



OESTERREICHISCHE NATIONALBANK

Eurosystem

Conference “SMEs and the Euro“

The Financial Impact of the Euro on SMEs

Brussels, October 18, 2007

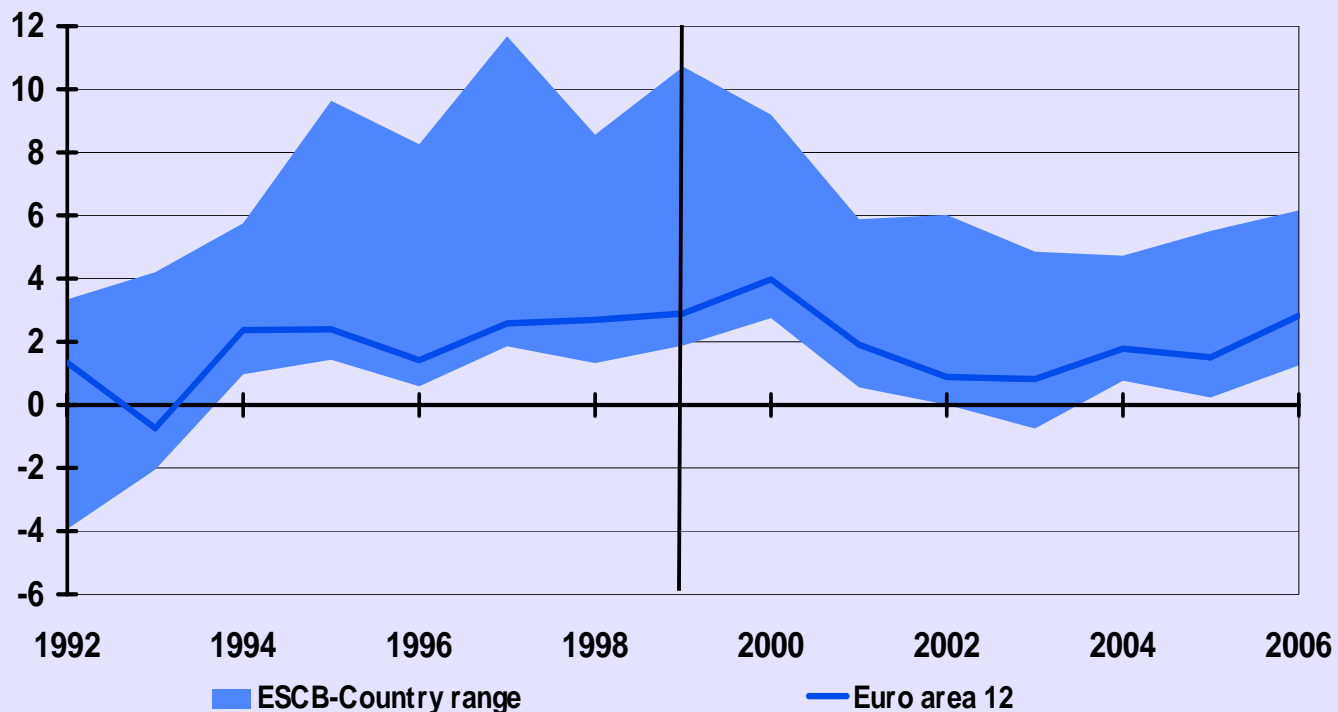
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Overview

- **Macroeconomic Development in the Euro area**
- **Impact of the Euro on Financial Market Integration**
- **Financial Conditions for SMEs**
- **Euro Adoption and SMEs**

