



FX Reserve Management in Transition:

Shifting Trends and New Challenges

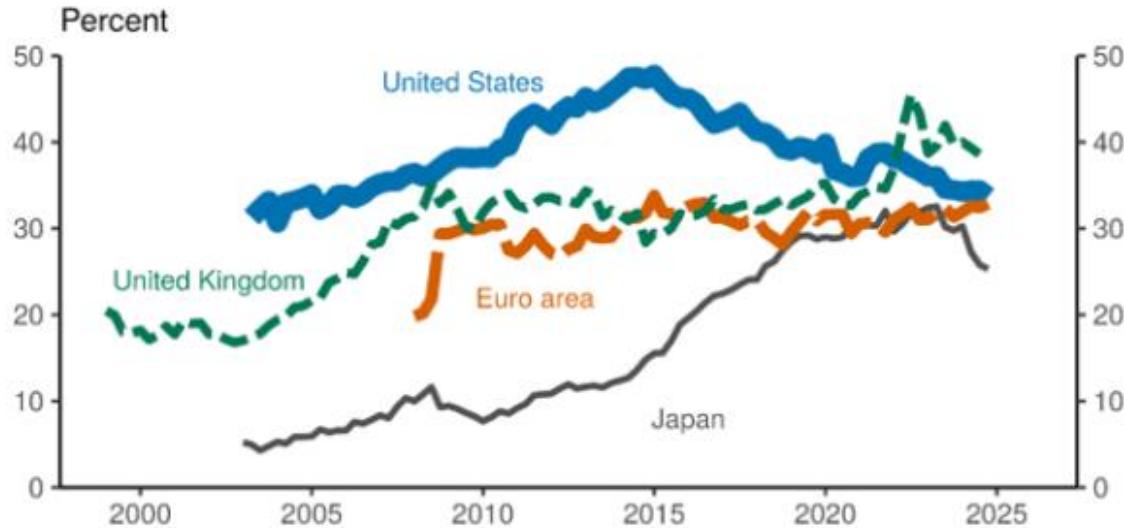
Session 6: Reserve Management – Trends and Challenges
Speaker: Nana Chitishvili, National Bank of Georgia

2025 ASIAN REGIONAL FORUM
ON INVESTMENT MANAGEMENT
OF FOREIGN EXCHANGE RESERVES

Challenges for Reserve Managers

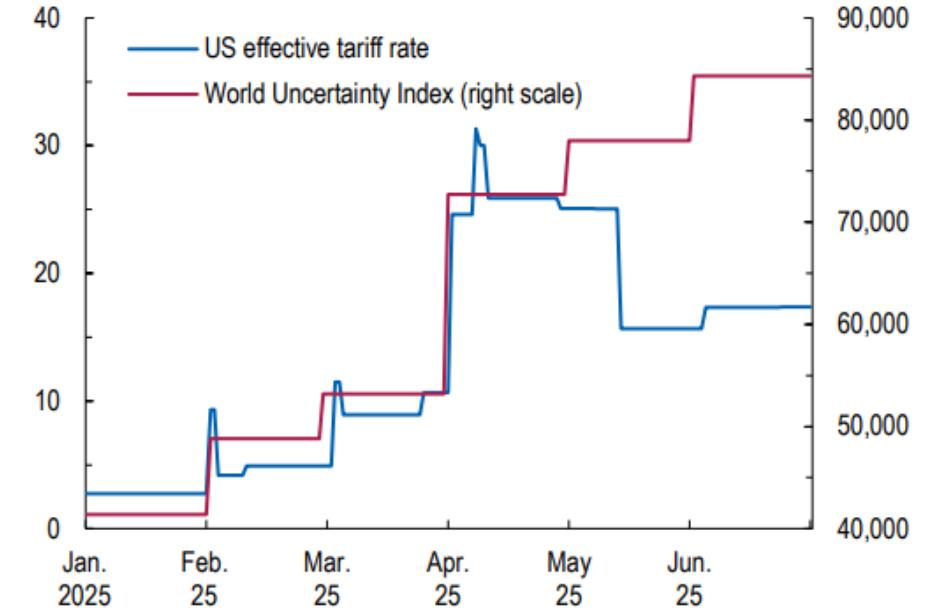
- Balancing safety, liquidity, and return in uncertain markets
- Managing geopolitical risks and sanctions
- Currency volatility and diversification dilemmas

Share of general government debt securities held by foreign investors



Source: Financial Accounts of the United States, Table L.210. BIS debt securities statistics; World Bank/IMF Quarterly External Debt Statistics (QEDS), accessed through Haver Analytics; Bank of England; Bank of Japan; European Central Bank; Federal Reserve Board; Board staff calculations.

