



one currency



many opportunities



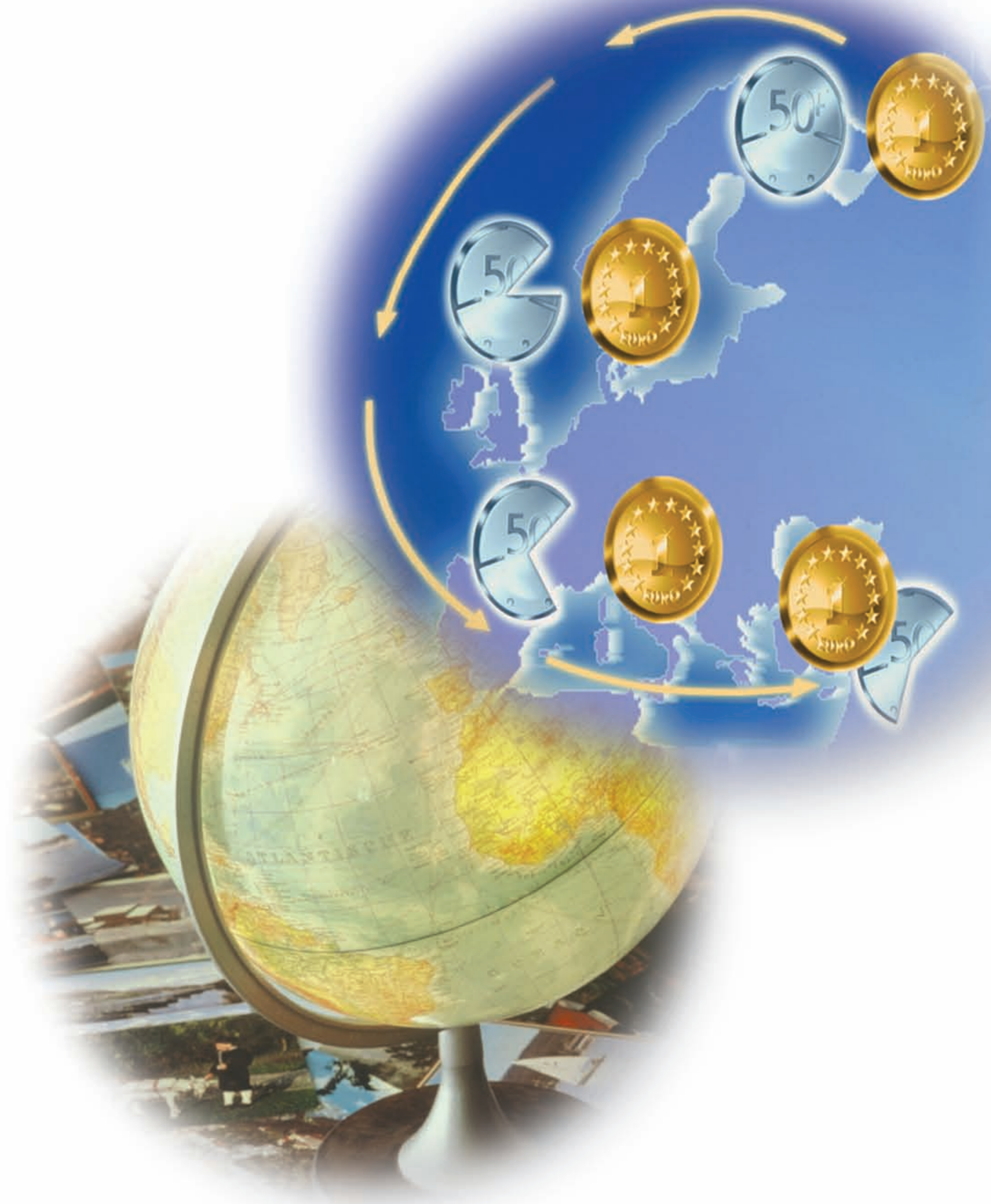
The euro, our currency

A single currency for a single market

A single currency is a natural complement to the European Union's single market, allowing it to function more efficiently and making it more conducive to growth.

The costs of exchanging money at borders have disappeared in the euro area. **This reduces the costs for anyone travelling, whether for business, study or holidays.**

The same can be said for companies. A large part of the burden of exchange costs was borne in the past by companies as they transferred goods, people and capital around the EU. With the disappearance of exchange costs within the euro area, this money is now available for productive investments in growth and jobs, encouraging intra-Community trade. Furthermore, removing exchange costs within the single market makes the euro area more attractive for foreign investment.



