



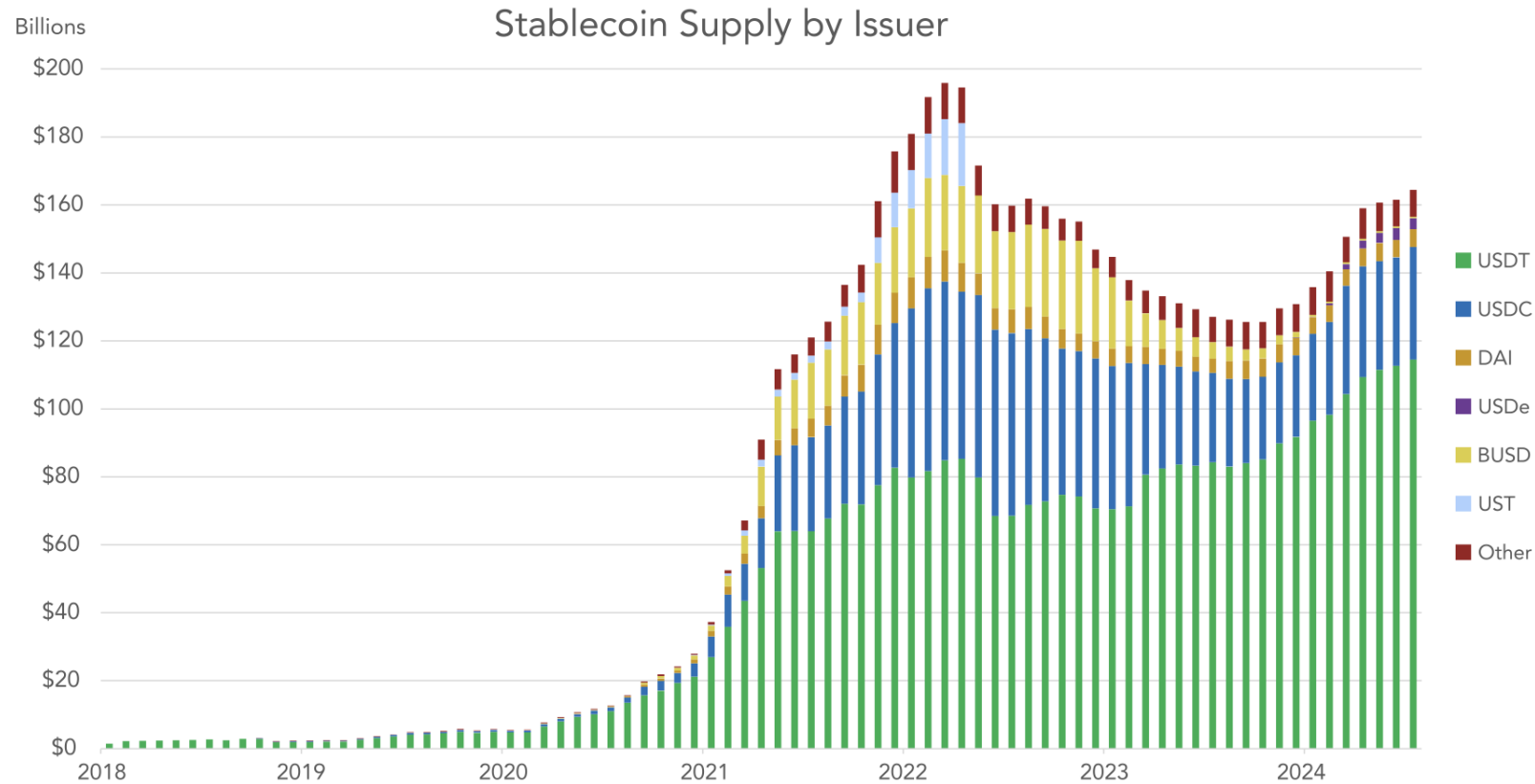
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Cryptodollarization: The Emerging Market Story

Token 2049 • September 2024 • Nic Carter



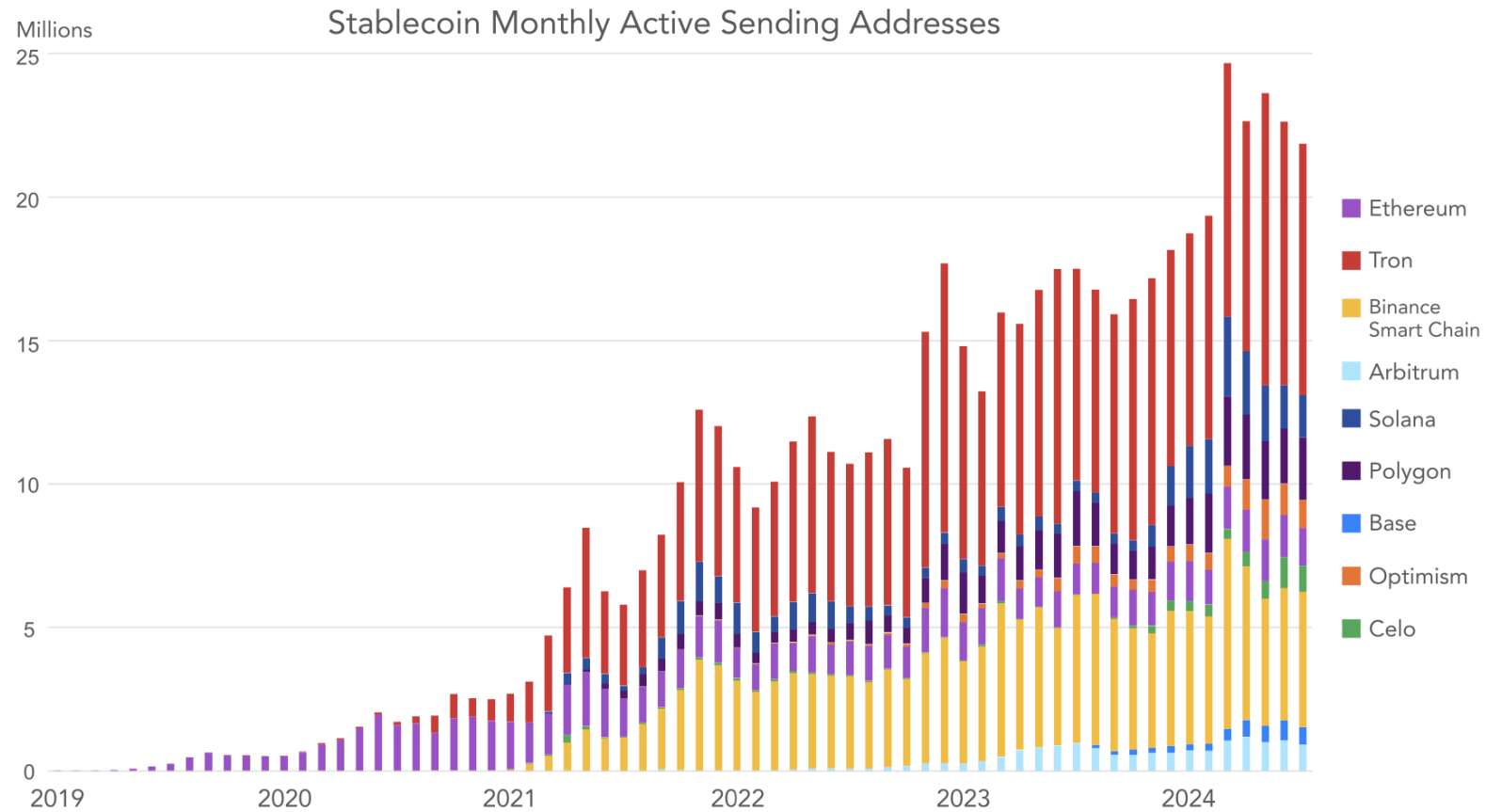
Since we last met...