Tariffs and Global Uncertainty(Percent; index, right scale)

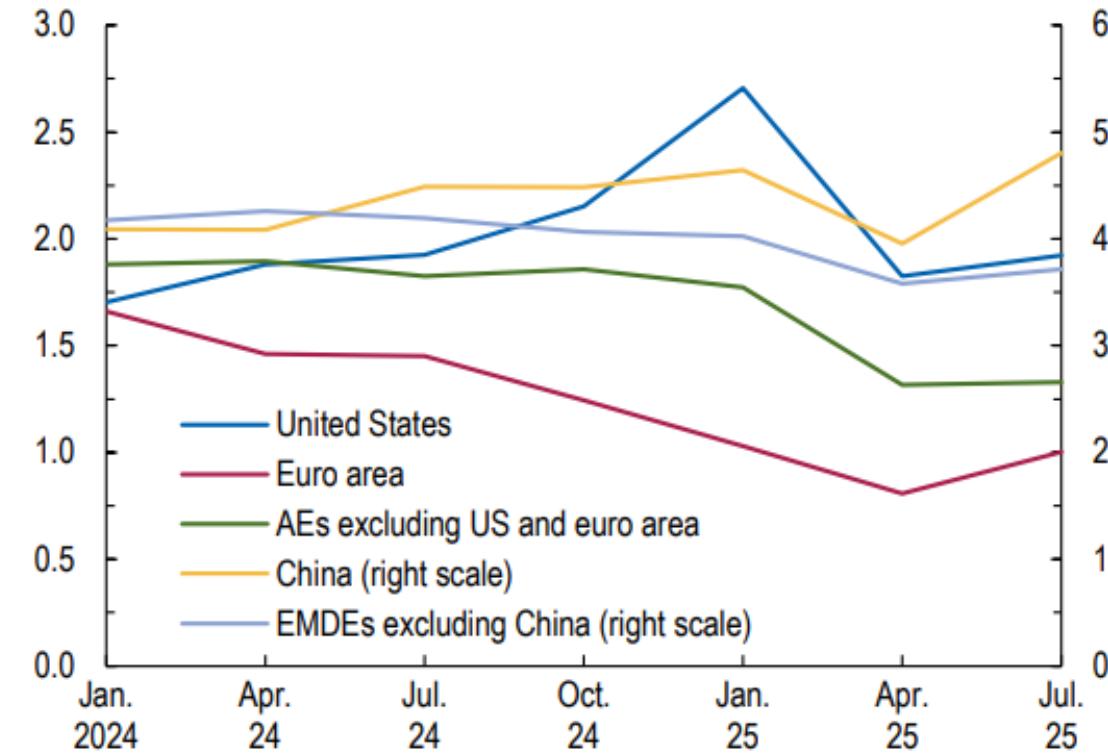


Sources: World Trade Organization; World Uncertainty Index (WUI) database; and IMF staff calculations.

Global Growth is Expected to Decelerate

- Growth revisions mostly driven by tariff adjustments, front-loading effects, and fiscal policies
- Momentum remains fragile, with regional divergences—India and China leading, advanced economies lagging
- Risks tied to trade policy, geopolitical uncertainty, and front-loading payback effects in 2026

Evolution of 2025 Growth Forecasts (Percent)



Source: IMF staff calculations.

Note: The x-axis shows the months the *World Economic Outlook* is published. AEs = advanced economies; EMDEs = emerging market and developing economies.