Macroeconomic Development in the Euro area

Economic Growth
annual change in %



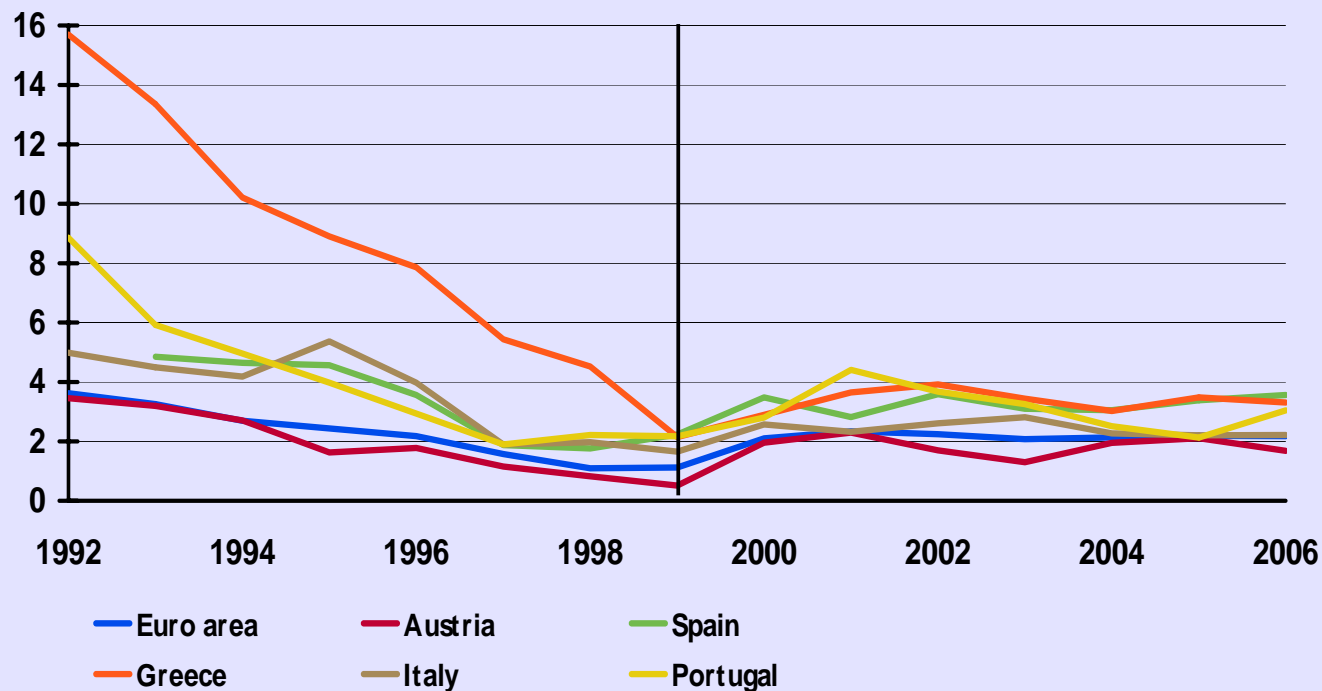
Source: ECB.

- robust growth; up-swing 2006
- lower growth rates only shortly after the introduction
- country range shrinking?
- Lower bound: Germany
- Upper bound: Ireland

