

The Key Lessons of EMU

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What was Expected of EMU

- ◆ Greater macroeconomic stability
- ◆ Improved economic efficiency
- ◆ International role of the euro
- ◆ Boost to economic growth



The track record so far

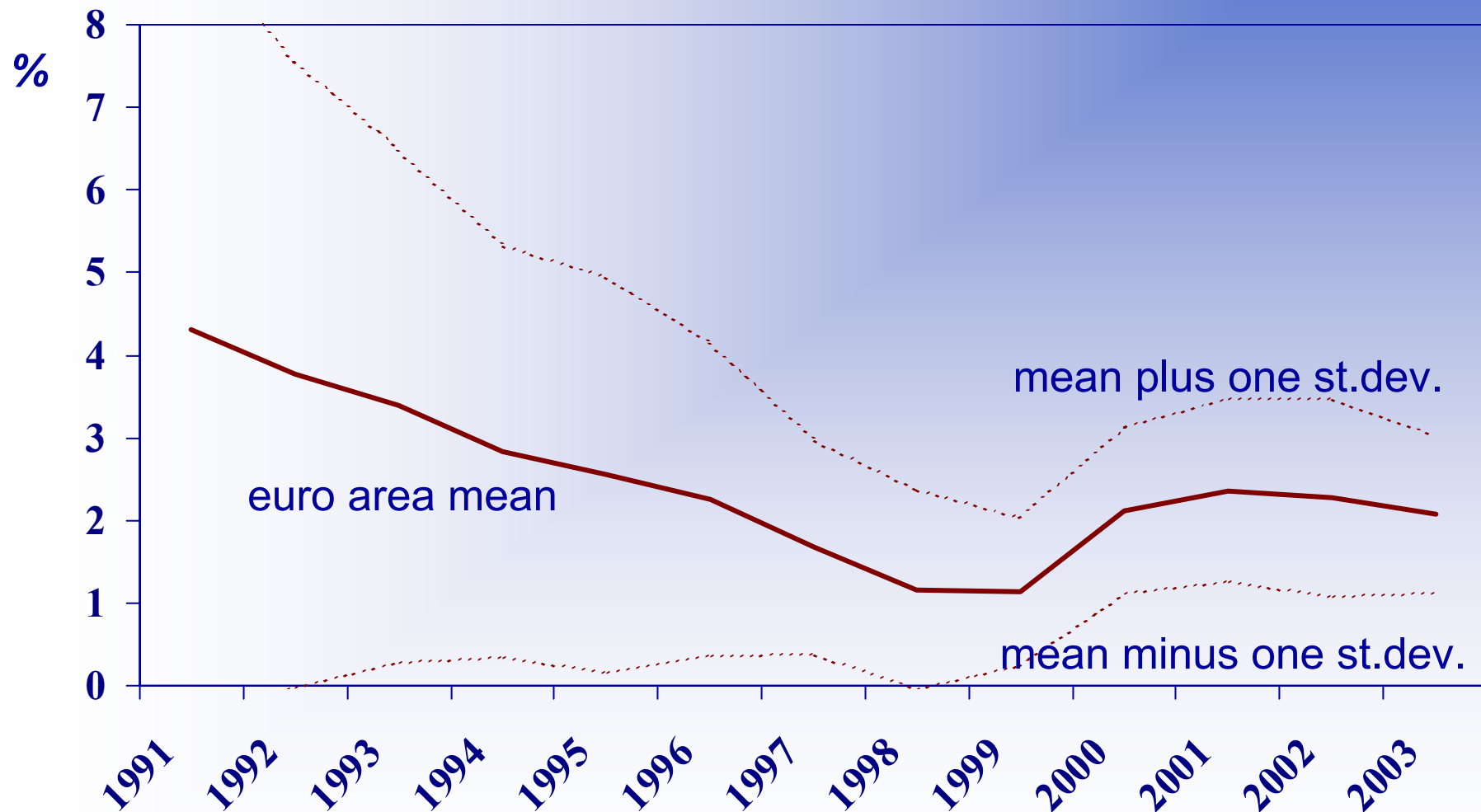
1. Macroeconomic Stability: Monetary Policy

- ◆ Price stability
- ◆ Convergence of inflation rates
- ◆ Cyclical convergence



Consumer Price Inflation in EMU

(statistical mean plus/minus one standard deviation)