Supply has grown
from \$127b to
\$171b



Since we last met...

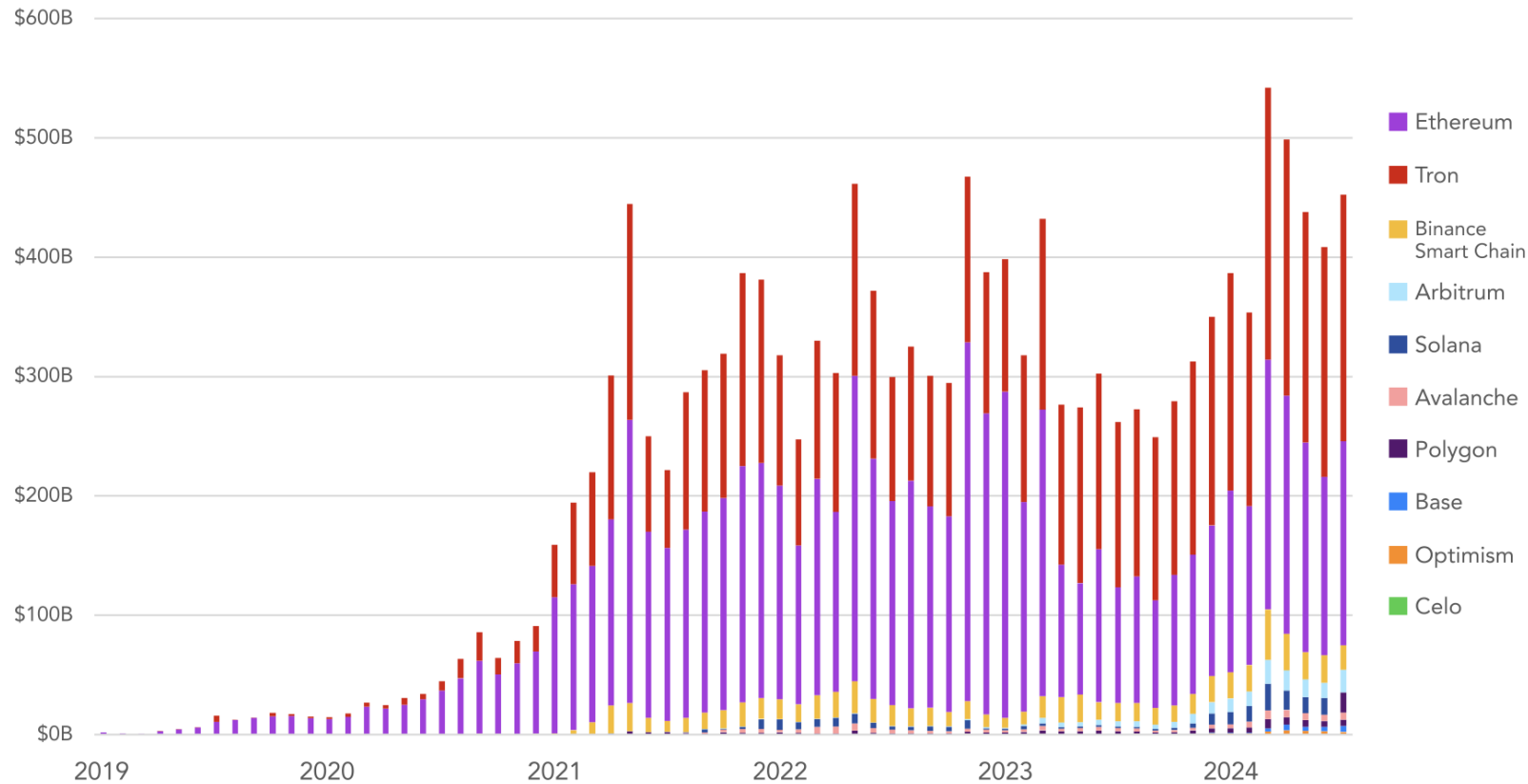


Stablecoin monthly
sending addresses
16m to 23m



Since we last met...