Macroeconomic Development in the Euro area

Indices of Consumer Prices

annual growth in %

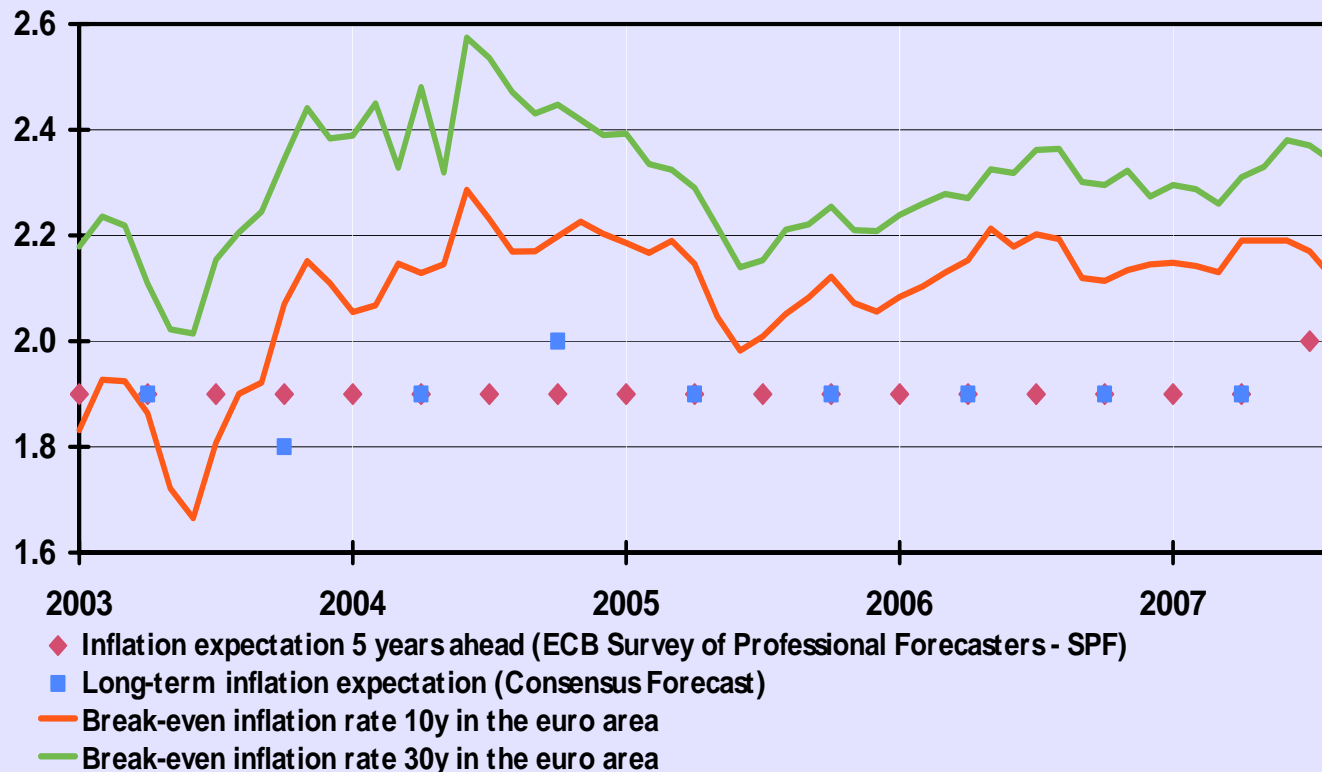


Source: ECB.

- sharp reduction in some countries before the introduction
- convergence process ongoing
- price stability target of below, but close to, 2% over the medium term mostly reached

Macroeconomic Development in the Euro area

Long-term inflation expectations in the euro area

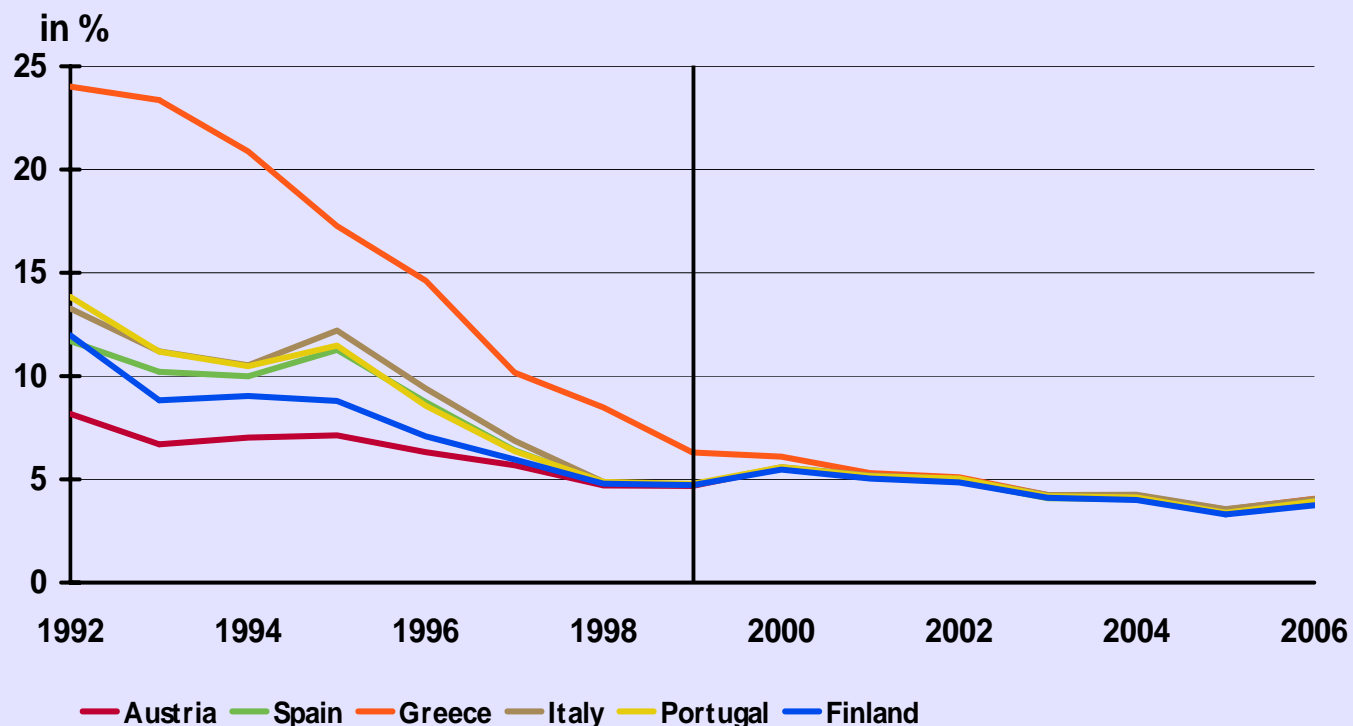


Source: ECB, Consensus Economics

- long-term inflation expectations stable
- price stability target reasonable also in the future