The euro brings **price transparency** to the single market. Consumers and businesses can easily compare prices for goods and services across the euro area. This has the effect of increasing competition among suppliers and keeping downward pressure on prices in the euro area. This transparency is reinforced by low, stable price inflation because changes in relative prices can be more easily identified. Competition is further increased by the growth of e-commerce over the Internet, which allows easy cross-border price comparisons.





Benefits for savers and borrowers

A single currency zone opens up **huge opportunities for both capital suppliers** (savers and investors) and **capital users** (private or corporate borrowers and issuers of equity capital).

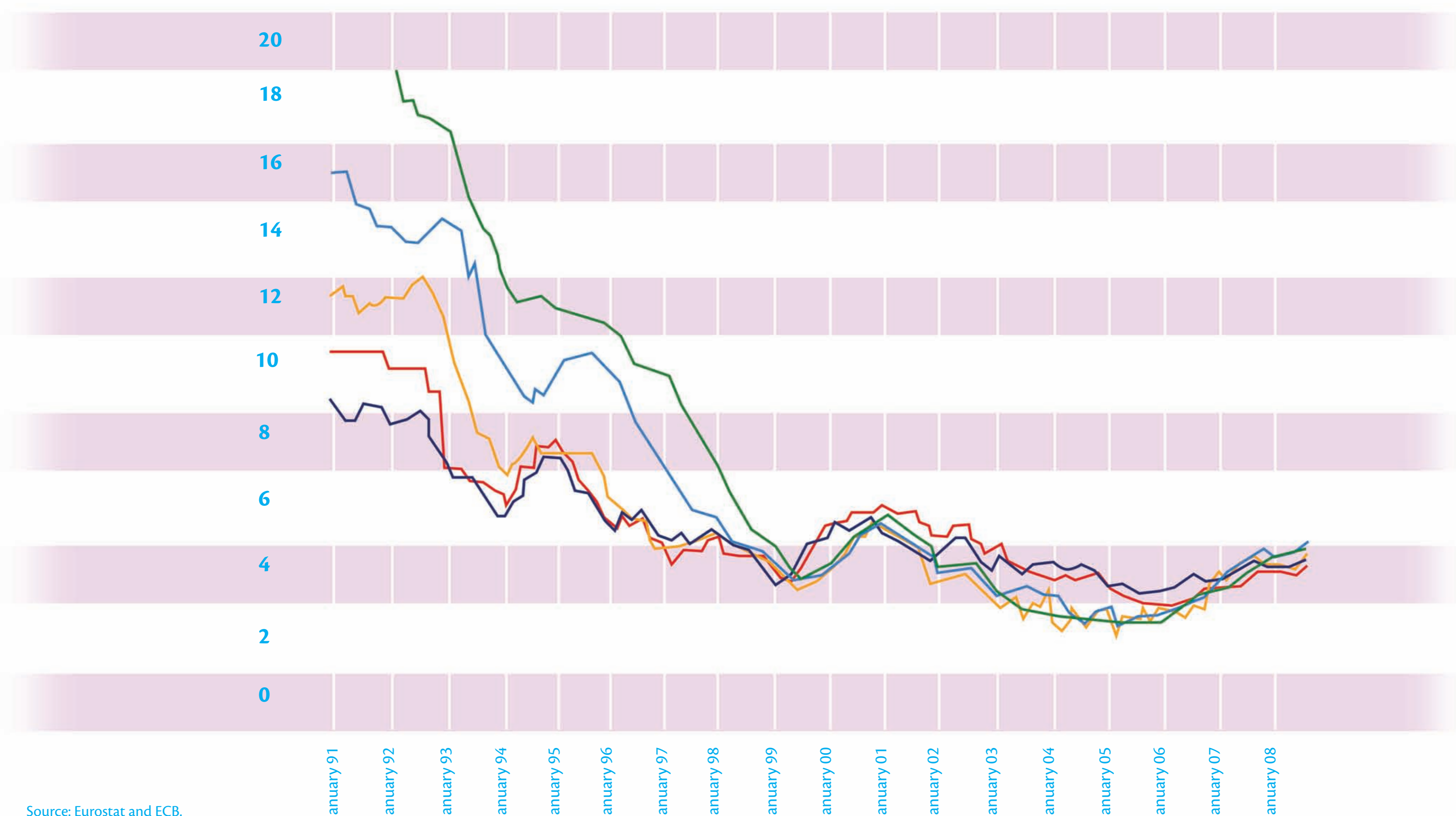
The euro brings low interest rates. Short-term nominal interest rates in the euro area were, on average, above 9% in the first half of the 1990s; they were down to 4% in 2000. This saves a citizen from the euro area with an outstanding loan of EUR 100000 about EUR 4000 per annum on interest payments.