Adjusted Stablecoin Transaction Volume Settled by Network, Monthly ⁶

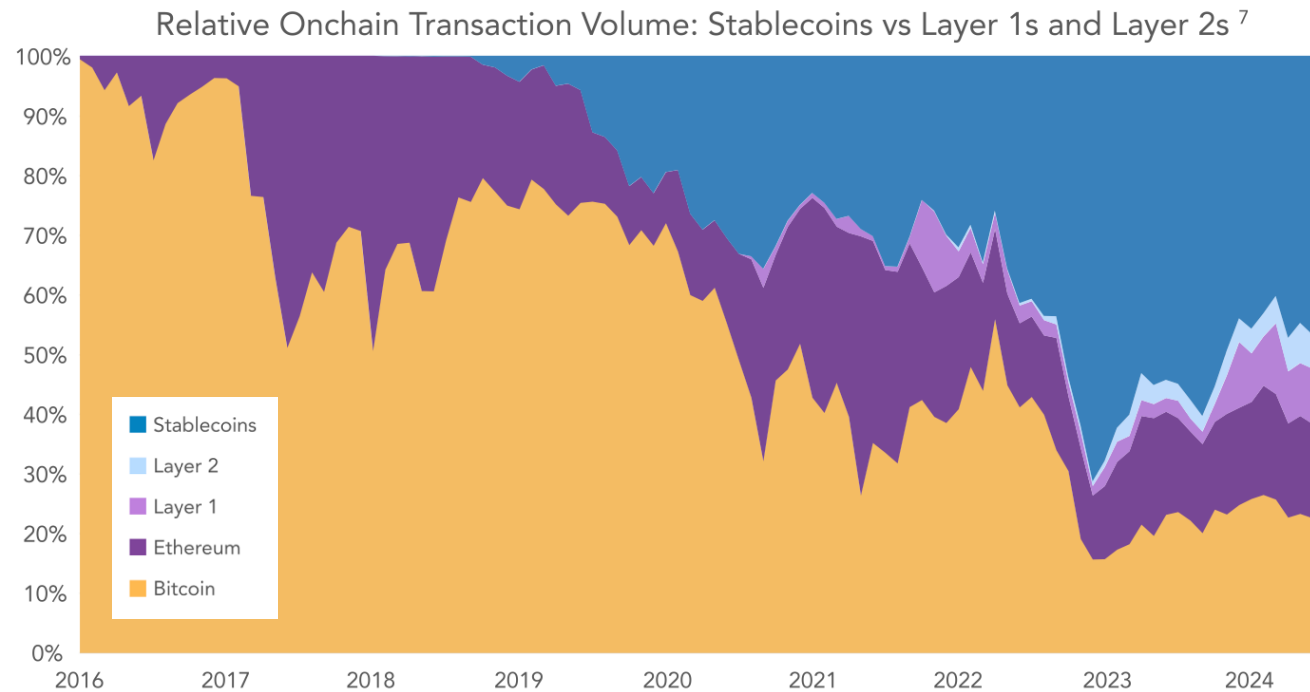


Stables have settled
\$4.96 trillion* in the
last year



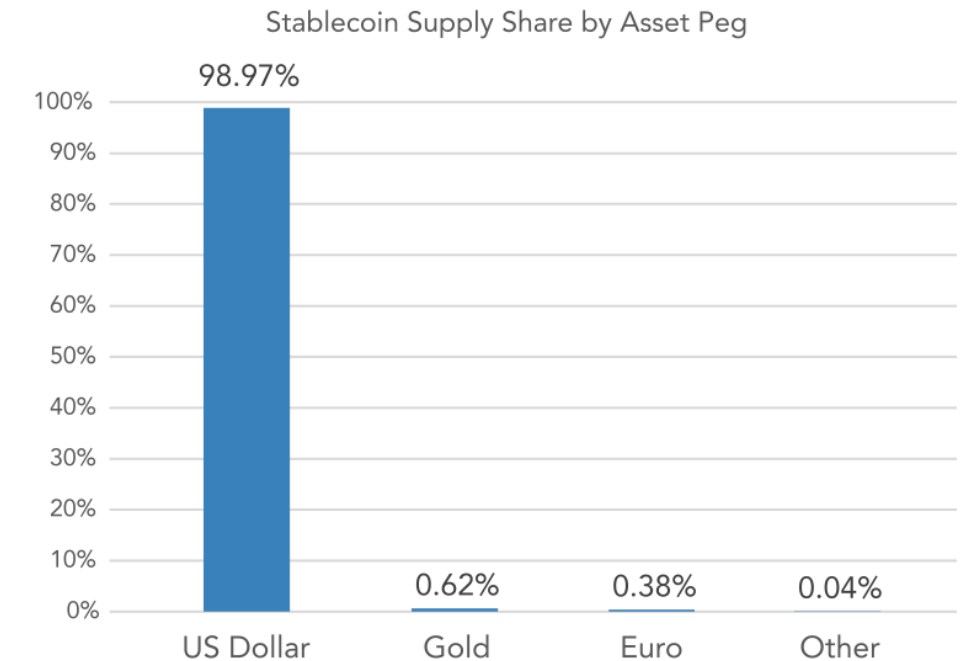
* Allium/Visa methodology, see visaonchainanalytics.com

Blockchains are mainly about settling dollars



Data: Artemis, Allium

+



= crypto is good, not bad for the dollar



No global financial system is as dollarized as stables

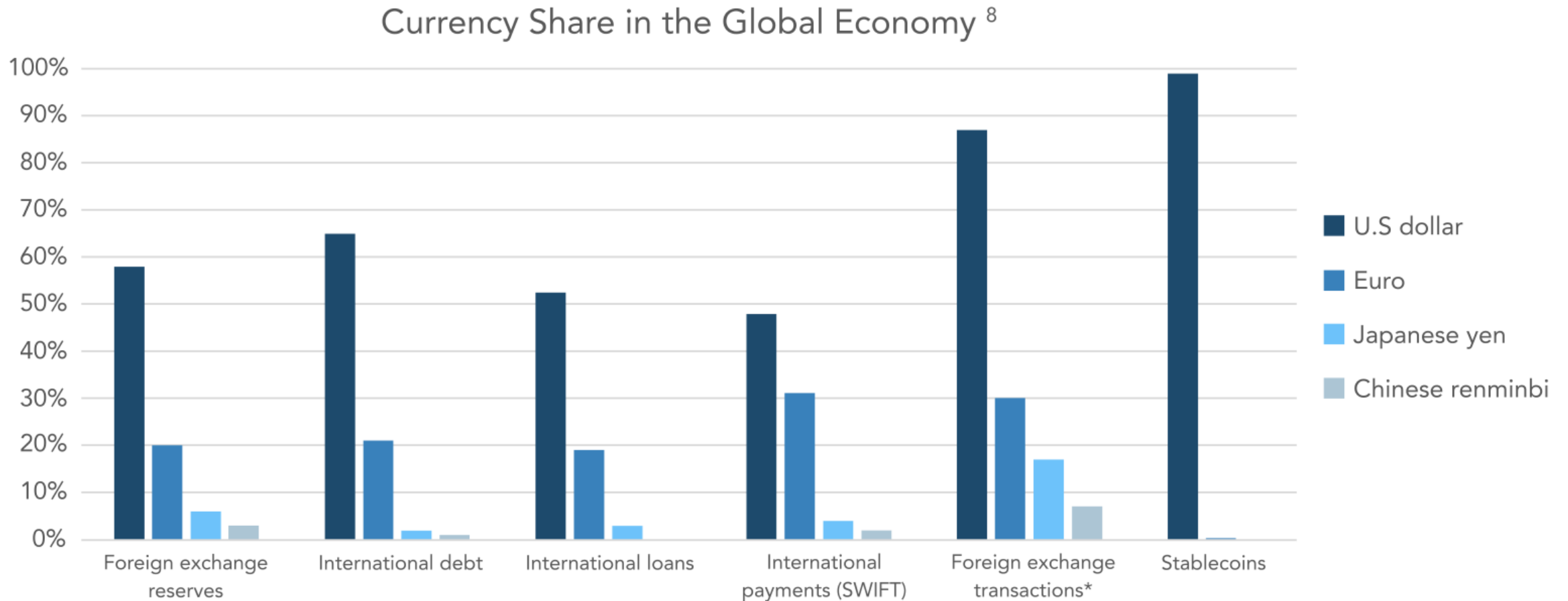
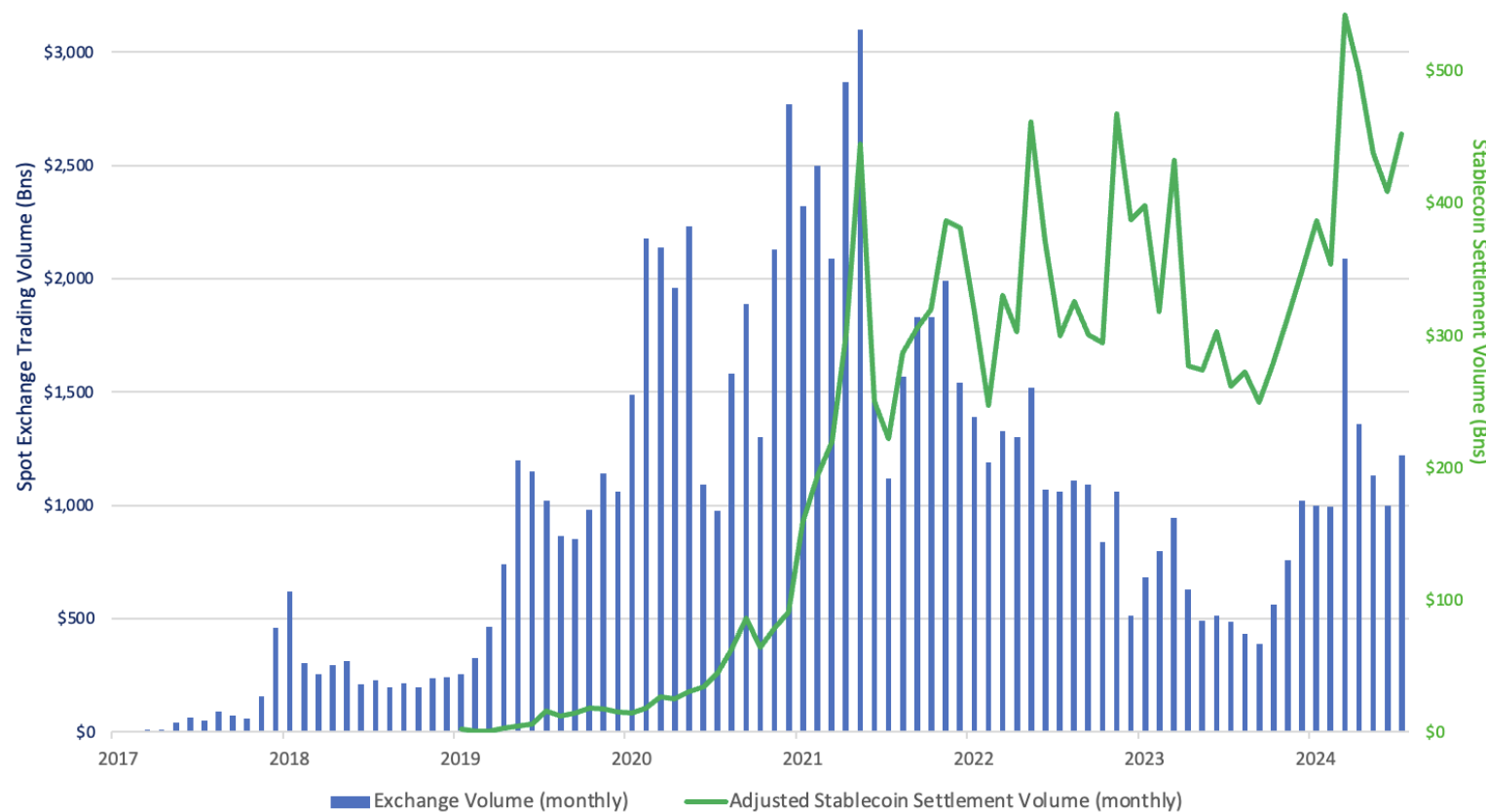