Macroeconomic Development in the Euro area

long term interest rates

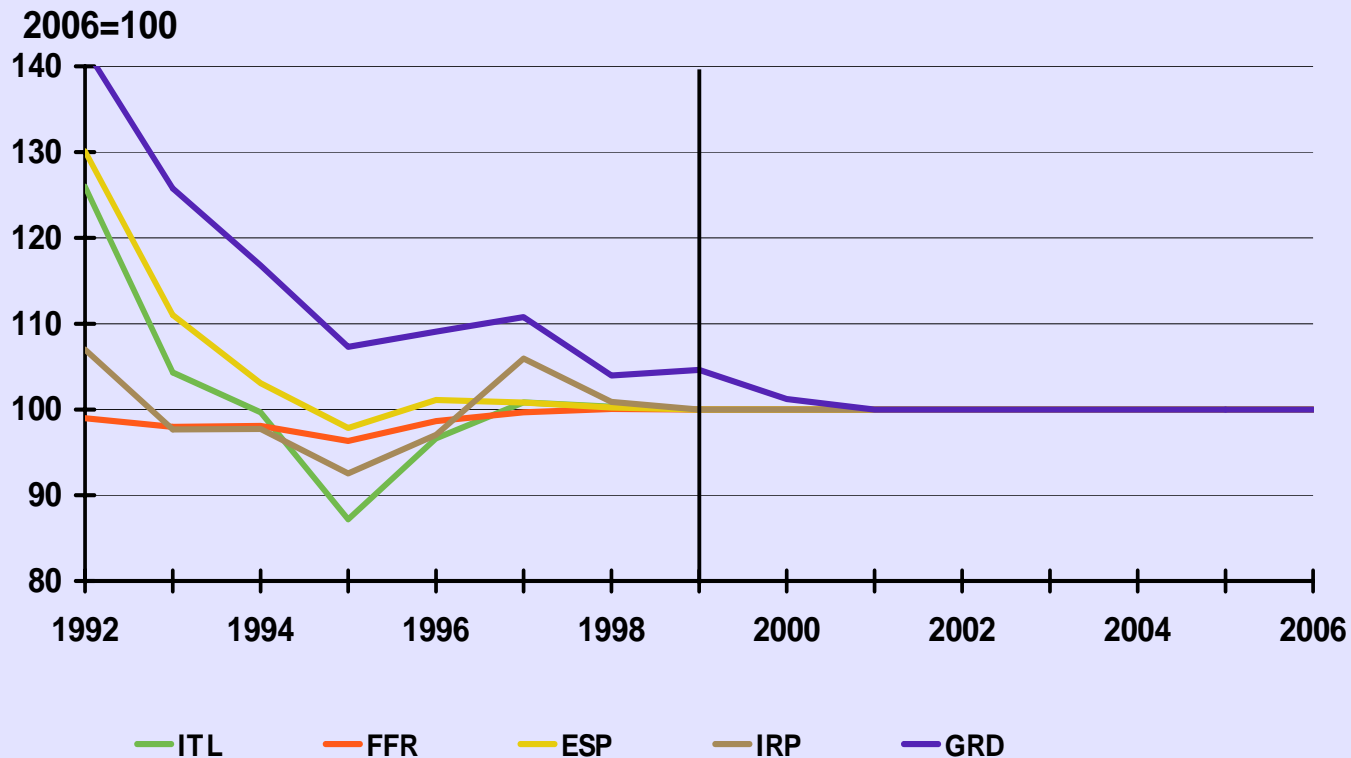


Source: Thomson Financial.

- sharp decline in some countries
- convergence process completed? country-specific risks are still visible
- level of today is lower than ten years ago – especially relevant for SMEs

Macroeconomic Development in the Euro area

Exchange rate Austrian Schilling



Source: WIFO.

