

The impact of euro adoption in recent cases

Reiner Martin
Head of Section, EU Countries Division

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“The impact of the euro changeover on inflation and
interest rates in the Slovak Republic”

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The views expressed in this presentation are solely those of the presenter and do not necessarily reflect those of the European Central Bank

Outline

- **‘Best practices’ regarding the cash changeover**
- **Selected logistical aspects of the cash changeover**
- **The impact of the cash changeover on inflation in Slovenia, Cyprus and Malta**
- **The impact on expected and perceived inflation**
- **Conclusions**

'Best practices'

- **Based largely on experiences made in 2002**
- **Long and early dual pricing period (SI: 3/2006 – 6/2007, CY: 9/2007 – 9/2008, MT: 7/2007 – 6/2008)**
- **Timely and extensive public information campaign**
- **Price monitoring activities** (often with strong involvement of consumer's association and including 'naming and shaming')
- **Short period of dual currency circulation** (2 weeks in SI, one month in CY and MT)

Selected logistical aspects

- **Cash changeover in SI, CY and MT were good examples for Eurosystem / ESCB co-operation** (both as regards the supply of banknotes and the minting of coins)
- **Progress with cash changeover was overall fast** ('Euro progress ratios' after 2 weeks between 61-85% for banknotes and 42-87% for coins. 'In-the-wallet' – figures considerably higher.)
- **At least in CY and MT the cash changeover resulted in a transfer from cash hoarding to bank deposits.**

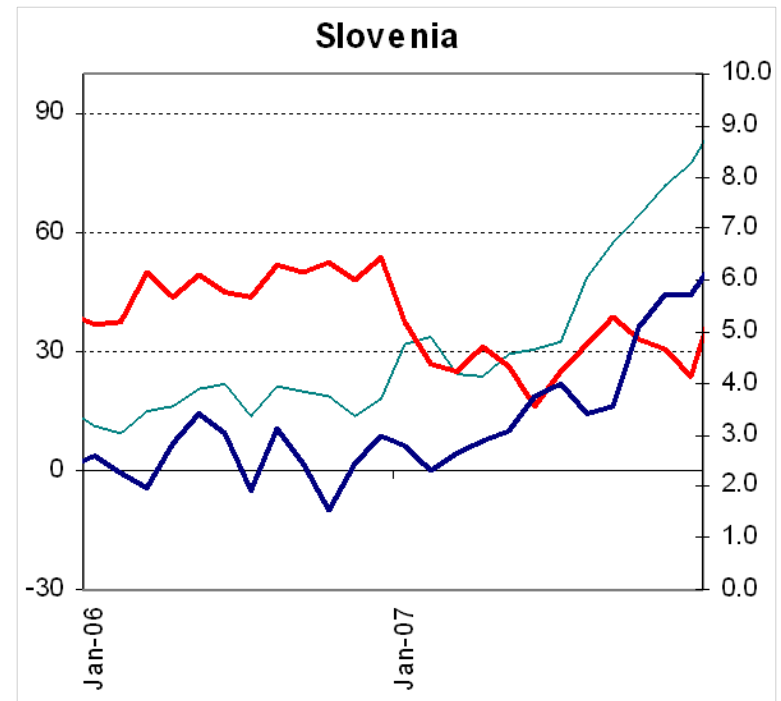
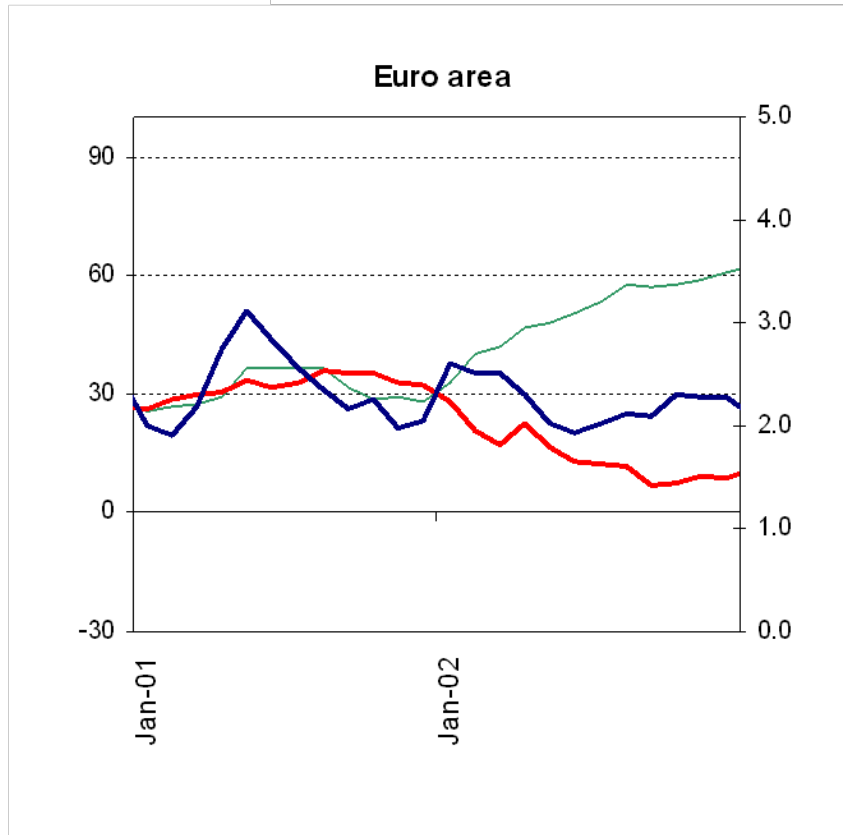
Impact of cash changeover on inflation