Chart adapted from "Top dollar" by Ewar Prasad, Foreign Affairs Magazine

Stablecoins have decoupled from the crypto market cycle

Spot crypto exchange volume (LHS) versus stablecoin settlement value (RHS)

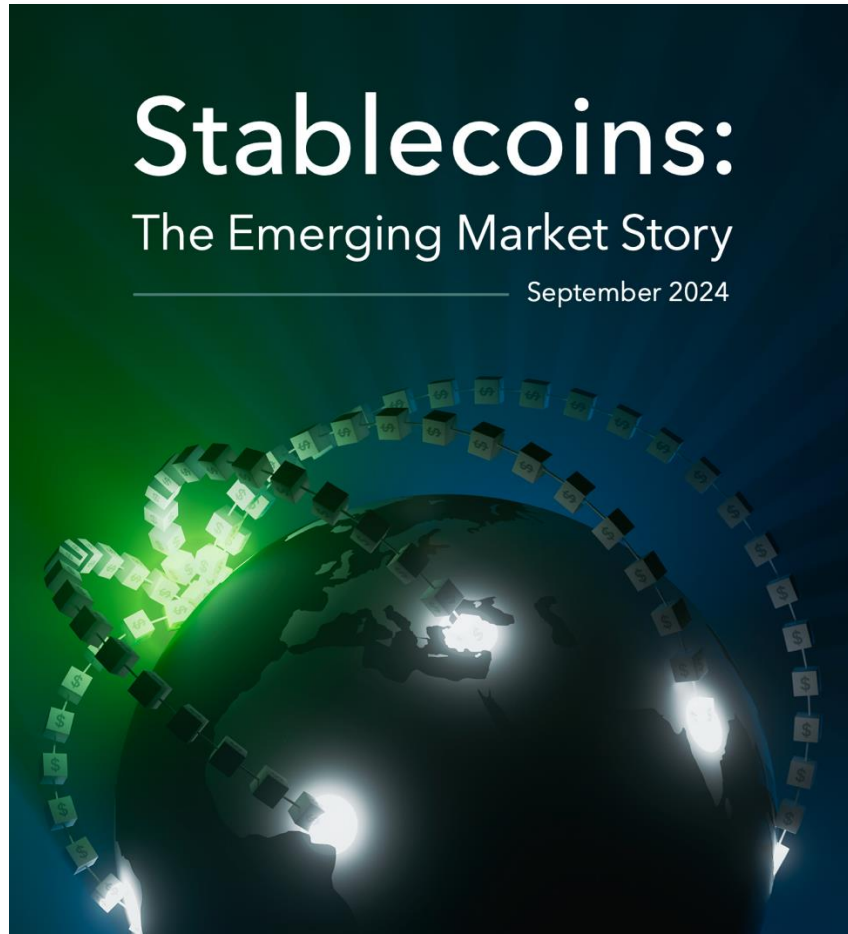


Stablecoin settlement grew through the bear market



Data: CoinMarketCap, Allium

Is this real-world usage? Or just for trading?



2541 crypto users surveyed in
June 2024 by YouGov in:

- Brazil
- India
- Indonesia
- Nigeria
- Turkey



Report courtesy of CIV & Brevan Howard digital.
Available at castleisland.vc/writing/stablecoins-the-emerging-market-story

Stablecoin usage varies widely by country

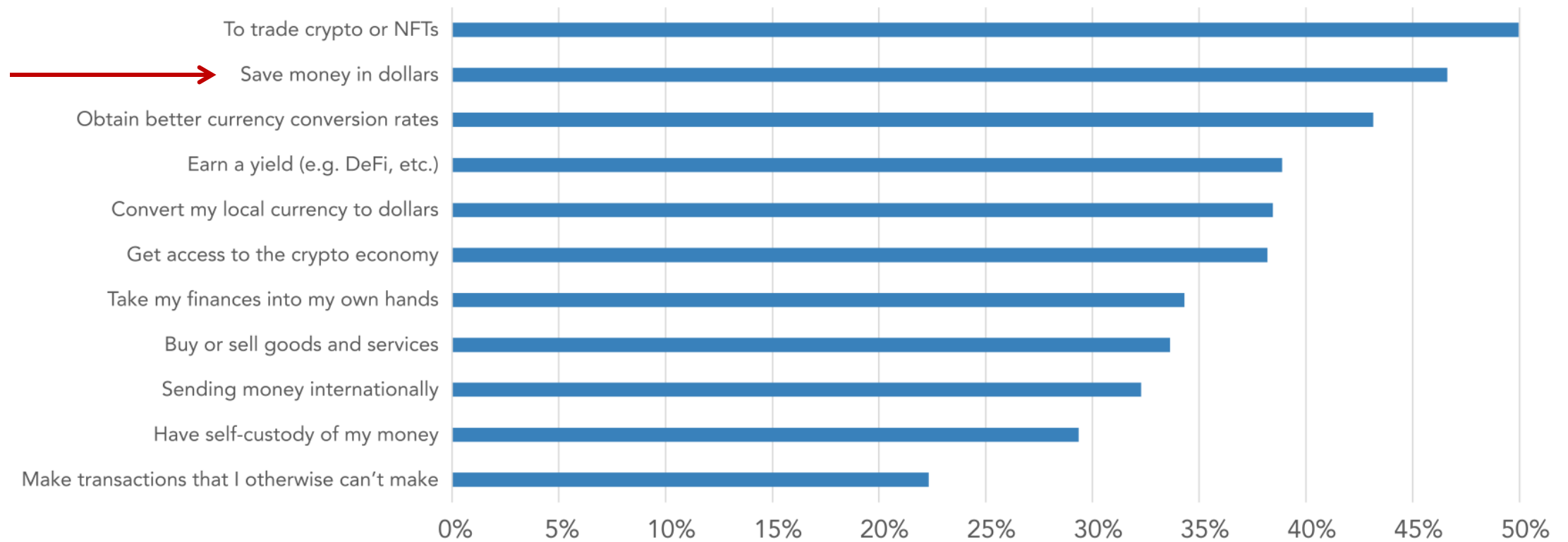
Country	Chainalysis 2023 crypto adoption rank	Dollar banking	Advanced inflation event	Avg inflation rate last decade (%)	Have converted my local FX to a stablecoin (%)	Why prefer stables to banking? (top choice)	Primary stablecoin goal
India	1	Difficult to obtain	None	5.9	58	"Trust stablecoins more"	Trade crypto
Nigeria	2	Available	Ongoing	15.6	77	"More stable over time"	Save in dollars
Indonesia	7	Uncommon	None	4.1	75	"More efficient"	Currency conversion
Brazil	9	Uncommon	1990	6.2	67	"Govt less likely to interfere"	Trade crypto
Turkey	12	Available	Ongoing	19.2	68	"Better yield with stables"	Earn a yield