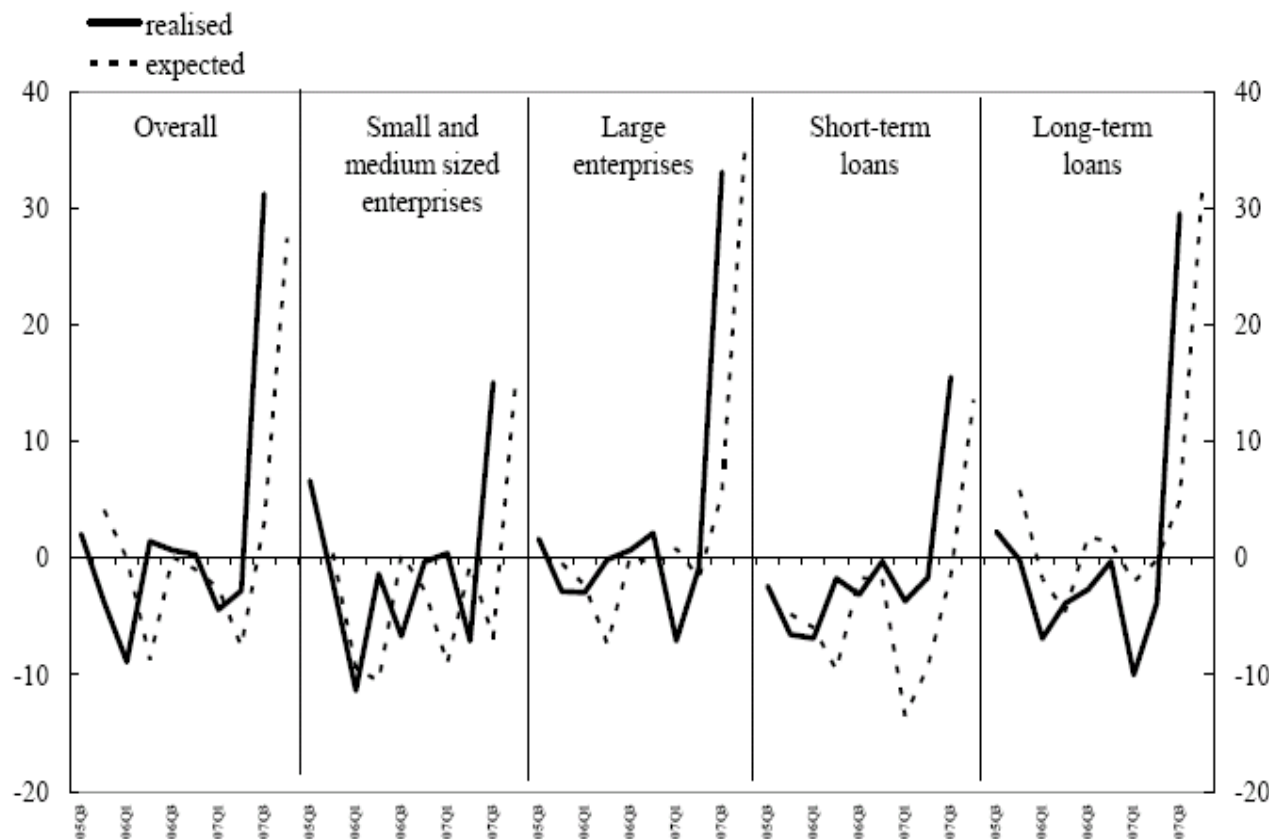
- Austrian Schilling as an example
- high volatility of FX before the introduction
- no FX related costs
- Level playing field especially for SMEs
- More refinancing possibilities

Impact of the Euro on Financial Market Integration

- **Higher efficiency**
- **Improves the channelling of funds from surplus to deficit agents**
- **Better diversification and risk-sharing across countries**
- **Deeper and more liquid financial markets**
- **Increase in competition and innovation**
 - **lower intermediation costs**
 - **more efficient allocation of capital**
- **Economic growth**

Financial Conditions for SMEs:

Chart 1b. Changes in credit standards applied to the approval of loans or credit lines to enterprises
(net percentages of banks contributing to tightening standards)