The euro helps provide a single market for financial operators, such as banks, insurers, investment funds, pension funds, etc. At the same time, small national capital markets are evolving into a larger, deeper and more liquid financial market.

This is beneficial to both savers and borrowers. Savers benefit from a wider and more **diversified range of investment and saving opportunities**. Investors can spread their risks more easily, which encourages them to undertake riskier ventures. Private and corporate borrowers as well as equity issuers benefit from **better funding opportunities** because money is easier to raise on capital markets.



RETAIL BANK INTEREST RATES – LOANS TO HOUSEHOLDS
(MORE THAN 10-YEAR MATURITY) MONTHLY RATE IN %



Source: Eurostat and ECB.



A stable European economy

The euro provides stable conditions for the economy as a whole. These are characterised by price stability, sound public finances, and low interest rates – the **ideal conditions to foster economic growth, investment and employment creation** within the euro area.

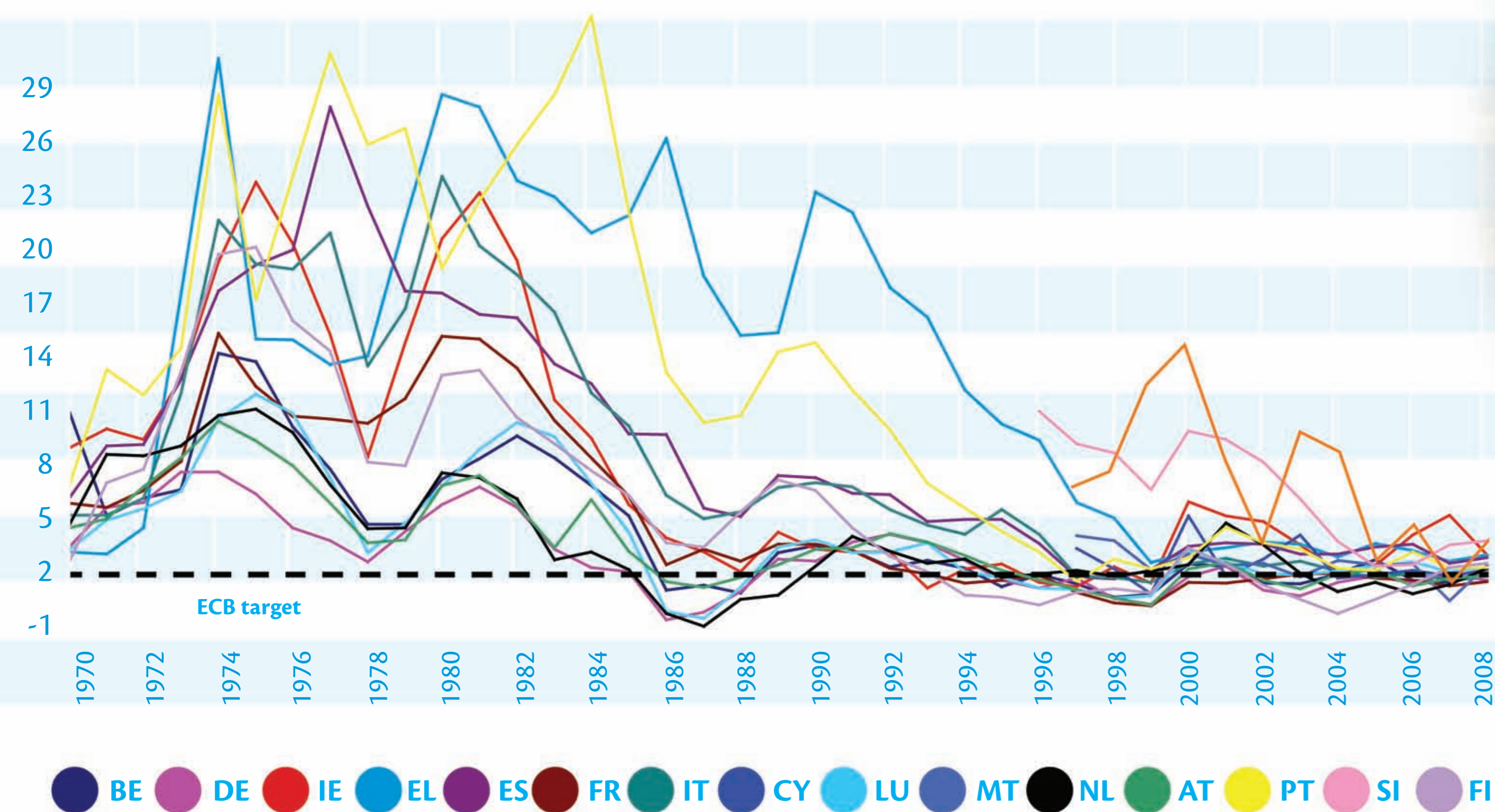
Since 1999, 16 million jobs have been created in the euro area.