*Findings from Stablecoins: The Emerging Market Story, CIV & Brevan
Howard Digital*



Trading crypto is #1, but saving in USD not far behind

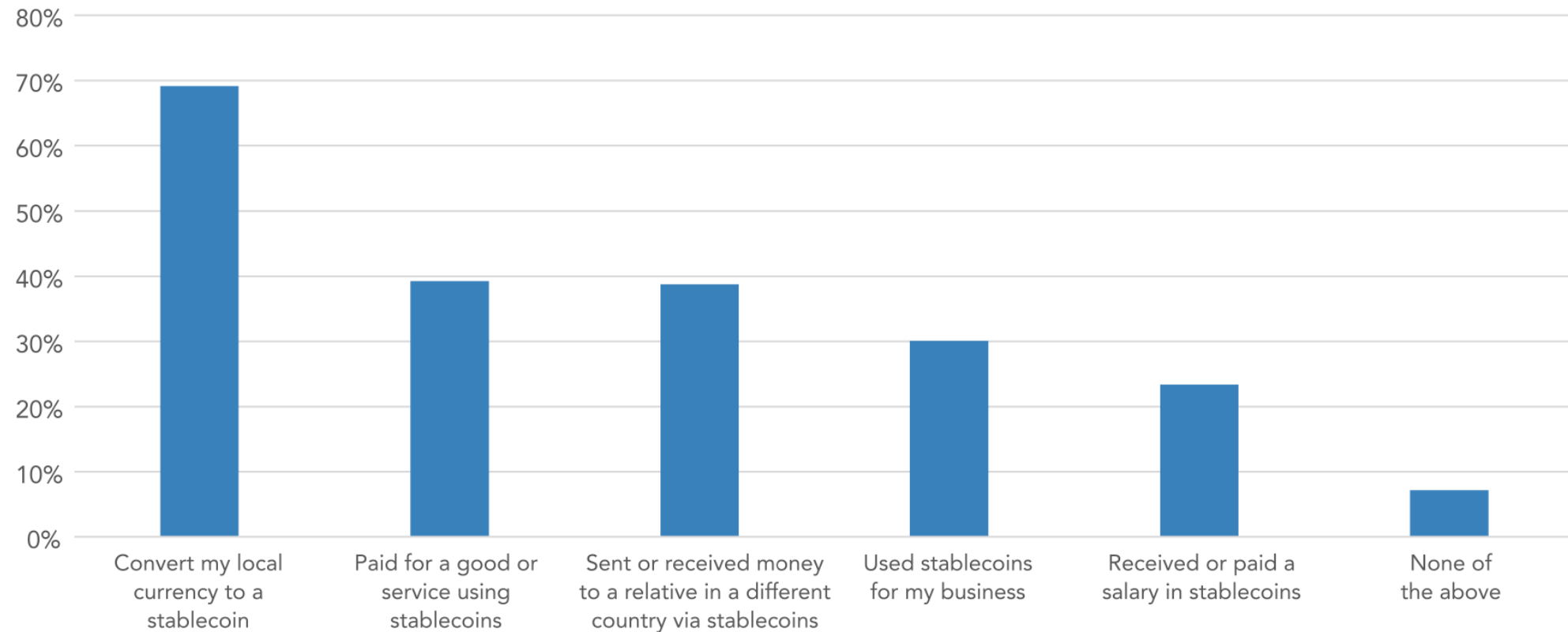
What are your primary goals when using stablecoins? Select all that apply



Source: *Stablecoins: The Emerging Market Story*, CIV & BH Digital

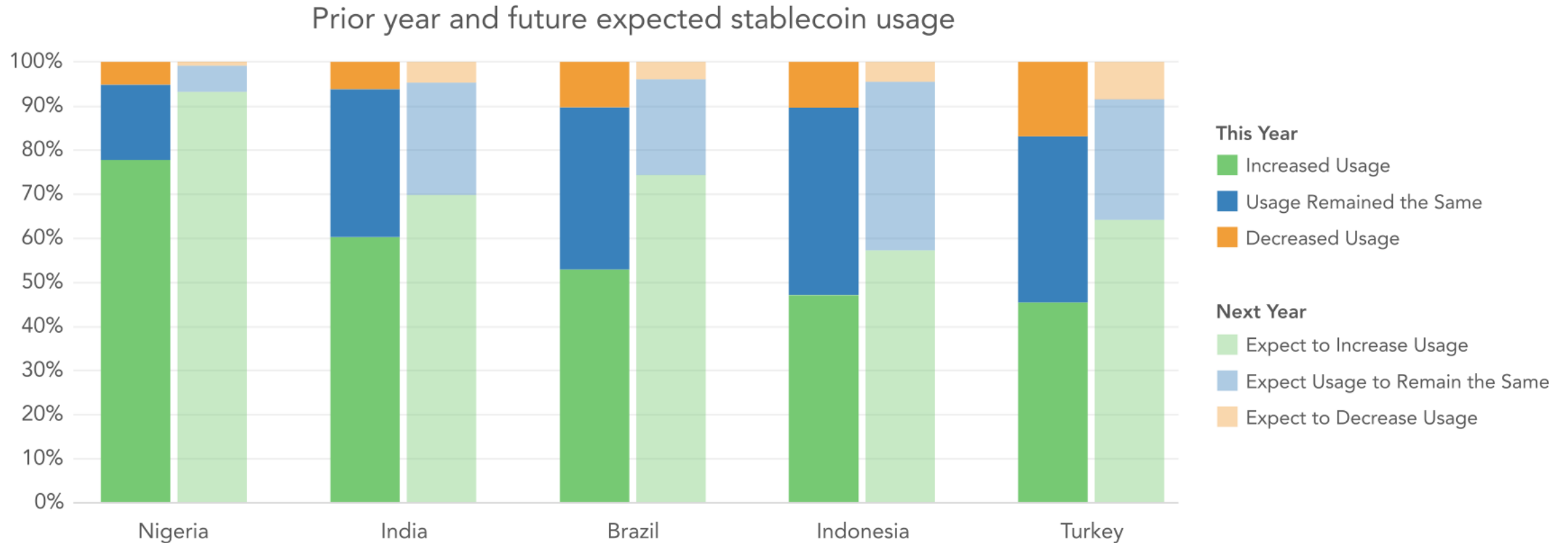
Stables are part of these users' everyday financial lives

Which of these things have you done at least once? Select all that apply.



