

Euro Changeover in Estonia



Presentation topics:

- **The Maastricht criteria**
- **Decision process regarding the changeover**
- **Euro adoption principles**

Why is the euro beneficial?

- **The adoption of the euro will have a positive effect on Estonia's economy and the confidence of the people.** The changeover reduces the risk of currency devaluation and setbacks in deposits.
- There will be **no currency exchange costs** and **interest rates on loans** will decrease.
- The euro **fosters the stability of our economy**, simplifies trade and, for investors, shows Estonia as a member of one of the most influential economic regions in the world.
- Investing into Estonia will become easier and safer for **foreign investors**, which helps to advance our economy and create **new jobs** in the long-run.
- After the changeover, travelling and purchasing goods and services from abroad will become considerably **more comfortable**.
- The adoption of the euro will affirm Estonia's position as a member of **the core of the European Union**, achieving the aims set when Estonia regained its independence.

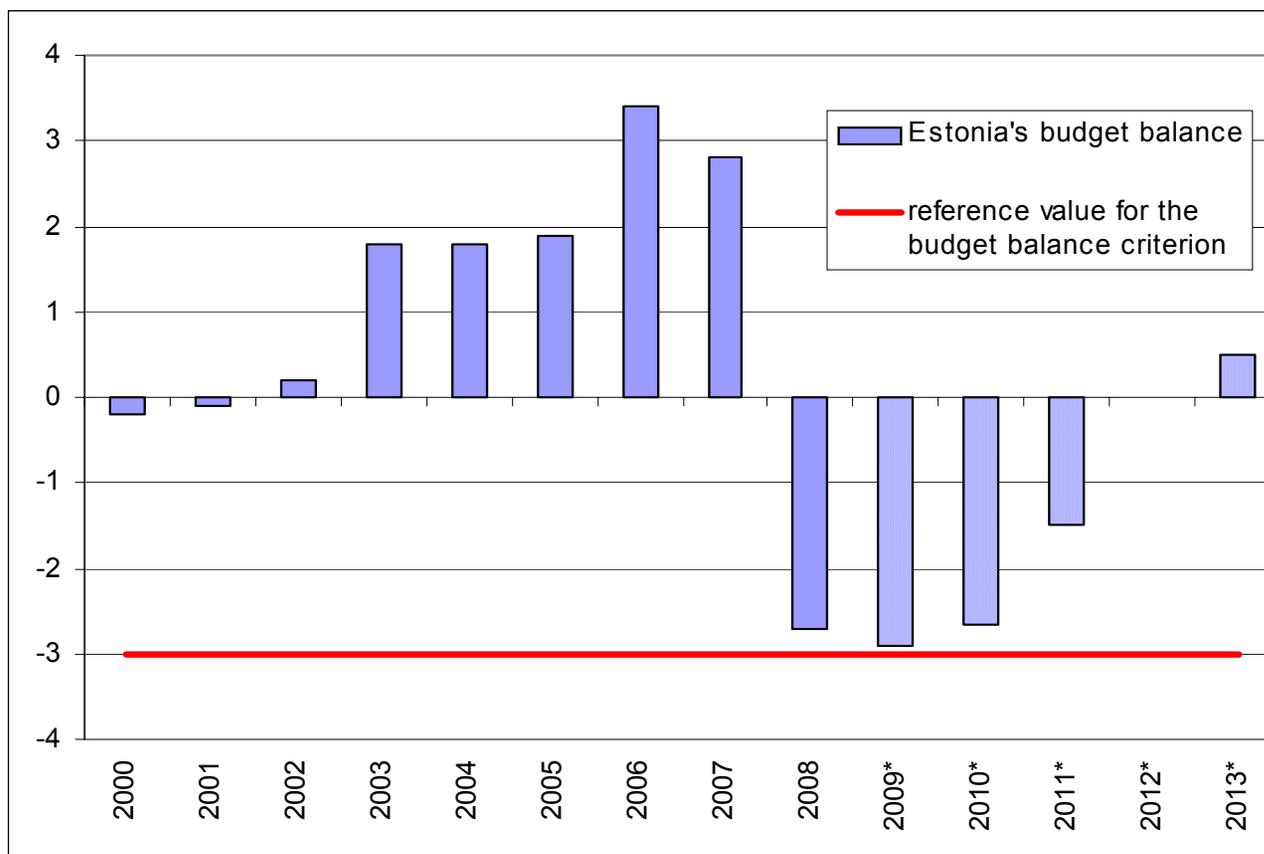


Estonia has a good chance of meeting all the criteria

- **Exchange rate.** Estonia joined the ERM II on 28 June 2004 and has maintained a stable exchange rate of the Estonian kroon (1=15.6466 EEK).
- **Price stability.** In November 2009, Estonia fulfilled the price stability criterion. The fulfilment of the criterion is sustainable, i.e. Estonia's Harmonised Index of Consumer Prices (HICP) will also remain below the euro area's reference value over 2010–2011.
- **Interest rates.** Estonia lacks the instrument for assessing the fulfilment of the criterion – 10-year kroon-denominated government bonds. The European Commission has stated in its convergence reports that, despite this, Estonia should not have problems with meeting the interest rate criterion. We have no reason to believe that the European Commission would change the current viewpoint.
- **Sustainability of public finances.** The debt burden of the Estonian government sector is the lowest among EU Member States and thus, there are no problems with fulfilling this criterion. In 2008, the debt burden of the Estonian government sector posted 4.8% of GDP. The debt burden for the years 2009–2010 is expected to rise to 8–10% of GDP due to the need of financing the budget deficit, but it will nevertheless remain considerably below the reference level of the criterion.

