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THE EUROPEAN PARLIAMENT, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE, THE COMMITTEE OF THE REGIONS AND  
THE EUROPEAN CENTRAL BANK**

**Third report on the practical preparations for the future enlargement of the euro area**

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## **1. INTRODUCTION**

This working paper, drawn up by the Commission services, describes in detail the state of practical preparations for the introduction of the euro, including information and communication aspects, in the recently acceded Member States. It focuses on new developments since the adoption of the second report. Moreover, the document presents the results of the Eurobarometer survey on the public opinion in these countries concerning the introduction of the euro, which was conducted in April 2006.

## **2. DETAILED OVERVIEW OF PREPARATIONS AT NATIONAL LEVEL**

### **2.1. Czech Republic**

On 23 November 2005, the Czech Government adopted a number of decisions specifying the Czech euro adoption strategy. The government endorsed an assessment of the fulfilment of the convergence criteria and the degree of economic alignment of the Czech Republic with the euro area. It agreed not to seek ERM II entry in 2006, but to decide at the end of 2006 whether to seek entry to ERM II the year after. Thus, the original strategy of adopting the euro in 2009 was excluded by this decision, while the year 2010 still represents a targeted option. The government moreover adopted the document entitled "The Institutional Arrangements for Introduction of the Euro in the Czech Republic" which had been submitted by the Ministry of Finance.

This document mentions 1 January 2010 as the tentative date for introducing the euro. It describes the institutional framework for the introduction of the euro in the Czech Republic and is meant to be the starting point for the creation of a national changeover plan. It states that the Czech Republic has not decided yet which type of changeover scenario to apply, but indicates that the Ministry of Finance will, in cooperation with the Czech National Bank and other Czech authorities, submit a proposal on the choice of a changeover scenario to the government by the end of August 2006. The Minister of Finance shall submit a draft of the national euro changeover plan to the government by the end of 2006.

The Deputy Minister of Finance was appointed as the National Coordinator for the Euro Introduction. The National Co-ordination Group for the Euro Introduction ("NKS") was formally established in its first meeting on 20 February 2006 and consists of representatives of five relevant ministries on the level of the Deputy Minister and of the Vice-Governor of the Czech National Bank (CNB). The NKS is chaired by the National Coordinator; the representatives of the CNB and of the Ministry of Industry and Trade are the deputy chairmen. At the first meeting of the NKS six Working Groups were set up which shall prepare the steps for the introduction of the euro in particular areas (financial sector, non-financial sector and consumer protection, public finance and public sector, information systems and statistics, legal framework, and communication).

The Czech Republic started preparations for its communication strategy within the framework of the Working Group on Communication that is chaired jointly by the Ministry of Finance and by the CNB. The communication strategy plan is to be completed by the end of 2006 (parallel to the changeover plan). However, certain communication activities are already starting (articles targeted to expert groups, discussions with the general public, preparations for the euro website etc.). Preliminary discussions on a participation in twinning programmes

and on a future partnership agreement with the European Commission within the PRINCE programme were undertaken.

## **2.2. Estonia**

The Estonian government approved the first version of the national changeover plan on 1 September 2005. The National Changeover Committee, which had been created in early 2005, adopted the second version of Estonia's National Changeover Plan on 24 November 2005, the third version on 12 January 2006 and the fourth version on 18 May 2006. On 27 April 2006, the Estonian government decided to postpone the target date for the introduction of the euro from 1 January 2007 to 1 January 2008. The Estonian kroon joined ERM II on 28 June 2004.

Estonia's National Changeover Plan provides for a "big bang" scenario with a two-week dual circulation period. Frontloading of euro banknotes and coins to commercial banks is planned two months before €day, whereas sub-frontloading to the banks' major clients is envisaged one month before €day. Banks will offer to change kroons into euro banknotes at the conversion rate and without a service fee at least one month prior to €day. It is envisaged that all ATMs will be converted to dispense euro banknotes within 48 hours as of €day at the latest. During the period of dual circulation, ATMs will distribute only 5-, 10 and 50-euro banknotes. The exact logistical plan regarding the filling of ATMs with euro banknotes will be completed in the second half of 2007.