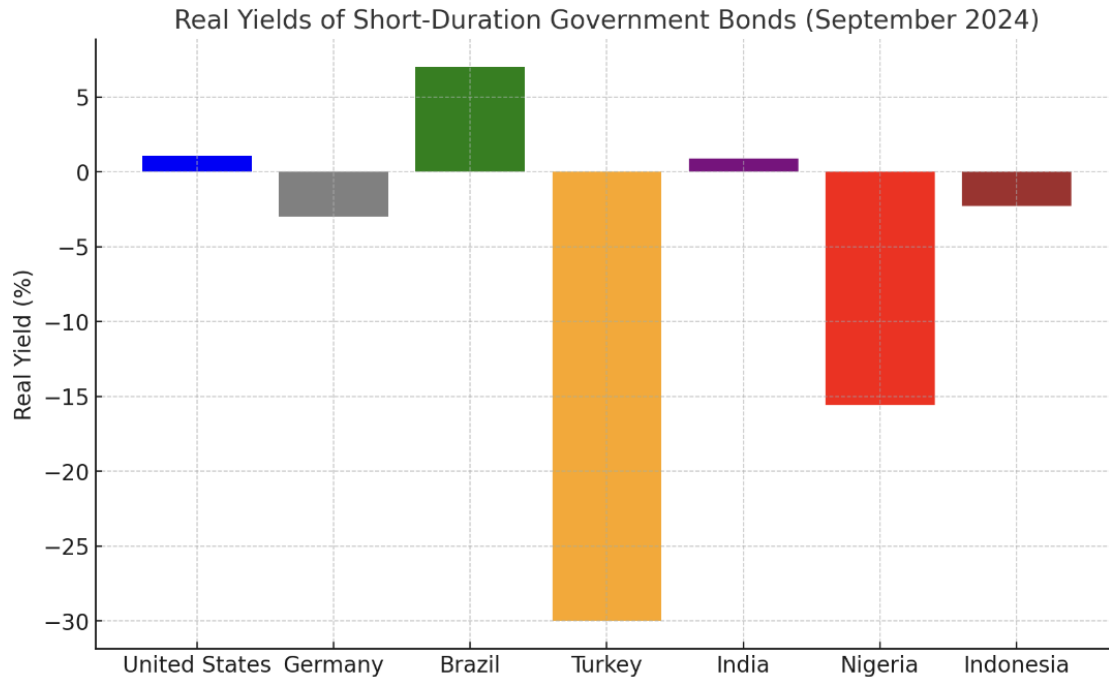
Source: Stablecoins: The Emerging Market Story, CIV & BH Digital

Usage is growing in every country surveyed

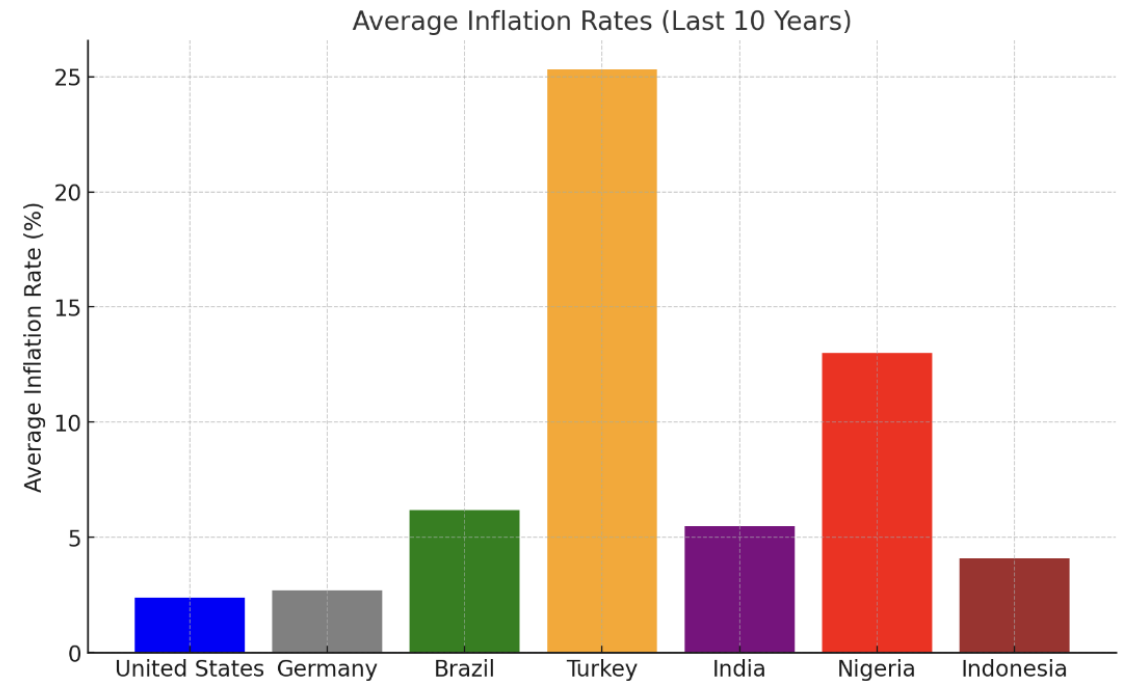


Source: Stablecoins: The Emerging Market Story, CIV & BH Digital

Drivers of adoption depend on macro context



55% of Turkish crypto users say they are motivated to use stables due to yield opportunities

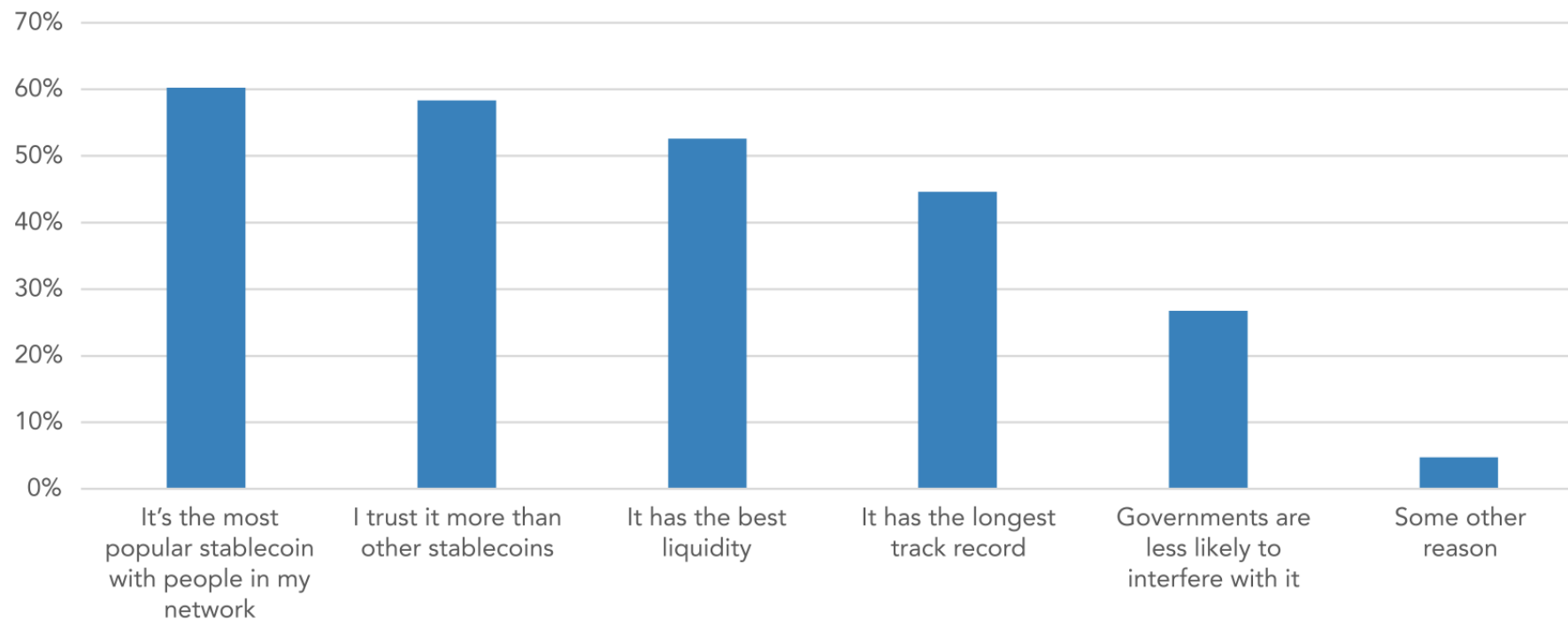


64% of Nigerians, 40% of Brazilians, and 46% of Indians polled use stables to save in USD



Tether leads due to network effects, trust, and liquidity

Earlier you mentioned you prefer Tether to other stablecoins. Why is that? Select all that apply.