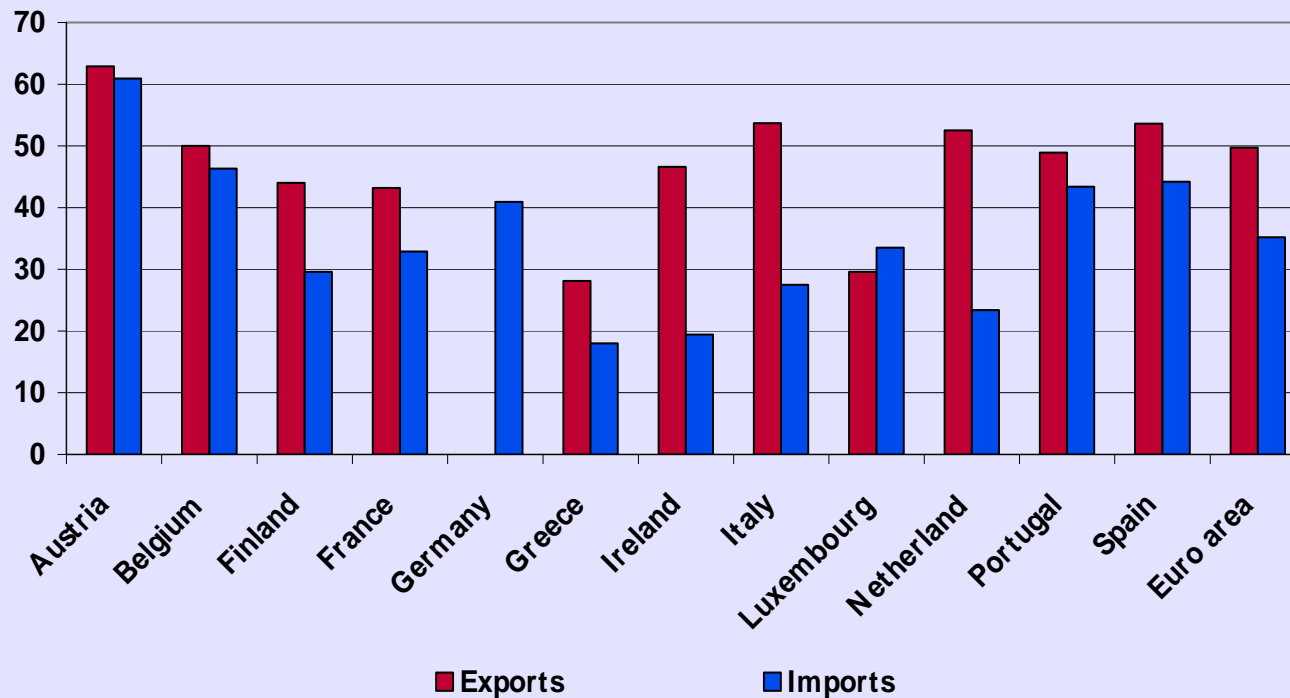


- **Availability of credit recently more restrictive**
- **Impact on SMEs smaller compared to large enterprises**

Source: ECB, Bank lending survey

Financial Conditions for SMEs:

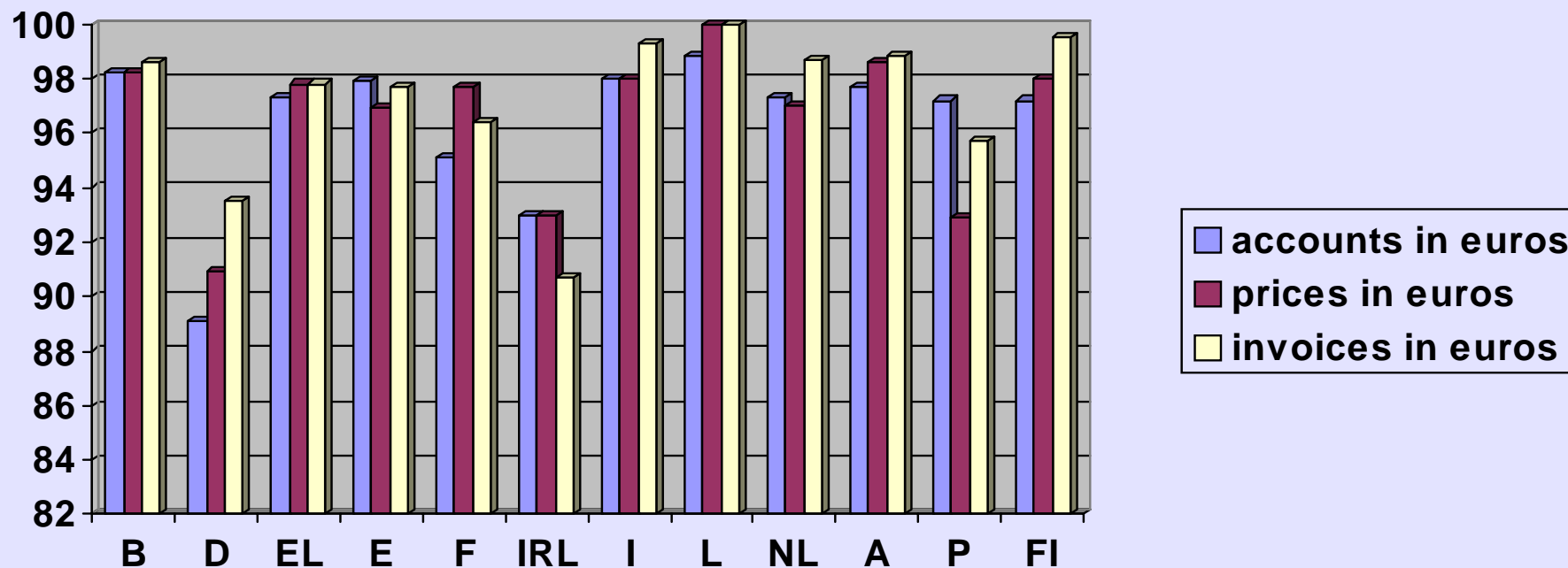
Euro share as a settlement/invoicing currency



Source: ECB

- differences between the countries due to different trade structures
- oil and raw materials mainly invoiced in USD

