safe-havens, while investors fled weaker currencies. Many central banks buying gold have simultaneously increased their U.S. Treasury holdings or at least maintained substantial dollar reserves – a sign that they still trust the dollar’s liquidity for day-to-day needs while adding gold as an insurance policy.

- No alternative currency has gained anywhere near enough traction to replace the dollar. The euro, despite being a mature currency used by a large economic bloc, has not expanded its reserve share in the last decade – if anything, it slightly declined and then flatlined around 20%. The Chinese renminbi, frequently cited as a challenger, remains minuscule (~2%) in reserves and actually slipped recently. Crucially, the RMB is hampered by China’s capital controls and the lack of a deep, trusted financial market. Other currencies (yen, pound) are essentially unchanged in global role. Even gold at 20% is a static asset, not a full currency for global finance. Thus, the dollar’s dominance – while eroding at the edges – is still firmly intact because the competition has not (yet) produced a viable substitute for the dollar’s unique utility.

- Market structure and network effects favor the dollar. Over 80% of global trade is invoiced in USD, an outsized share relative to the U.S. economy. The vast majority of FX transactions involve the dollar as one side. Key commodities like oil are priced in dollars, and developing countries’ debts are largely dollar-denominated. This incumbency creates a self-reinforcing loop: central banks hold dollars because international transactions and investments require dollars. As our analysis indicates, a

multipolar currency world may slowly be emerging (with gold now in the mix and minor roles for others), but the dollar remains the lynchpin.

Put simply, what we are witnessing is de-dollarization as diversification, not as a repudiation of the dollar. Central banks are incrementally adjusting portfolios – adding gold, experimenting with bilateral currency agreements – to reduce over-reliance on any single asset. However, the core foundations of dollar dominance (liquid markets, rule of law, the lack of credible alternatives) are unchanged. It is telling that during recent crises (e.g. the COVID-19 market crash of 2020, or the Russia-Ukraine war volatility of 2022), the dollar’s status *strengthened* – global investors and central banks alike sought safety in U.S. Treasuries and the Fed’s swap lines, even as they also bought gold. That dynamic reflects an entrenched confidence that is not easily or quickly undone.

Implications and Outlook: Signals to Watch

In summary, central bank gold buying at record levels and a slow drift toward reserve diversification are important signals of how the geopolitical and macroeconomic landscape is shifting. They hint at a future where the international monetary system is more multi-asset and multipolar than in the past – but one where the U.S. dollar still occupies the top spot. The dollar’s dominant share of reserves (now ~56–57%) may not rebound to late-20th-century heights, but its resilience at roughly half of global reserves speaks to an ongoing equilibrium. Gold’s newfound status as the number-two reserve asset underscores a climate of caution: central banks are hedging against tail risks, from financial sanctions to inflation, by boosting gold alongside their dollar holdings.

Looking ahead, the dollar’s dominance is expected to persist in the medium term, even as incremental de-dollarization continues. It’s anticipated to have a gradual evolution toward a more diversified reserve composition – perhaps the dollar stabilizing in the ~50% range, gold



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maintaining a larger role, and minor increases in the use of China's yuan or other currencies if – and only if – underlying reforms and trust in those markets improve. The key signals to monitor going forward include:

- Central Bank Gold Demand – Sustained or Reversing: Will central banks keep up the torrid gold buying pace? A continued annual addition of ~1,000 tonnes would signal persistent diversification away from fiat currencies. A significant slowdown, on the other hand, might indicate that peak diversification has been reached (or that high gold prices are deterring buyers).

- U.S. Dollar Reserve Share Stability: Watch if the dollar's share holds around the mid-50s percentage of reserves or breaks out of this band. Stabilization at ~56–57% would affirm the dollar's resilience. A drop below ~50% – unlikely in the near term – would be a pivotal sign of accelerating de-dollarization (especially if not driven by exchange rates).

- China's RMB Internationalization: The renminbi's reserve share (~2%) has plateaued. Key indicators to watch are any moves to relax capital controls, expand yuan liquidity offshore, or new trade settlement arrangements in RMB (e.g. for oil). A rise of RMB towards, say, 5% of global reserves over the next 5 years would signal a meaningful challenge to the status quo – whereas remaining around 2% would confirm status quo bias.

- Global Trust and Liquidity Factors: Keep an eye on the depth of U.S. financial markets versus others. The dollar's dominance is underpinned by the \$25 trillion U.S. Treasury market – the world's safe asset. Signals like U.S. fiscal health, debt ceiling dramas, or liquidity of alternative assets (e.g. euro bond market integration, China's government

bond market accessibility) will affect reserve managers' decisions. Any erosion in the perceived safety or liquidity of U.S. Treasuries could accelerate diversification.

- Geopolitical and Technological Shifts: Geopolitical developments, for instance, expansion of sanctions or new payment systems by BRICS nations – could drive marginal de-dollarization. Likewise, digital currency initiatives (such as central bank digital currencies or a potential BRICS cross-border currency) bear watching for their long-term impact on the dollar-based system. Thus far, these remain in early stages and have not dented dollar usage, but rapid progress or adoption would be a game changer to monitor.

Conclusion

The dollar-centric global financial order is inching toward a more diversified architecture, with gold now a significant pillar alongside the greenback. However, current data and behaviors suggest a prudent, incremental rebalancing – not a paradigm shift. The U.S. dollar's dominance, buttressed by unmatched financial infrastructure and widespread confidence, is intact and likely to endure barring unforeseen upheavals. De-dollarization is real, but it is evolution, not revolution. The clear-eyed investor or policymaker will heed the signals in gold and FX reserves without mistaking them for an imminent end of the dollar era. As always, facts and figures – not fear – are the best guide in navigating what comes next.



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