Stablecoin users in EM nations do not care what the WSJ has to say about Tether

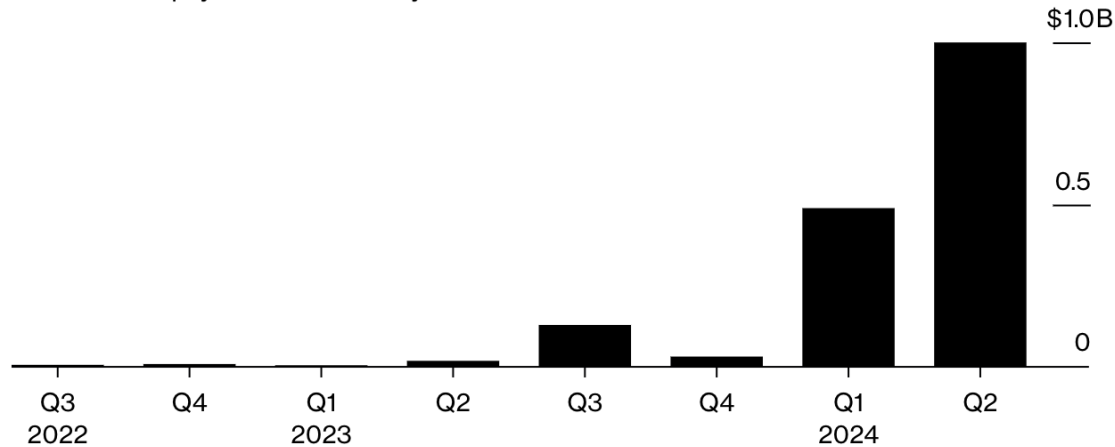


Source: *Stablecoins: The Emerging Market Story*, CIV & BH Digital

More data supports the growth of stables in the “real economy”

Singapore's Stablecoin Payments Touch Record High

■ Stablecoin payments received by merchants

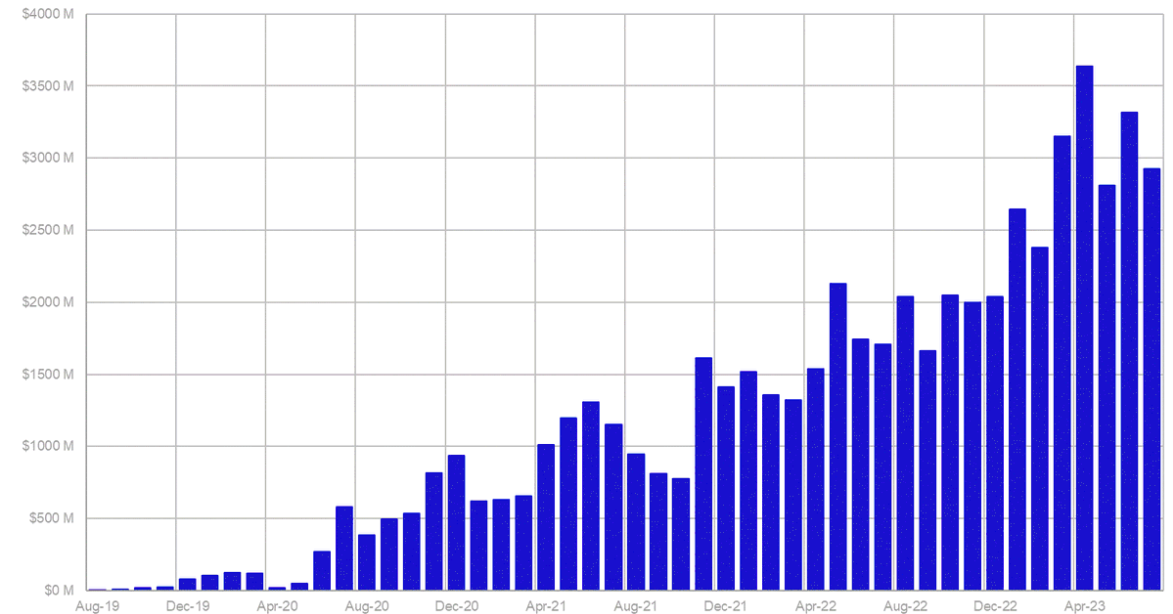


Source: Chainalysis

USDT transactions (lower bound) made by Brazilian individuals and businesses as reported in tax filings

Total USDT Transaction Volumes on Tax Returns - Brazil (August 2019 - July 2023)

CoinShares



Source: Receita Federal, CoinShares, data available as of close 29 April 2024



Data courtesy of Bloomberg/Chainalysis

Matt Kimmell / Coinshares ([source](#))

Nigeria dominates in all categories of usage

What is your overall opinion on these stablecoins? Select one answer per row. (USDT)

		Country				
	All	Brazil	Nigeria	Turkey	Indonesia	India
Very favorable	57%	47%	75%	51%	49%	57%
Somewhat favorable	28%	35%	18%	29%	35%	29%
Neither favorable nor unfavorable	12%	15%	5%	17%	14%	11%
Somewhat unfavorable	1%	3%	1%	2%	2%	1%
Very unfavorable	0%	0%	0%	0%	0%	1%
I don't have an opinion on this brand	1%	0%	1%	1%	0%	1%



Compared to other countries surveyed, Nigerians had more frequent usage, more stables in their portfolios, higher stablecoin favorability, and more activity in all categories



Nigeria may be undergoing crypto-dollarization



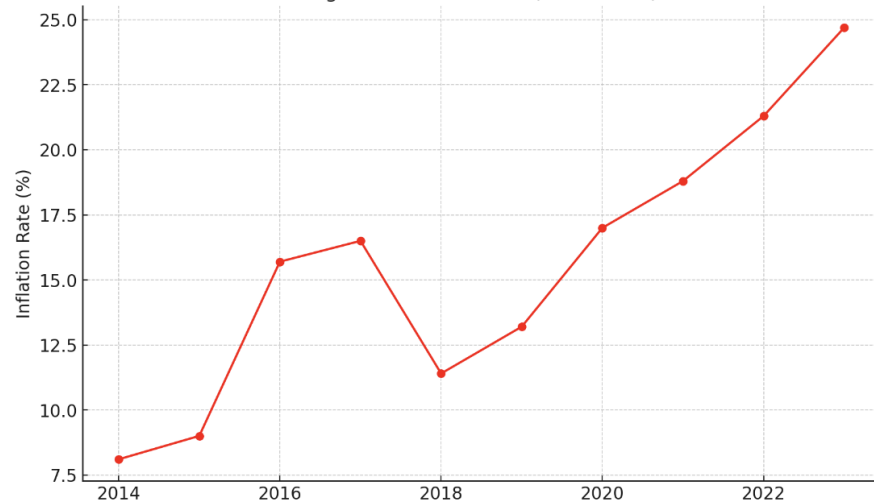
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Technology

Nigeria plans additional rules to combat illegal trading in digital assets

But this is causing frictions and reprisals...

Nigeria Inflation Rates (2014-2023)



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Africa | Tax | Litigation

Nigeria court rules Binance executive can face trial on behalf of crypto exchange

By Camillus Eboh

May 17, 2024 10:49 AM EDT · Updated 4 months ago



Who is likely to experience crypto-dollarization?

