

Study shows 130 countries exploring central bank digital currencies

A total of 130 countries representing 98% of the global economy are now exploring digital versions of their currencies, with almost half in advanced development, pilot or launch stages, a closely-followed study shows.



Source: Reuters.

The research by the US-based Atlantic Council think tank published on Wednesday, 28 June, said significant progress over the past six months meant that all G20 countries with the exception of Argentina were now in one of those advanced phases.

Eleven countries, including a number in the Caribbean, and Nigeria, have already launched central bank digital currencies (CBDCs) as they are known, while pilot testing in China now reaches 260 million people and covers 200 scenarios from e-commerce to government stimulus payments.

Two other big emerging economies, India and Brazil, also plan to launch digital currencies next year. The European Central Bank is on track to begin its digital euro pilot ahead of a possible launch in 2028, while over 20 other countries will also take significant steps towards pilots this year.

In the United States, though, progress on a digital dollar is only "moving forward" for a wholesale (bank-to-bank) version, the Atlantic Council's research said, whereas work on a retail version for use by the wider population has "stalled".

US President Joe Biden ordered government officials to assess the risks and benefits of creating a digital dollar in March 2022.

Global ramifications: The dollar's dominance

The heavyweight status of the dollar in the financial system means any US move has potentially enormous global consequences, but the Federal Reserve said back in January that Congress, rather than it, should decide whether a digital version is launched.

The global push for CBDCs comes as physical cash use falls and authorities look to fend off the threat to their money-printing powers from bitcoin and 'Big Tech' firms.

Sanctions imposed on the likes of Russia and Venezuela in recent years have been another driver, including even for long-time US allies like Europe, which wants to ensure it has an alternative to the Visa, Mastercard and Swift payment networks.

Doubling of wholesale CBDC developments

"Since Russia's invasion of Ukraine and the G7 sanctions response, wholesale CBDC developments have doubled," the Atlantic Council said, adding that there were now 12 multi-country "cross-border" projects being worked on.

It said that Sweden remained one of Europe's most advanced with its CBDC pilot, while the Bank of England is pressing on with work on a possible digital pound that could be in use by the second half of this decade.

Australia, Thailand, South Korea, and Russia all intend to continue pilot testing this year too.

Despite the growing interest in CBDCs, however, some countries that have launched them - such as Nigeria - have seen a disappointing take-up, while Senegal and Ecuador have both cancelled development work.

For more, visit: <https://www.bizcommunity.com>