



World Economic Situation and Prospects

Weekly Highlight

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The evolution of the international foreign exchange market

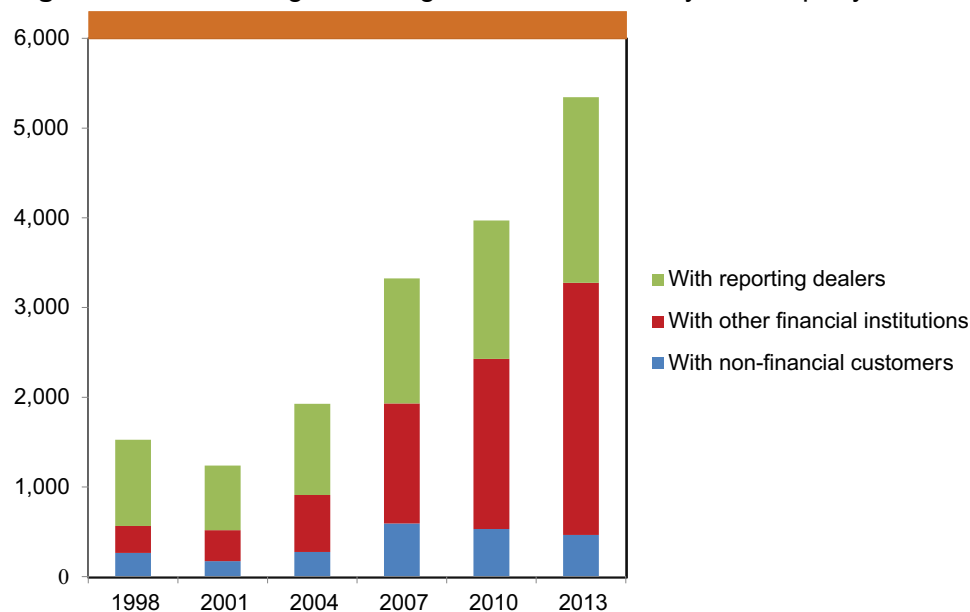
The Bank for International Settlements conducts surveys on the global foreign exchange markets every three years. The latest survey conducted in April 2013 reveals the continuing rapid expansion of trading of foreign exchange. In April 2013, the average daily transaction was \$5.345 trillion on a net-net basis, a 34.6 per cent increase from three years ago. Compared to 1998, the size of the market has increased by 2½ times.

The US dollar, euro, Japanese yen, British pound, Australian dollar, Swiss franc, and Canadian dollar have been the seven most-traded currencies in the market since 1999. The US dollar has maintained the top share with 87 per cent (out of 200 per cent) in 2013, a 2.1 percentage point increase from 2010. The euro's share declined from 39.1 per cent to 33.4 per cent, but remained second in the ranking. The Japanese yen jumped by 4.0 percentage points to 23.0 per cent and ranked third. Two currencies for developing countries—the Mexican peso and the Chinese yuan—entered the top ten with a share of 2.5 per cent and 2.2 per cent, respectively, in 2013.

In terms of instruments, foreign exchange swaps dominated in 2013 with a share of 41.7 per cent (out of 100 per cent), which is notably lower than the 52.9 per cent it occupied in 2001. On the other hand, the share for spot transactions increased from 31.2 per cent in 2001 to 38.3 per cent in 2013. Among the counterparty, most transactions are between dealers and financial institutions. In 2013, only 8.7 per cent of transactions have been with non-financial customers, a significant decline from all previous surveys (figure 1).

The markets in developed economies still dominate the global foreign exchange trades (table 1). In 2013, developed countries occupy 84.4 per cent of world trade, a slight decline from 86.6 per cent in 1998. However, within developed countries, the United Kingdom of Great Britain and Northern Ireland increased its share from 32.6 per cent in 1998 to 40.9 per cent in 2013. On the other hand, most euro area countries lost shares over the same period. Many emerging market economies have increased their shares recently, but most of the gains are still of relatively small size.

Figure 1: Global foreign exchange market turnover by counterparty



Source: UN/DESA, based on data from Bank for International Settlements.

Table 1

Global foreign exchange market turnover: top 20 markets^a

	1998	2001	2004	2007	2010	2013
Daily averages in April ^b	2,099	1,705	2,608	4,281	5,043	6,671
Market share (%)						
<i>Developed countries (total)</i>	86.6	85.8	86.2	84.8	84.7	84.4
United Kingdom	32.6	31.8	32.0	34.6	36.8	40.9
United States	18.3	16.0	19.1	17.4	17.9	18.9
Singapore	6.9	6.1	5.1	5.6	5.3	5.7
Japan	7.0	9.0	8.0	5.8	6.2	5.6
Hong Kong SAR ^c	3.8	4.0	4.1	4.2	4.7	4.1
Switzerland	4.4	4.5	3.3	5.9	4.9	3.2
France	3.7	2.9	2.6	3.0	3.0	2.8
Australia	2.3	3.2	4.1	4.1	3.8	2.7
Netherlands	2.0	1.8	2.0	0.6	0.4	1.7
Germany	4.7	5.4	4.6	2.4	2.2	1.7
Denmark	1.3	1.4	1.6	2.1	2.4	1.5
Canada	1.8	2.6	2.3	1.5	1.2	1.0
Russian Federation	0.3	0.6	1.1	1.2	0.8	0.9
Luxembourg	1.1	0.8	0.6	1.0	0.7	0.8
Korea	0.2	0.6	0.8	0.8	0.9	0.7
China	0.0	0.2	0.4	0.7
Sweden	0.8	1.5	1.2	1.0	0.9	0.7
Spain	1.0	0.5	0.5	0.4	0.6	0.6
Mexico	0.4	0.5	0.6	0.4	0.3	0.5
India	0.1	0.2	0.3	0.9	0.5	0.5
<i>Memorandum item</i>						
Annual world merchandise exports ^d	5,452	6,140	9,134	13,875	15,124	

^a Based on 2013 ranking.^b Net-gross basis, in billions of US dollars.^c Special Administrative Region of China.^d IMF/IFS data, in billions of US dollars.**Source:** UN/DESA, based on data from Bank for International Settlements.