Likeliest
candidates for
crypto-
dollarization

Country	Property rights quintile	Inflation quintile	Smartphone quintile	Remittance quintile	Crypto quintile	Crypto propensity index
Nigeria	5	3	2	4	5	19
Argentina	2	5	5	3	4	19
Venezuela	5	5	1	4	2	17
Zimbabwe	5	5	1	5	1	17
Angola	5	4	2	5	1	17
Egypt	3	4	4	3	2	16
Pakistan	4	3	1	3	5	16
Brazil	2	1	5	2	5	15
Ghana	3	3	3	4	3	16
Türkiye	1	4	5	1	4	15
Uzbekistan	4	2	3	3	3	15
Ethiopia	4	3	1	5	2	15
Mexico	3	1	4	1	4	13
Bangladesh	4	2	2	1	4	13
Iran	2	4	2	2	3	13
Tunisia	3	2	4	2	1	12
South Africa	1	1	3	4	3	12
India	1	1	3	1	5	11
Colombia	2	2	4	2	2	12

Property rights data: International Property Rights Index, Property Rights Alliance. Remittance cost: World Bank Remittance database.
Smartphone penetration: Statista. Crypto adoption: 2023 Chainalysis Geography of Crypto Report.



Crypto-dollarization candidates in detail

	10y avg inflation (%)	Avg. Remittance Cost (%)	Trust in institutions	Property rights Index	Financial acct. ownership	Crypto adoption rank	Capital controls
Nigeria	15	8.2	High	Medium	Low	2	Restrictive
Argentina	45	6.5	Weak	Strong	Medium	15	Highly restrictive
Venezuela	>1000	8.5	Medium	Weak	Medium	40	Extremely restrictive
Zimbabwe	140	13	Weak	Weak	Medium	103	Extremely restrictive
Angola	19	10.5	Medium	Weak	Medium	108	Moderate
Egypt	14	7.1	Weak	Medium	Low	35	Moderate
Pakistan	9	6.8	Medium	Medium	Low	8	Moderate
Brazil	7	6.1	Weak	Strong	High	9	Mild

Remittance cost: World Bank Remittance database.

Trust in institutions: Edelman Trust Barometer

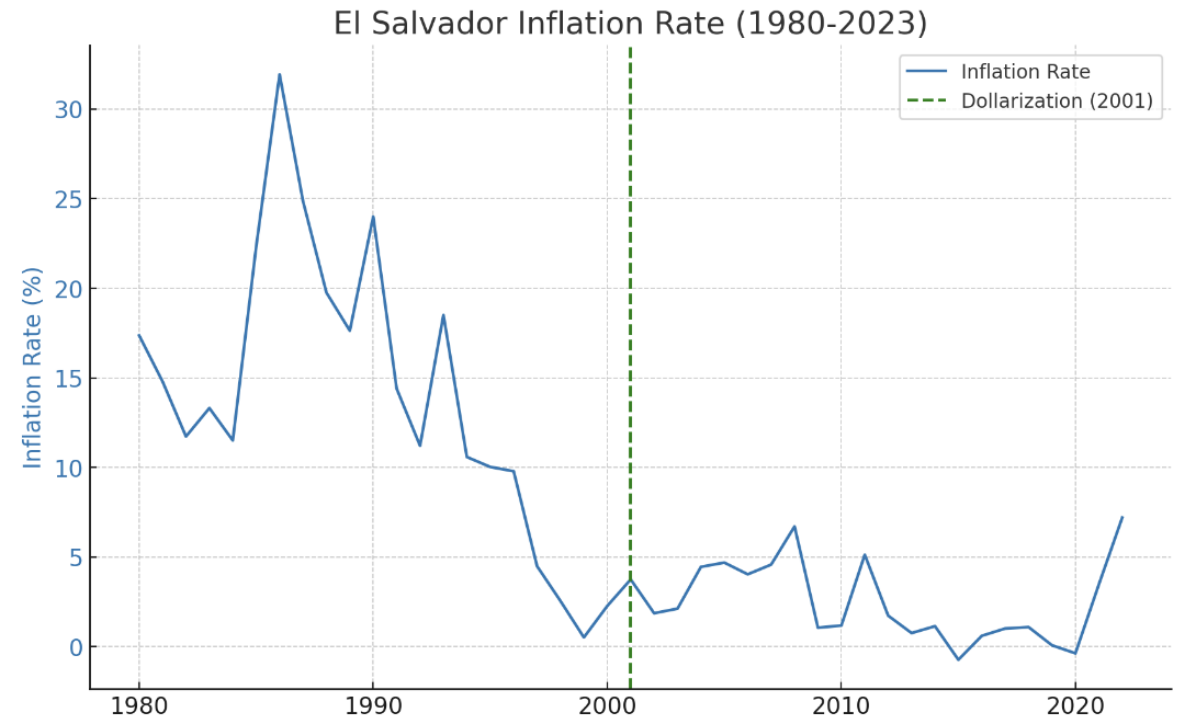
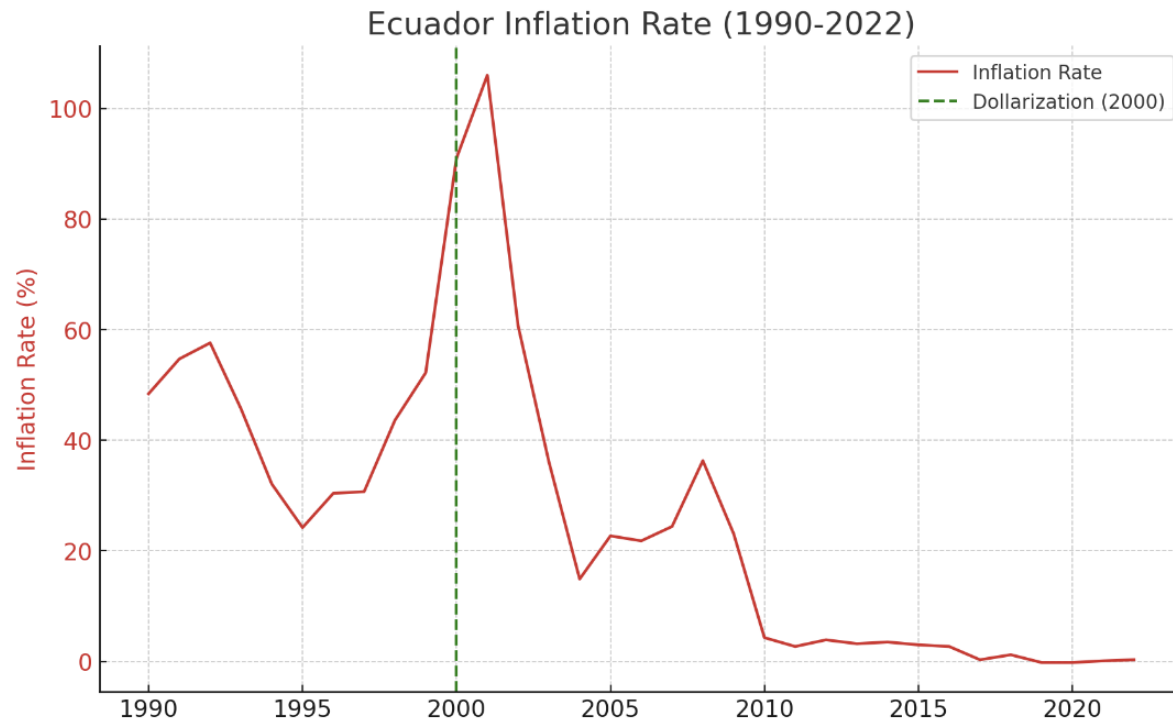
Property rights data: International Property Rights Index, Property Rights Alliance.

Financial account ownership: World Bank Global Findex – share of adults with an account at a financial institution

Crypto adoption: Chainalysis Geography of Crypto 2023



Dollarization works





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