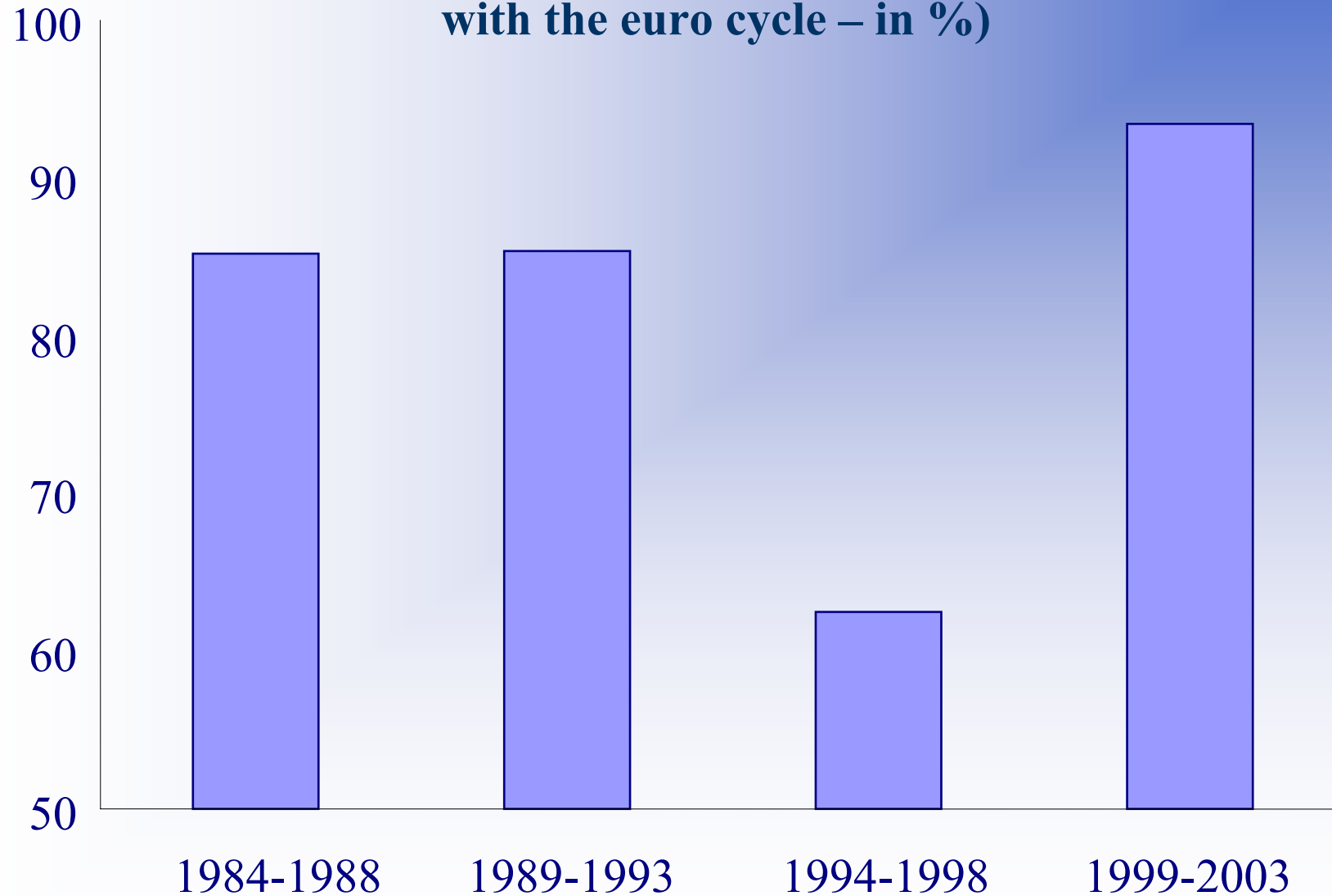


Source: European Commission, DG EcFin



Cyclical Convergence in EMU