Inflation has come down significantly over the last few decades, from sometimes double-digit rates in the 1970s and 80s to around 2% average since the introduction of the euro.

However, inflation has risen in the last year due to high world energy and food prices, but much less so than in previous crises like in the 1970s when several oil shocks occurred.

INFLATION CONVERGENCE (EURO AREA)
(ANNUAL % CHANGES)

Source: European Commission



Today, the majority of trade by euro area countries takes place within the area (between 50 and 75% of each country's total trade). Because of the size of the euro area economy, **the euro is far better equipped than the previous national currencies** to withstand external economic and financial shocks or fluctuations in the exchange rate vis-à-vis the US dollar and other major currencies.

The coordination of the Member States' economic policy through the Integrated Guidelines and the Stability and Growth Pact ensures sound economic conditions in the euro area.

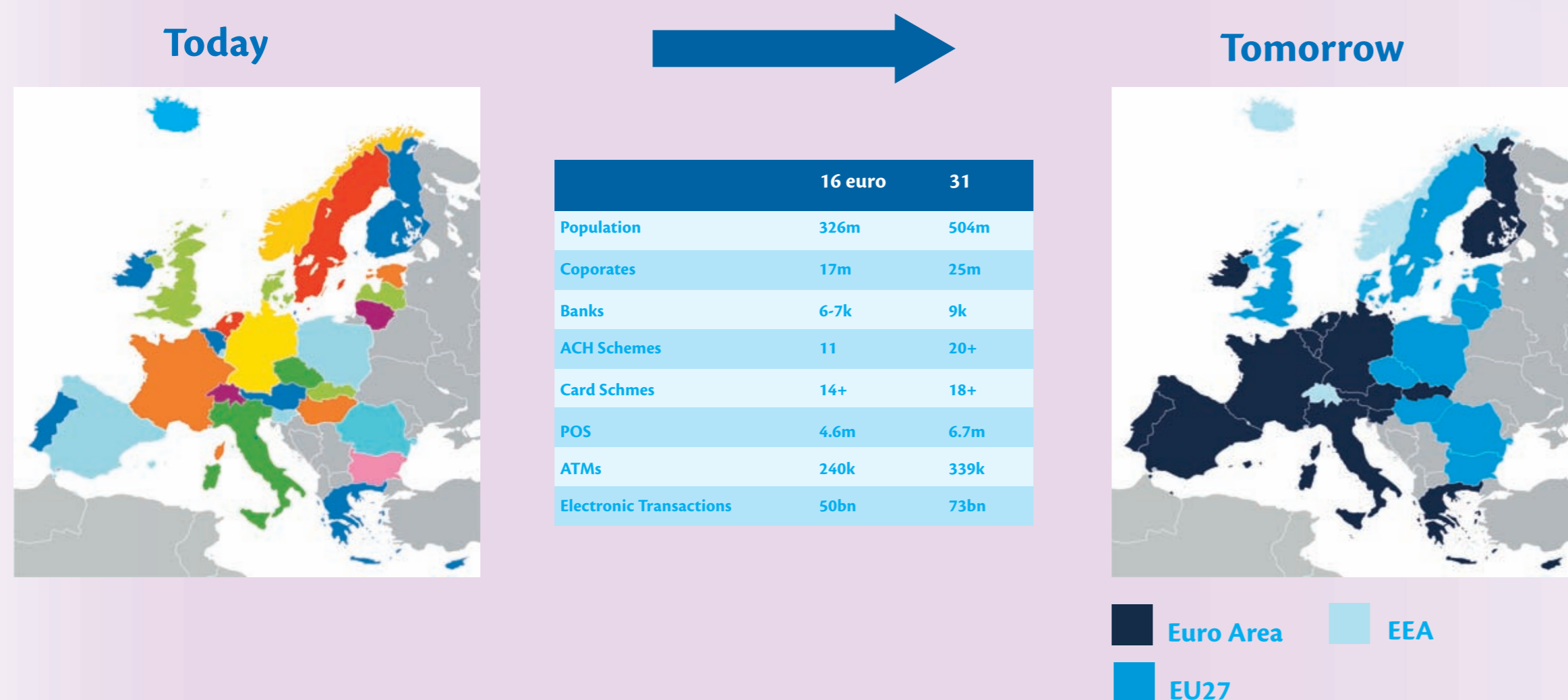


A single euro payments area (SEPA)