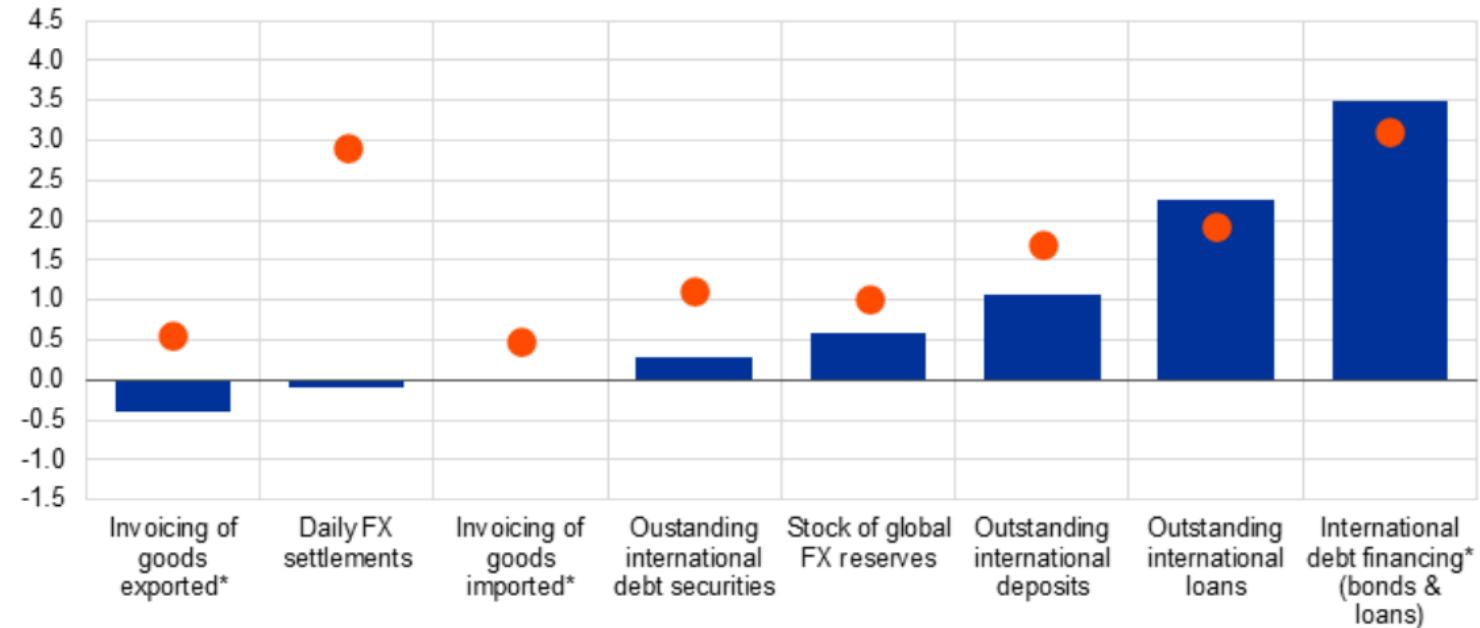
The Euro Gains Attractiveness

- Stronger euro fundamentals (ECB policy, resilience in eurozone)
- Growing role in trade invoicing and settlement
- Central banks increasing euro allocation

Changes in the share of the euro in various market segments in 2024

(percentage point changes at constant Q4 2024 exchange rates over the review period, unless otherwise indicated)

- Change in variable (in percentage points)
- Standard deviation



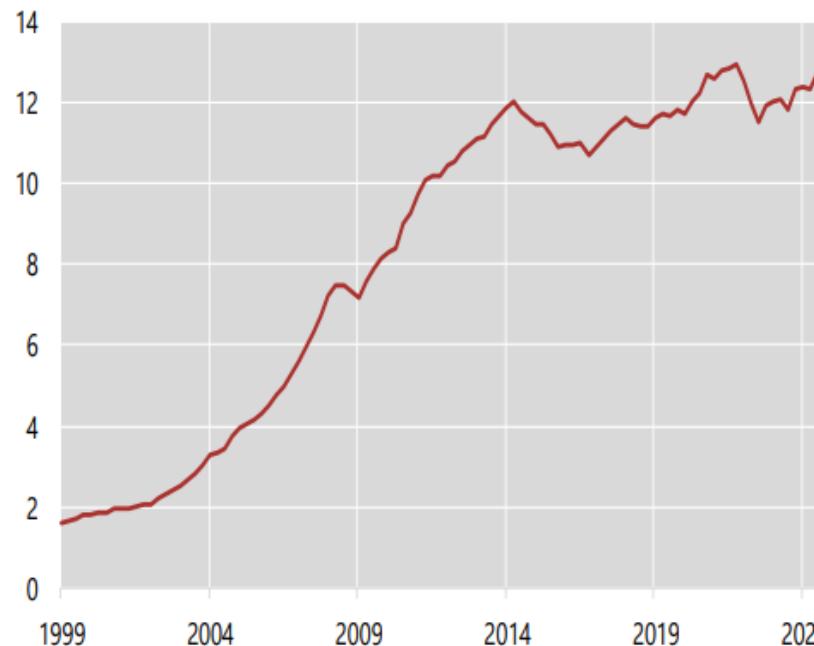
Sources: BIS, CLS Bank International, Dealogic, IMF, national sources and ECB staff calculations.