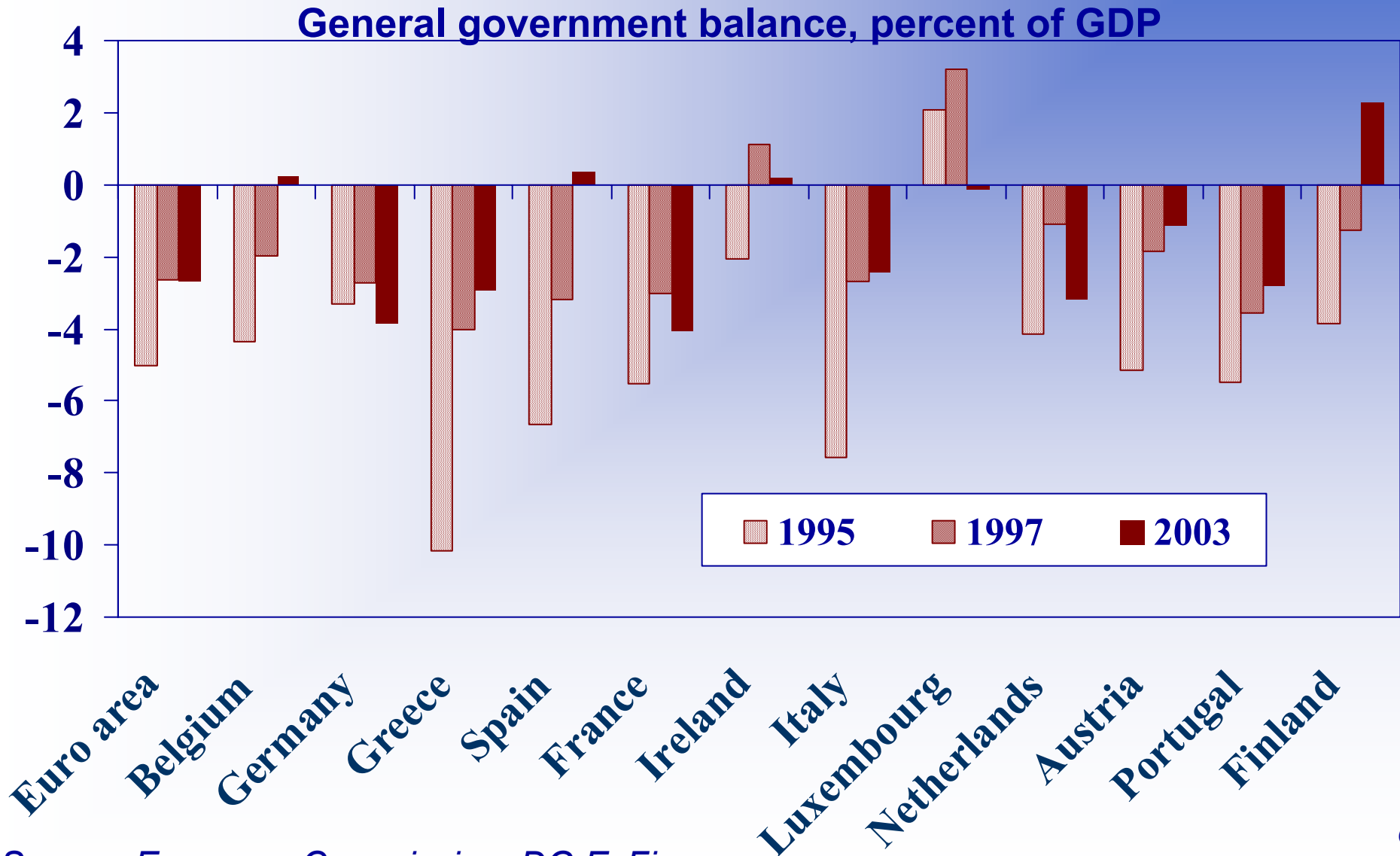
(average correlation of Member States' business cycles with the euro cycle – in %)