The Single Euro Payments Area (SEPA) is an initiative of the European banking industry with the support of the European Commission and the European Central Bank that will make all electronic payments across the euro area – e.g. by credit card, debit card, bank transfer or direct debit – as easy as domestic payments within one country are now. The Payment Services Directive provides the necessary legal framework for SEPA, as well as for better payments in all EU countries.

On a practical level, SEPA means that you will be able to make fast and secure transfers between bank accounts anywhere in the euro area, while if you are shopping abroad you will be able to use your bank debit card to make a payment in euro, just like at home.

TODAY'S AND TOMORROW'S VISION



Different Country Implementation

- National / Local solutions
- Different schemes, experiences, standards, consumer protection laws
- No interoperability of national schemes
- Cross-border complexity and risk

Harmonized SEPA

- Common solutions with additional optional services
- Common core payment, instruments and experiences, consistent standards, application of harmonised consumer protection laws
- Improved interoperability
- Harmonisation and consolidation
- Reduced complexity, improved efficiency

Banks have made the first SEPA credit transfer instrument available as of 28 January 2008, and the aim is to make SEPA a reality for everyone by the end of 2010.

SEPA countries are all 27 EU countries plus Iceland, Liechtenstein, Norway and Switzerland.

Source: European Payments Council

Who will benefit, and how?

Consumers

For consumers to reach all accounts SEPA-wide from one home country account. For example students abroad might not need to open new bank accounts, as they can use the ones from back home with the same facilities in all SEPA countries. With SEPA, a transfer from any SEPA country to another will be done within one day. More widely accepted payments cards will displace cash improving customer safety and security.

Shops

Merchants will be able to accept payment cards from all SEPA countries and back office processes will be simplified.

SMEs

For smaller businesses (SME) faster settlement and simplified processing will improve cash flow and reduce costs. It will enable them to receive or make euro-payment anywhere within SEPA on the same basis. The European Commission is ensuring that all agreed rules are implemented properly to the benefit of consumers, and will, if necessary, propose further measures to ensure SEPA is a success.