Euro adoption and SMEs: Preparation of SMEs on 1 January 2002

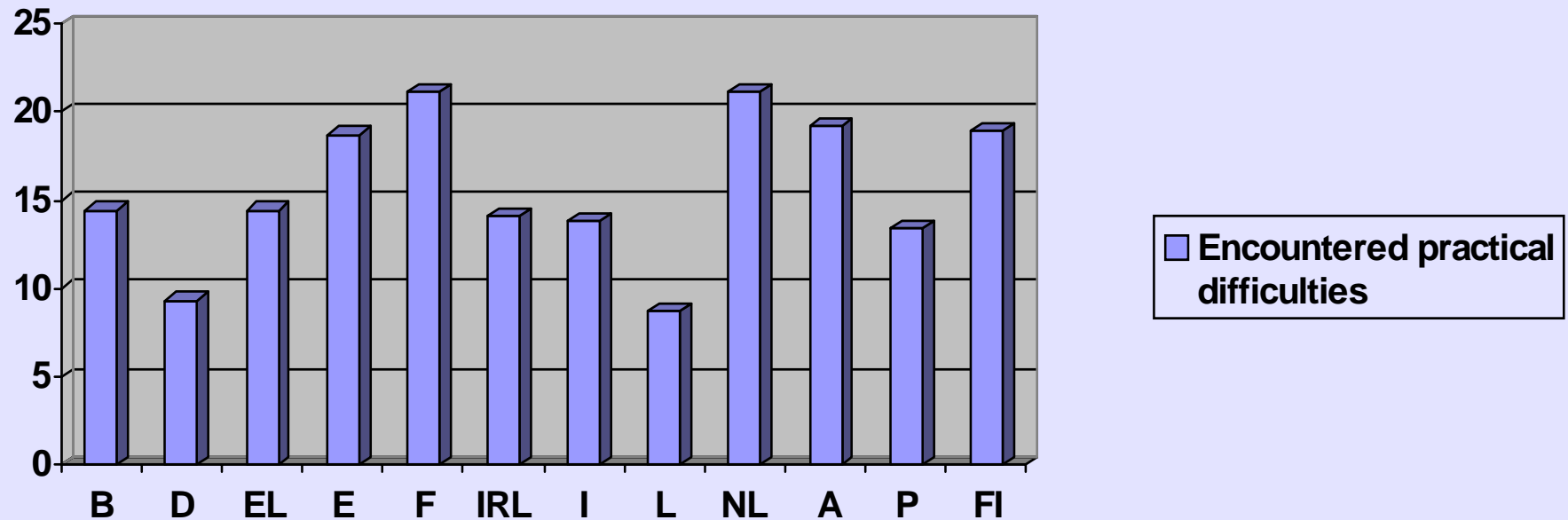


Source: EC

- **Timely preparation**

Euro adoption and SMEs:

Over 85% of SMEs did not encounter any practical difficulties in switching to the euro