Source: European Commission, DG EcFin



Macroeconomic Stability: Fiscal Policy



Source: European Commission, DG EcFin



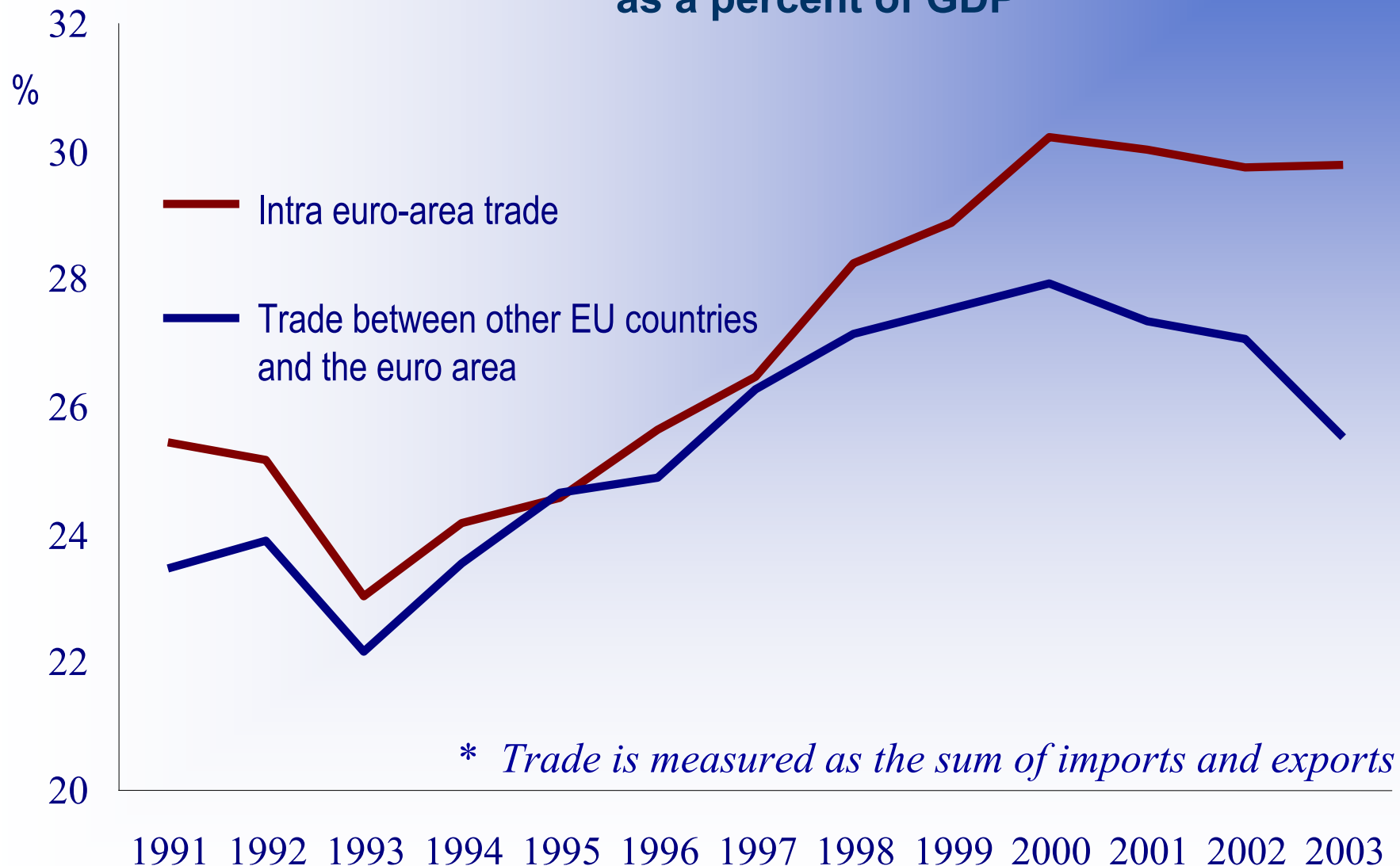
The track record so far

2. Microeconomic Efficiency



Real Trade in Goods with the Euro Area and Other EU Countries*

as a percent of GDP



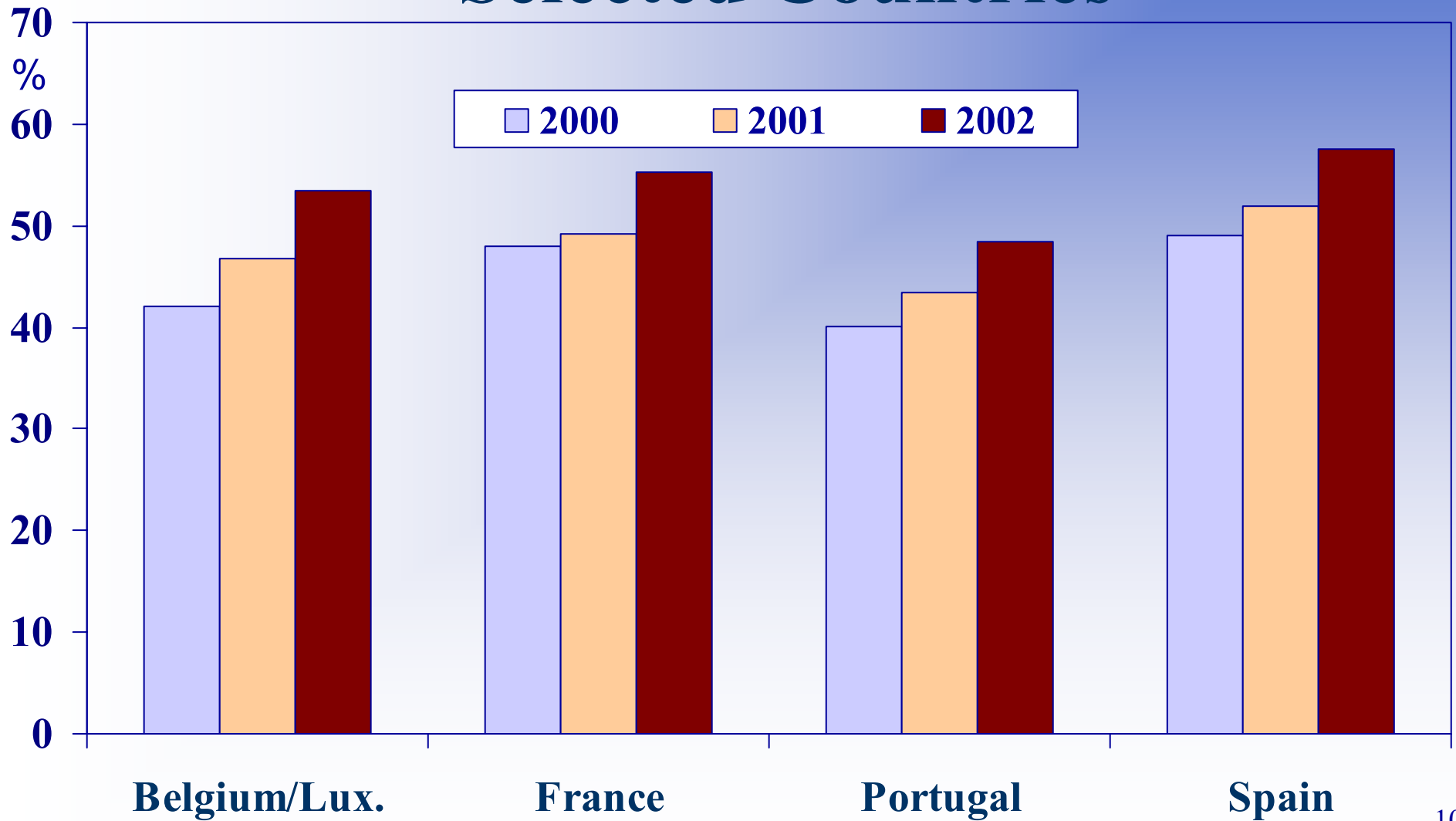


The track record so far

3. The International Role of the Euro



Euro-denominated* Shares in Extra Euro-Area Exports, Selected Countries



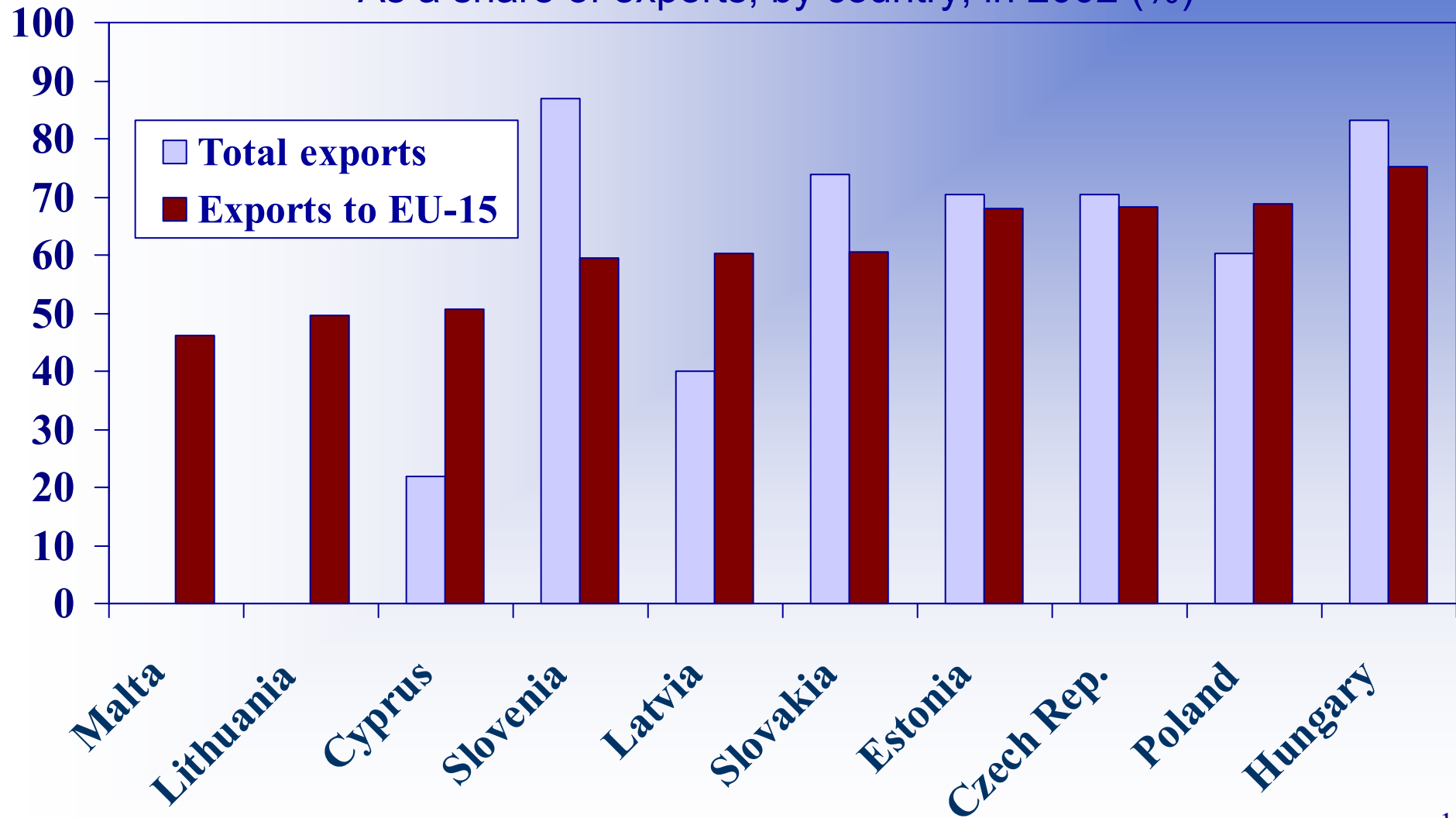
Source: ECB

* using euro as invoicing/settlement currency



Euro-Denominated* Exports by the New Member States