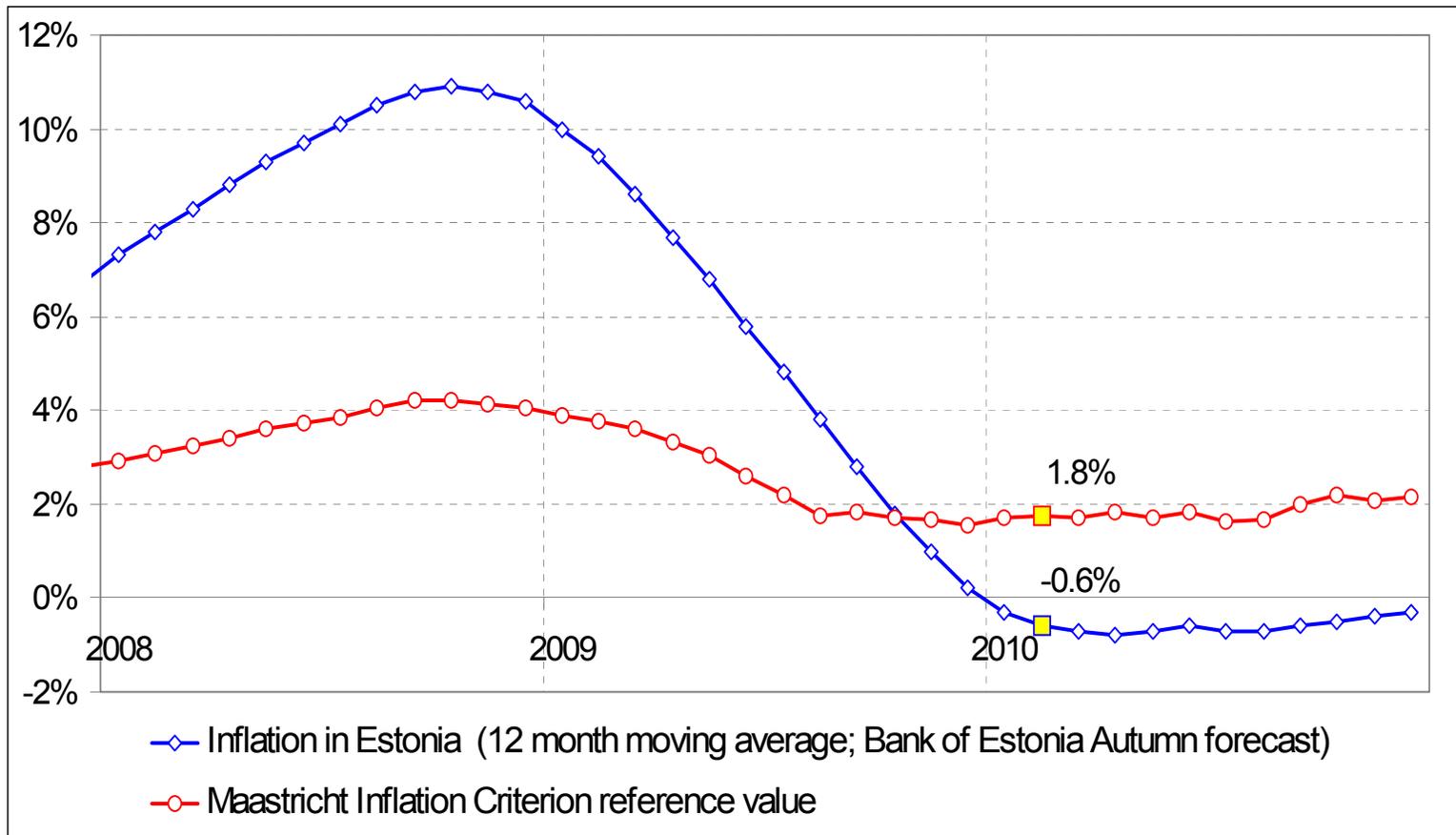


Estonia is able to keep budget deficit below 3% of GDP



Source: Statistics Estonia, Eesti Pank Forecast, State Budget Strategy 2010–2013 (May 2009)