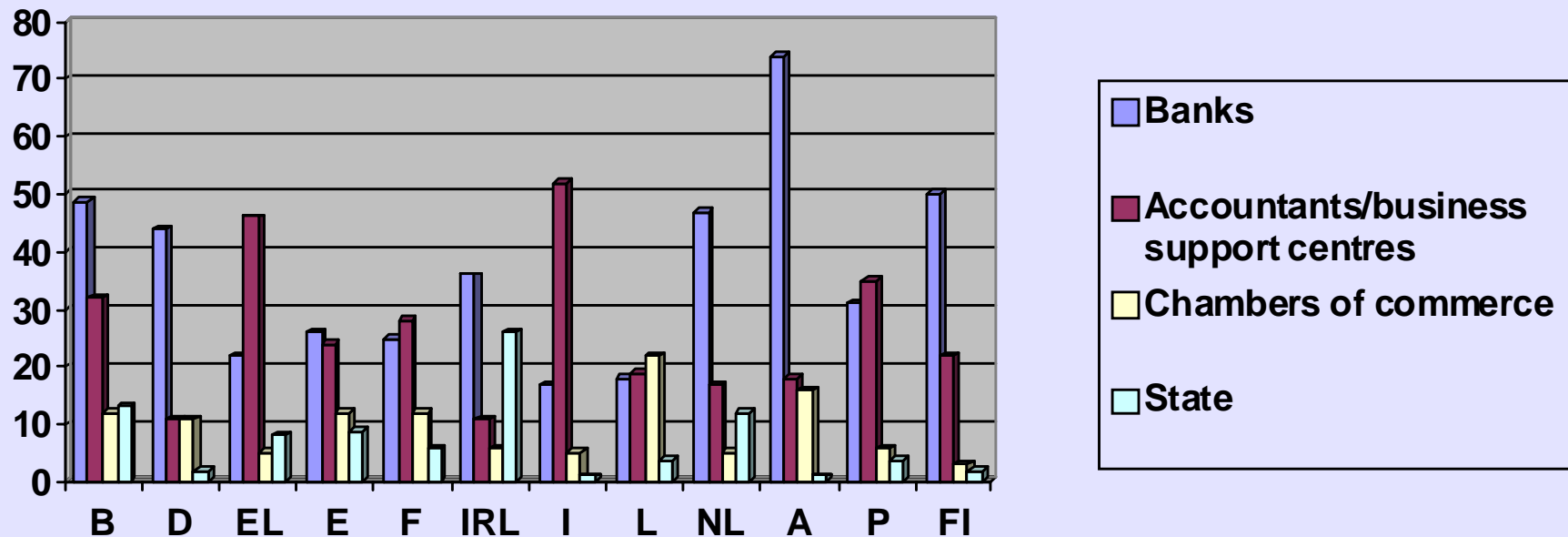


Source: EC

- Smooth introduction

Euro adoption and SMEs:

Who assisted you most in preparing for the changeover to the euro?



Source: EC

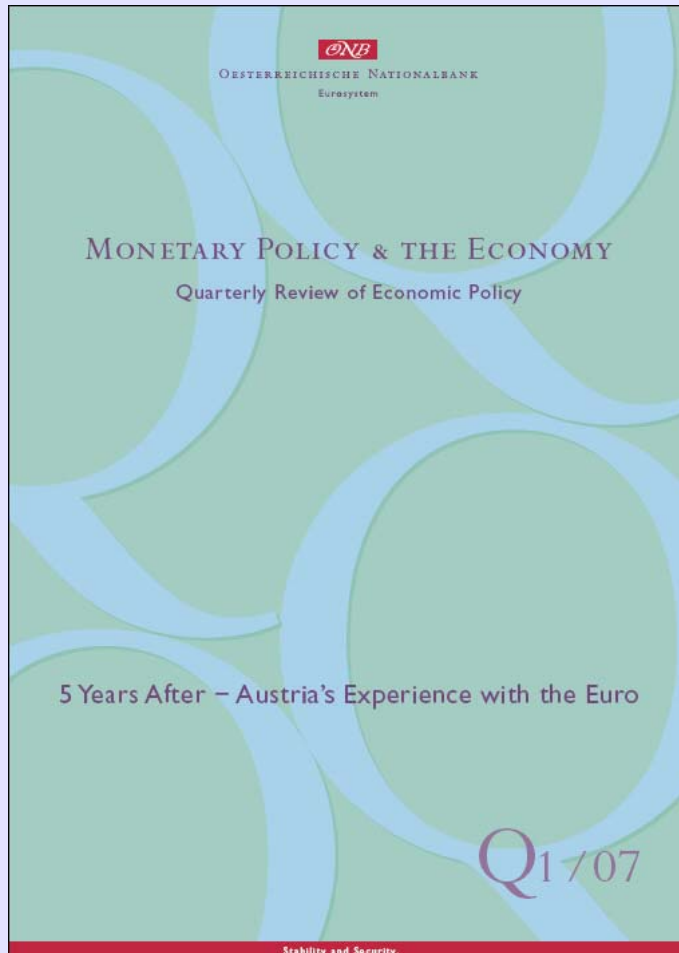
- Banks and special support centres were in the lead

Current state and future plans of authorities in new Member States

	ERM II Entry: Date / Planned Date	Euro Adoption: Date / Planned Date
Slovenia Estonia Lithuania	June 28, 2004 June 28, 2004 June 28, 2004	January 1, 2007 as soon as possible 2010
Cyprus Latvia Malta Slovakia	May 2, 2005 May 2, 2005 May 2, 2005 November 28, 2005	January 1, 2008 2012 at the earliest January 1, 2008 2009
Czech Republic Hungary Poland	2½ years before euro adoption not specified 2½ years before euro adoption	currently no official target date currently no official target date currently no official target date
Bulgaria Romania	2007 2½ years before euro adoption	as soon as possible currently no official target date

Source: NCBs, convergence programs, recent statements by policy-makers.

Further reference on Austrian experience



- Euro Cash in Austria Five Years after Its Introduction – What the Public Thinks
- Euro Prices: Subjective Perception and Empirical Facts
- Price Setting in Austria before and after the Euro Cash Changeover
- The Euro on the Road East: Cash, Savings and Loans
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http://www.oenb.at/en/img/mop_2007_q1_tcm16-56375.pdf