As a share of exports, by country, in 2002 (%)



Source: ECB

* using euro as invoicing/settlement currency



Countries with Exchange Rate Regimes Linked to the Euro

as at 30 June 2003

Region	Exchange rate regimes	Countries
EU (non-euro area)	ERM II	Denmark
	<i>Pro memoria: Independent floating</i>	<i>Sweden; United Kingdom</i>
Accession countries	Euro-based currency boards	Bulgaria; Estonia; Lithuania
	Unilateral shadowing of ERM II	Cyprus; Hungary
	Peg arrangements based on a basket involving the euro	Latvia (SDR1)); Malta (euro share: 70%)
	Managed float with euro as ref. currency <i>Pro memoria: Independent floating</i>	Czech Rep.; Romania ²); Slovakia, Slovenia <i>Poland; Turkey</i>
Western Balkans	Unilateral euroisation	Kosovo; Montenegro
	Euro-based currency boards	Bosnia and Herzegovina
	Peg arrangements or managed floating with the euro as reference currency	Croatia; FYR Macedonia; Serbia
Other regions	Euroisation	European microstates French territorial communities
	Peg arrangements based on the euro	CFA Franc Zone; French overseas territories Cape Verde; Comoros
	Managed float with euro as ref. currency	Tunisia
	Peg arrangements/managed floats based on the SDR and other currency baskets involving the euro (share of the euro)	Israel (24.5%); Seychelles (37.7%); Russia (40%) Botswana; Morocco; Vanuatu; Jordan
		Libya