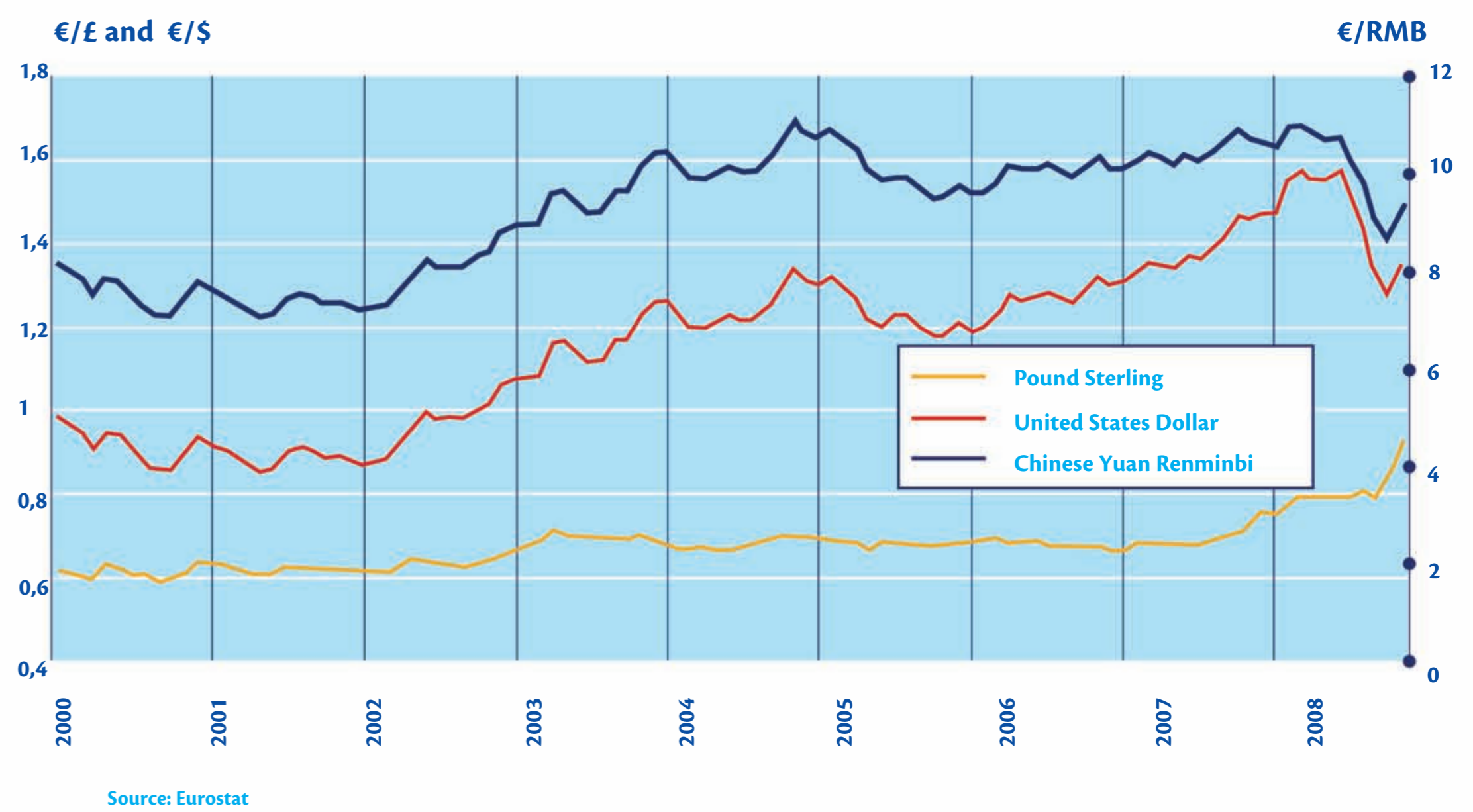


Strengthening Europe's role in the world

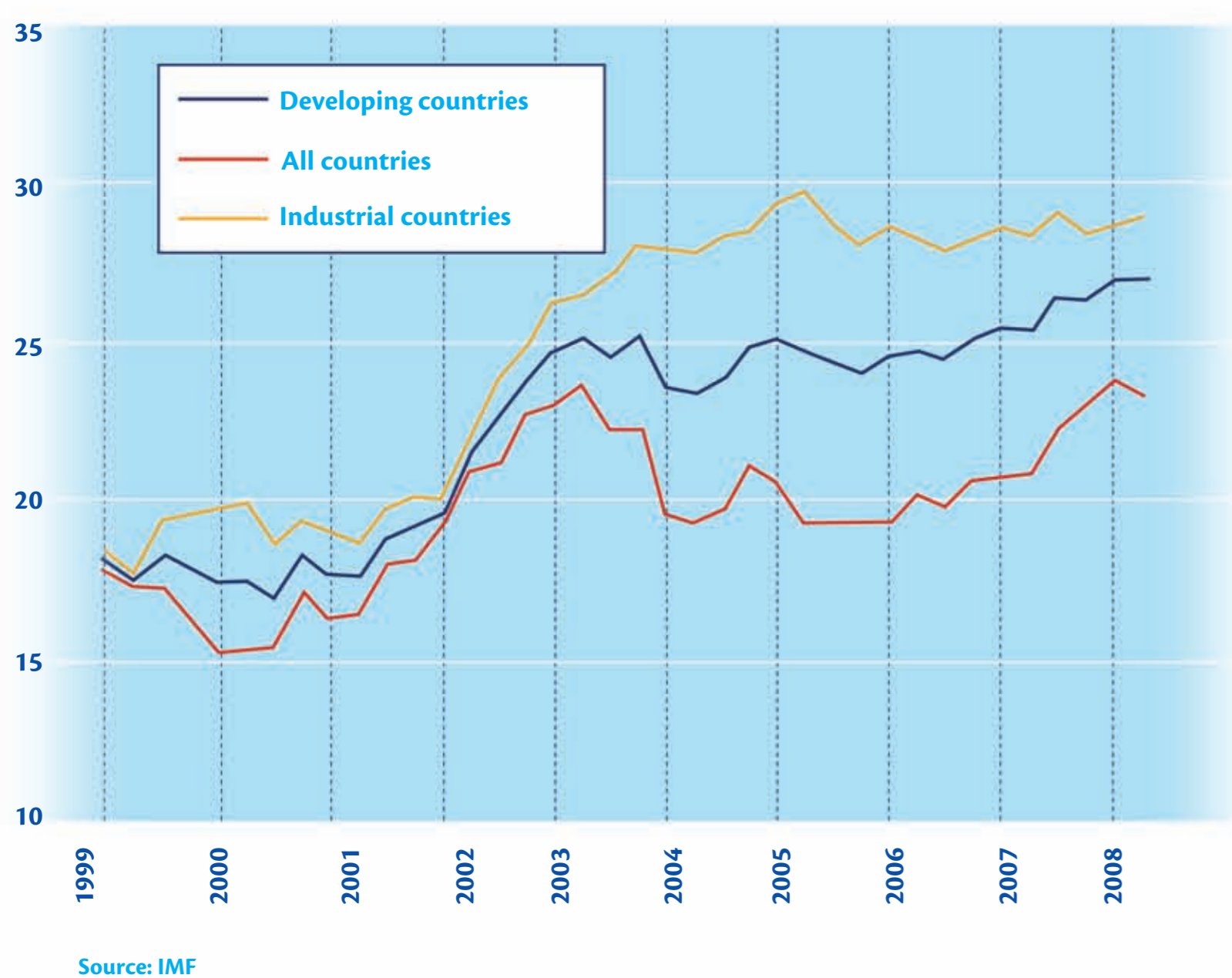
Having a single currency and an economic and monetary union strengthens Europe's role in international organisations like the International Monetary Fund, the World Bank, and the Organisation for Economic Co-operation and Development.