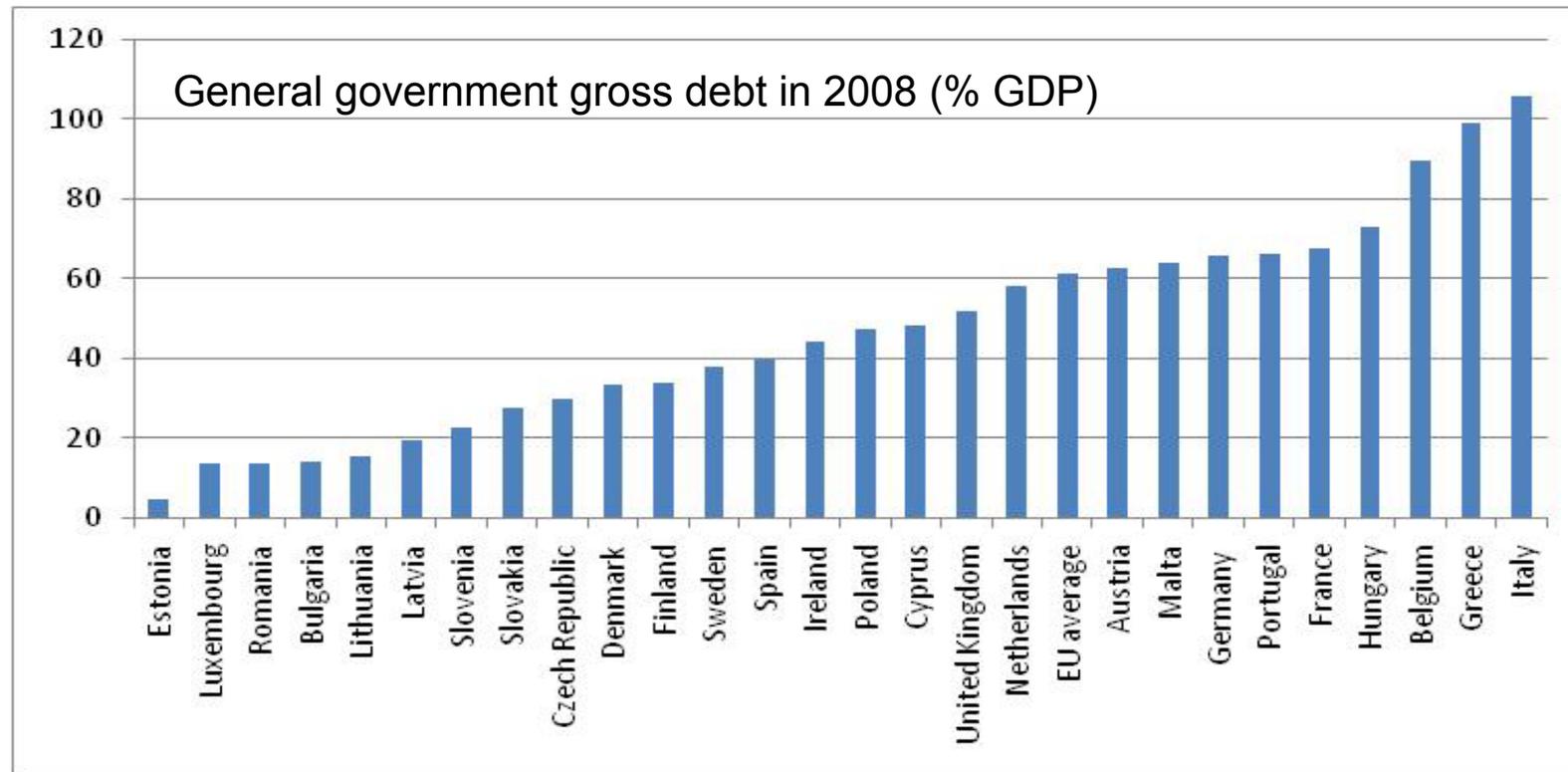
Inflation remains below the Maastricht criterion



Source: Statistics Estonia, Eesti Pank forecast, European Commission forecast



Government debt is the lowest in the EU



Source: Eurostat

Decision process regarding the changeover

- **On 28 January**, the Estonian government adopted the updated convergence programme, which gives the EU an overview of the convergence of the Estonian economy and fiscal policy to the Maastricht criteria.
- **On 26 March**, Statistics Estonia will publish the government sector's debt and deficit figures for 2009.
- **In March–April**, the European Commission and the European Central Bank will conduct a regular assessment to ascertain Estonia's readiness for the adoption of the euro.
- **In May**, a convergence report will be published based on the assessment.
- **On 8 June**, the Council of Economics and Finance Ministers of the European Union (ECOFIN) will meet to discuss Estonia's compliance with the euro criteria based on the assessments of the European Commission and the ECB. The European Parliament will also be consulted with.
- **On 18 June**, the European Council will discuss Estonia's eligibility for joining the euro area.
- **In July**, if Estonia passes the above stages successfully, ECOFIN should make the final decision regarding Estonia's accession to the euro area and confirm the exchange rate as of 01 January 2011.



Euro adoption as “big bang”

- The adoption of the euro in account money will be carried out according to the “big bang” scenario, i.e. there will be no transitional period.
- Since the €-day a two-week dual cash circulation period will begin:



- payment is allowed in kroons and euro, but change is given in euro;
- after the period of dual circulation, the only legal tender in Estonia will be the euro.

Tere
euro 



Thank you for your attention!