Source: ECB



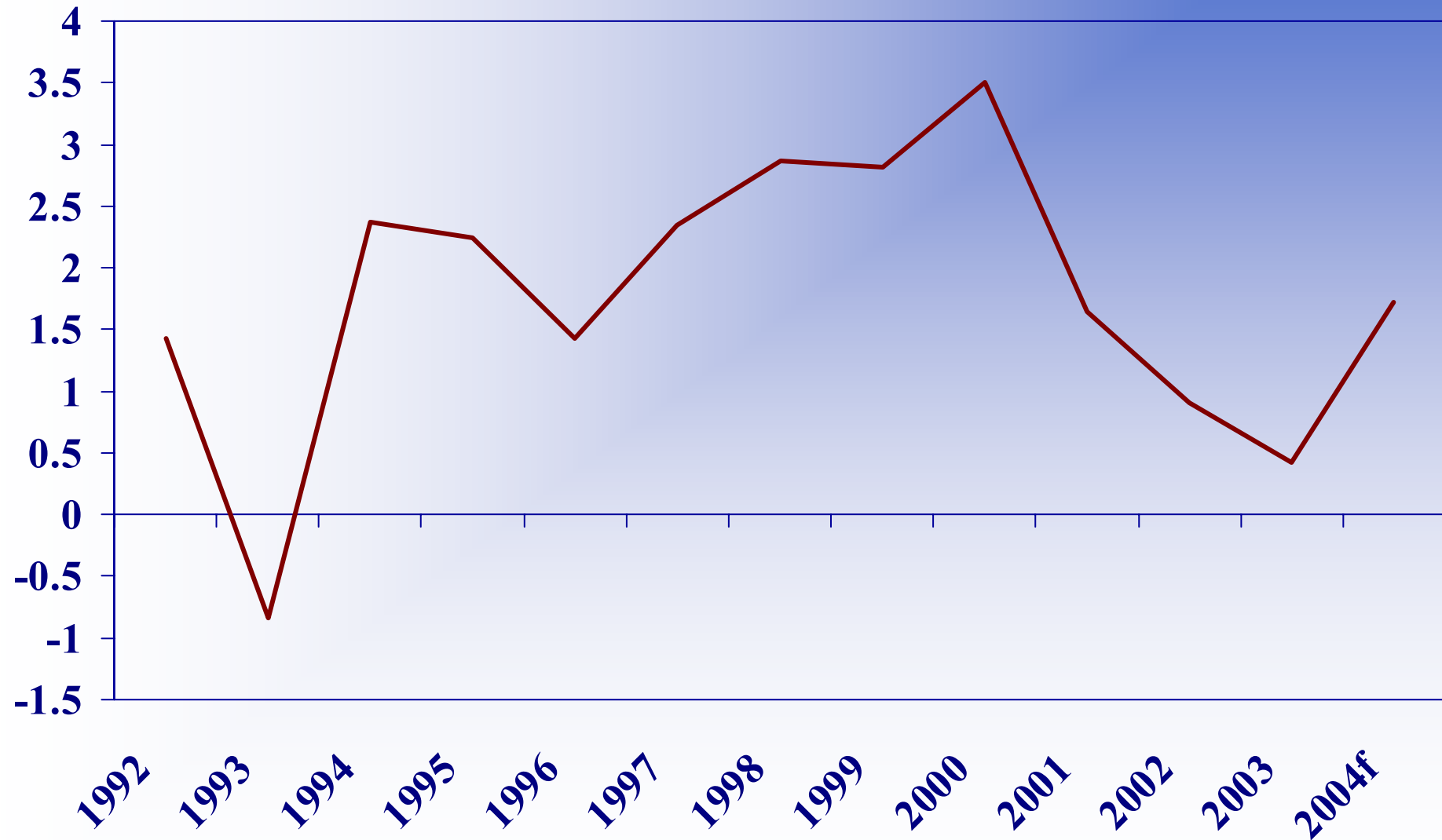
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4. Economic Growth



Real GDP in the Euro Area

Annual growth rate (%)

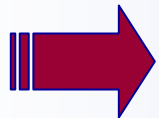


Source: European Commission, DG EcFin

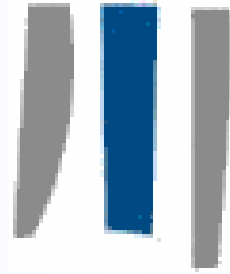


Conclusion

- ◆ EMU is a necessary condition for higher growth...
- ◆ ...but not a sufficient one



Lisbon agenda



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