The euro is today a world currency. Its role in international trade and the global bond market and as an official reserve currency has increased substantially and continues to grow in importance. On some measures, the euro has even overtaken the dollar: for example, in the international bond market it represented 49% of outstanding bonds at the end of 2007, compared with 35% for the dollar.

THE EVOLUTION OF THE EURO AGAINST INTERNATIONAL CURRENCIES SINCE 2000



THE EURO AS A RESERVE CURRENCY - IN % OF ALLOCATED RESERVES



The use of the euro in international trade is expanding, reflecting Europe's weight in the world economy. The single currency makes Europe a strong partner to trade with. It facilitates access to European markets for foreign companies, who also benefit from lower costs of doing business in Europe.

It also plays a role as an **anchor or reference currency**, notably in countries that have started negotiations for EU Membership, North Africa and the CFA (Communauté financière d'Afrique) franc zone. A few countries, mainly in the Western Balkans, are using the euro as a de facto currency, sometimes in parallel with their own national currency.

Finally, the value of euro banknotes and coins in circulation has overtaken the value of the US dollar. In **August 2008**, the total value of euro banknotes and coins in circulation amounted to EUR 709 billion which, at the August exchange rate, corresponds to around USD 1044 billion, compared to 754.8 billion USD banknotes and coins in circulation.

Euro cash is also increasingly used outside the euro area, with 10-20% of the total value of euro banknotes in circulation currently held outside the euro area. The attractiveness of the euro as a world currency means that tourists can increasingly travel all over the world with euros in their pockets while businesses are increasingly able to trade in euros beyond the borders of the euro area.

THE EURO IN THE WORLD – KEY INDICATORS 2007

	Euro area	EU-27	US	Japan
Population (million)	317	494	300	128
GDP (in € trillions calculated at purchasing power parity)	8.4	11.9	11.2	3.5
Share of world GDP (% at PPP)	14.6	21.0	19.7	6.3
Exports(*) (goods and services as % of GDP)	21.7	14.3	10.8	16.8
Imports(*) (goods and services as % of GDP)	20.9	15.0	16.6	15.3

(*) Excluding intra-EU trade

Source: European Commission, ECB and IMF 2007



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The euro, our currency

A symbol of Europeans' common identity

Today, the euro not only brings economic benefits by completing the single market and by ensuring economic stability; it also contributes to the political unification of Europe. The euro has quickly become a **symbol of a common identity, shared values and the success of European integration in bringing the nations of Europe together**. It acts as a stimulus to further integration by showing that common action by Member States can bring widespread benefits to all those who take part. Efforts are being made to emulate the EMU in many parts of the world: Africa, ASEAN (South-East Asia), etc.



Economic and Monetary Union



EU citizens and residents have selected the design for the commemorative €2 coin to celebrate 10 years of Economic and Monetary Union. 41.48 % out of a total of 141675 votes cast online voted for this winning design. It was created by George Stamatopoulos and represents "The euro as the latest step in the long history of trade, from pre-historic barter – evoked by the deliberately primitive design – to economic and monetary union".

