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BUSINESS

Asian banks offload their greenbacks

By Josh Gordon

Economics correspondent

Canberra

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The US dollar's status as the world's main reserve currency is under threat as Asian banks back away from the superpower's ballooning twin deficits.

Over the past three years, central banks in the region have been scaling back their holdings of US dollars amid jitters about the United States' ever-expanding current account and budget deficits, which collectively soaked up at least \$US1000 billion (\$A1265 billion) of foreign currency last year.

A report by the Bank for International Settlements has estimated that the share of deposits held in US currency by Asian banks dropped to 67 per cent in the September quarter of 2004, from about 81 per cent of total deposits three years earlier.

The figures suggest that a dramatic but not widely publicised regional shift away from the US dollar is under way.

They follow a warning from Japanese Prime Minister Junichiro Koizumi that the Japanese central bank should consider diversifying out of US dollars. Korea expressed similar sentiments last month.

The report said the shift had been most pronounced in India, where the ratio of reported US-dollar holdings has plummeted from around 68 per cent to 43 per cent over the three years to September 2004. China has also been scaling back its holdings, taking its share from 83 per cent to 68 per cent.

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