The Dollar Weakens

- Structural factors: high U.S. debt, fiscal deficits, political risk
- Declining share of USD in global reserves
- FX reserve managers seeking diversification away from the dollar

Global foreign exchange reserves

USD trillions

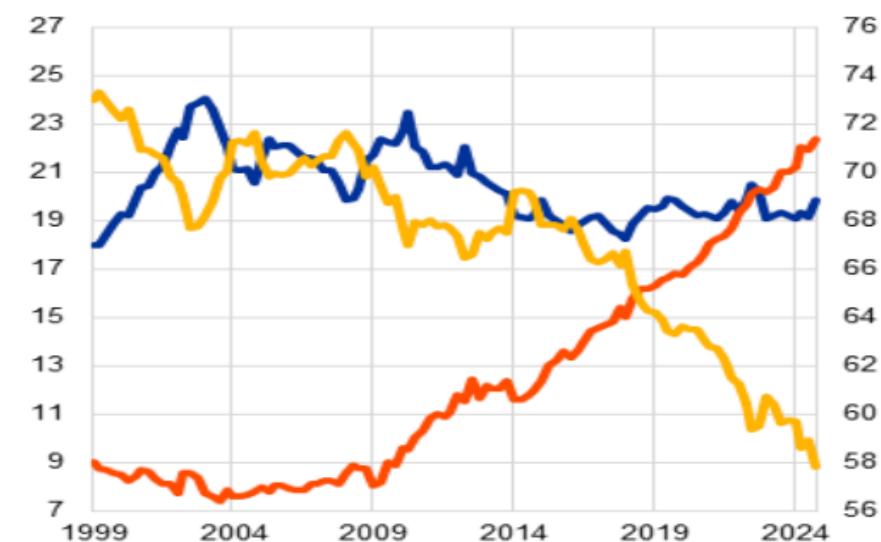


Source: IMF and ECB calculations.

Currency share of global foreign exchange reserves

Percentage, at constant Q4 2024 exchange rates

Legend:
— Euro (left-hand scale)
— US dollar (right-hand scale)
— Other currencies (left-hand scale)