Commemorative coins bearing this design will be issued by all euro-area Member States, starting in January 2009.



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The euro, our currency

Voices on the euro



“There is no doubt that the euro is a success. For European business, it is cutting transaction costs and has eliminated currency risks. For citizens and consumers, it has brought price transparency and has made travelling around Europe more practical. For Member States' economies, the euro has brought increased competitiveness and stability.”

José Manuel Barroso, „We are all Europeans now“, speech in the Lithuanian Parliament (Seimas), Vilnius, 29 March 2007

José Manuel Barroso
President of the European Commission



“The world now faces the prospect of a global economic downturn and inevitably, these shocks are taking their toll on the euro area economy too. Fortunately, in such circumstances EMU is an asset. Its sound macroeconomic framework that has shielded us from previous shocks likewise puts us in a stronger position to cope with today's difficult conditions.”

Joaquín Almunia, Speech to the Slovakia Euro Changeover Conference, Bratislava 22 Sept 2008

Joaquín Almunia
Member of the European Commission,
Commissioner for Economic and Monetary Affairs

“The euro has been firmly and credibly established as a stable currency. The euro has brought a period of currency stability, low rates of inflation, low levels of medium- and long-term market interest rates, and higher economic integration via enhanced trade and financial interdependence.”

Jean-Claude Trichet, Speech given at the Institute of International Finance, Zurich, 30 March 2006

Jean-Claude Trichet
President of the European Central Bank



“The creation of the single currency was arguably one of the most courageous decisions of our generation. Men and women with strong convictions made this project happen against all odds. In order to perpetuate this monumental achievement, we owe it to the founding fathers and the future generations that we do not lack the courage of our convictions.”

Jean-Claude Juncker, Speech at the “Euro conference”, Ljubljana, Slovenia, 15 January 2007

Jean-Claude Juncker
Luxembourg Prime Minister



“(…) Economic and Monetary Union provides a great opportunity to create and maintain a large zone of price stability and economic prosperity in Europe.”

Willem F. Duisenberg, “EMU: growth through stability”, Speech at the Global Economy Conference organised by the Economic Strategy Institute, Washington D.C., 27 April 1999

Willem F. Duisenberg
Former President of the European Central Bank



“With the euro, Europe will in future have a stable and solid monetary instrument to face global competition. The euro is in Europe's interest. It will boost the economic growth and hence social development of our continent.”

Jacques Chirac, Interview with «Focus» magazine, 15 September 1997

Jacques Chirac
Former President of the French Republic



“The introduction of the euro is not only an important decision for the European Union; it is an important turning point in European history ... The single European currency has made European integration irreversible.”

Helmut Kohl, Speech at the “ZEI-Europaforums”, 14 January 2002

Helmut Kohl
Former German Chancellor

“The euro is your money, it is our money. It's our future. It is a piece of Europe in our hands.”

Romano Prodi, 1 January 2002

Romano Prodi
Former President of the European Commission





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The euro, our currency

The euro – what's in it for me?

You can use the same currency anywhere in the euro area. You can **travel more easily** without the hassle of changing currencies every time you cross a border.

For instance, when you visit a museum in Italy, you can pay the entrance fee using euro coins left over from your stay in Greece; you can buy a meal in France with euro banknotes you got from a cash dispenser in Spain; or you can withdraw euros from a cash dispenser in Ireland with your bank card from Finland at no extra cost. All this will **save both time and money**.



Travelling outside the euro area is also easier since the euro is an international currency and therefore widely accepted in many places outside the euro area, particularly in tourist destinations. Previously, an individual with 1000 German marks (DEM) in his or her pocket who travelled through 15 Member States, changing money in each one, would have less than DEM 500 left on returning home — without having made a single purchase. Today, someone starting out with EUR 1000 would return home with the same amount in his or her pocket.

When shopping in the euro area, via the internet or whilst travelling, you can **easily compare prices** since they are displayed in the same currency everywhere.



THE PRICE OF 1.5 LITRE COCA-COLA, 1998

	A	B	
France	FF 6,50	EUR 1,02	A: price in national currency B: price in euros
Germany	DM 3,02	EUR 1,57	
Spain	PTA 1,25	EUR 0,77	

Source: Hans Martens, EPC, www.epc.eu



The column shows the added transparency consumers enjoy thanks to the common currency, the euro. Try looking at the column A only first. Have you been to any of these countries, would you be able to say where Coca-Cola is the cheapest? Now look at the second table. As you can clearly see, things are much easier with one common currency.