- **Survey in OECD paper ranges from 0.1 to 0.6 p.p. for 2002 changeover (individual EA12 countries). For EA12 most likely estimate is at most 0.3 pp**
- **SI 0.2 - 0.3 pp (Eurostat et al); CY 0.3 pp (Eurostat + NSI); MT 0.2 - 0.3 pp (Eurostat), 0.1 pp (NCB)**
- **Overall there is strong homogeneity regarding the direct effects of the cash changeover on inflation...**
- **...and some sectors consistently appear as main source of direct effects. (Inter alia restaurants, cafés, personal services, repair services.)**

Impact on expected and perceived inflation

CHART: Perceived, expected and overall HICP inflation

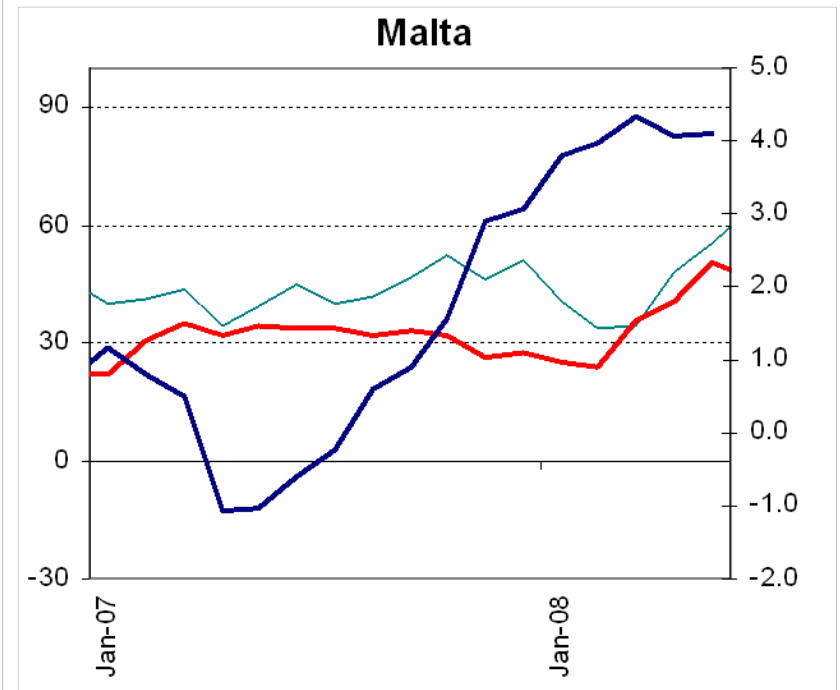
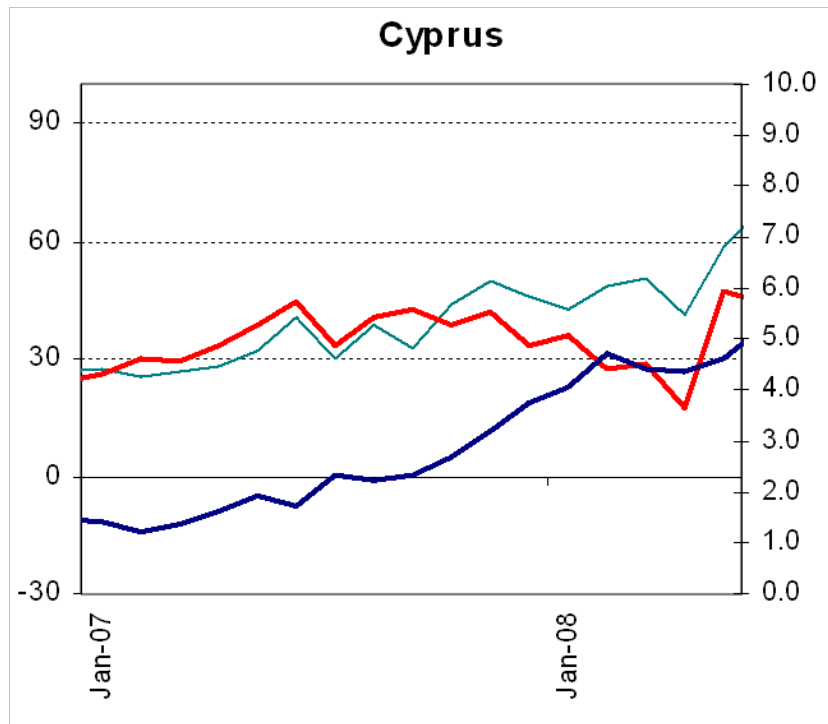
- Overall HICP, right hand side
- Expectations (balanced), left hand side
- Perceptions (balanced), left hand side



Impact on expected and perceived inflation

CHART: Perceived, expected and overall HICP inflation

- Overall HICP, right hand side
- Expectations (balanced), left hand side
- Perceptions (balanced), left hand side



Conclusions

- **A number of ‘best practices’ were established after the 2002 changeover and confirmed during the 2007 and 2008 changeovers.**
- **The logistics are very challenging but there is now considerable experience how to manage the process**
- **The direct cash changeover effects are quite homogenous across countries and relatively small**
- **Cash changeover in SI/CY/MT does not appear to have resulted in divergent inflation perceptions**
- **Going forward, the key challenges for Slovakia and any other new EA members relate to ‘remaining’ national policies, in particular fiscal and structural policies.**

Thank you for your attention!