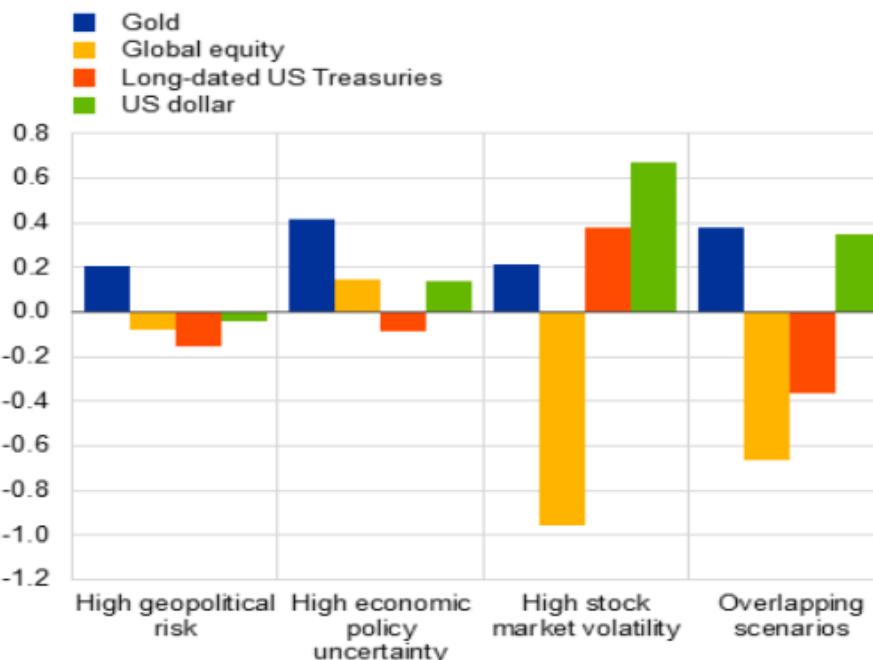


Gold Becomes More Popular

- Safe-haven demand amid geopolitical tensions and inflation
- Central banks' record gold purchases in recent years
- Gold as a hedge against both USD and inflation

Performance during stress episodes

Sharpe ratios, January 1997 to March 2025,



Estimated gold purchase by central banks vs reported

In tonnes



Sources: IMF IFS, Metal focus, respective central banks, World Gold Council, Bloomberg Finance L.P., Haver Analytics, Caldara and Iacoviello*, Baker, Bloom and Davis** and ECB calculations.

National Bank of Georgia – FX Reserve Developments

Recent Years

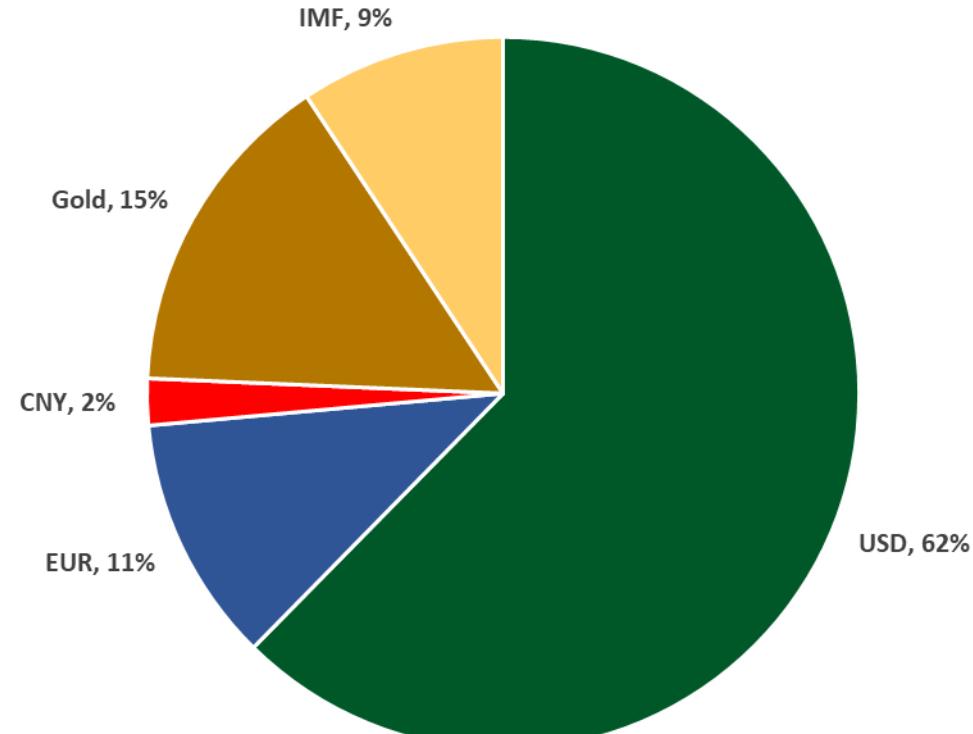
- Increased allocation to **EUR** in FX reserves
- Purchased **monetary gold**
- Added **more new issuers and counterparties from single A** for diversification

Future Plans

- Create a **corporate bond portfolio in USD**
- Manage **CNY bond portfolio internally**
(currently managed externally)
- Introduction of **TAA**

Currency Composition (August 2025)

Total Reserves



Source: National Bank of Georgia



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Conclusion

- Reserve managers face rising challenges from geopolitical risks, trade tensions, and policy uncertainty
- Global growth remains fragile, with clear divergences across regions
- The euro is gaining strength as a reserve currency, while the dollar faces structural headwinds
- Gold demand is rising as central banks seek stability and protection against both inflation and USD(as a major reserve currency) risk
- Successful reserve management requires diversification, flexibility, and long-term resilience



Thank you!

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