With a view to enabling consumers to get used to prices in euro retailers will be obliged to display prices both in kroons and euro for a period of six months before and after €day, using the conversion rate and, if the latter is not yet available, the official exchange rate of the national central bank.

Government authorities will also respect the principle of dual display. The State has committed itself to round taxes and public fees downwards to the benefit of the public.

Price monitoring of certain frequently consumed goods and services is carried out under the supervision of the Ministry of Economic Affairs and Communications, with the involvement of relevant consumer organisations. Resulting price comparisons will be made public. The purpose of this measure is to maintain adequate price perception among the public and to discourage retailers from raising prices during the changeover period.

The designs of the national side for the euro coins were approved in December 2004. As a result of an international competition, Estonian euro coins will be minted by the Mint of Finland.

In January 2006 the Bank of Estonia signed the Memorandum of Understanding between the Member States of the euro area, the European Commission and Estonia on the start of euro coin production and on the preparatory tasks prior to the start of production on behalf of the Republic of Estonia.

The Estonian authorities have prepared a draft Act on the Introduction of the Euro and an amendment to the Business Code. The Act on the Introduction of the Euro will cover, inter alia, the procedures for exchanging kroons into euro and removing kroons from circulation, the dual circulation of national and euro cash and the necessary changes to existing legislation. It is planned to be adopted after the abrogation of the derogation and to enter into

force on €day. The amendment to the Business Code is expected to be adopted by the end of 2006.

The Estonian communication strategy has been developed by the Communication Working Group and has been approved by the National Changeover Committee on 21 June 2005. On this basis, a Partnership Agreement between Estonia and the European Commission has been signed on 8 November 2005 to coordinate and support Estonia's information and communication activities on the euro.

Estonia has developed a comprehensive communication strategy that will follow a multimedia and multi-disciplinary approach. Since the signature of the Partnership Agreement, a lot of communication activities have been carried out, such as the choice of a visual identity, the development of a dedicated euro website, the set up of a free phone line, the production of promotional materials and publications, intensive press and media relations, the organisation of conferences and information days, etc. In the framework of the Partnership Agreement, two seminars for journalists, the production of portables stands and the printing of a brochure to be distributed to all households have been jointly organised. The postponement of the euro changeover target date led to a revision of the Estonian communication strategy and action plan. The amended communication strategy and action plan were approved by the National Changeover Committee on 18 May 2006.

### **2.3. Cyprus**

Cyprus envisages the adoption of the euro on 1 January 2008. The Cyprus pound joined ERM II on 2 May 2005.

A national changeover plan was approved on 29 March 2006 by the National Advisory Committee, which is the supreme national body for the changeover to the euro. It will be submitted to the Council of Ministers for approval.

The designs for the national side of the euro coins will be submitted to the Council of Ministers for final approval shortly. In May 2006, Cyprus has requested the signing of a Memorandum of Understanding with the Member States of the euro area and the European Commission on the start of the euro coin production and on the preparatory tasks prior to the start of production.

A draft "umbrella law" for the adoption of the euro in Cyprus is currently being prepared; the law is planned to be adopted at the end of 2006. The draft law contains, inter alia, provisions on the dual circulation period, the dual display of prices, the exchange of national banknotes and coins into euro banknotes and coins and the redenomination of public debt.

A Comprehensive Strategic Communication Plan for the adoption of the euro in the Republic of Cyprus has also been approved by the National Advisory Committee on 29 March 2006 and the Council of Ministers on 5 April 2006. The Communication Plan describes in detail the design and implementation of the information campaign for the introduction of the euro which comprises four successive phases between 2006 and six months after €day. Part of the Communication Plan is a brief outline of the cash changeover plan which will be based on a "big bang" scenario with a one month dual circulation period.

A Partnership Agreement has been signed with the European Commission on 5 May 2006. In the framework of this partnership, the Commission will implement in co-operation with the Cypriot authorities different communication activities, such as the organisation of a

conference and an exhibition, the production of promotional materials and of portable stands, the organisation of a seminar for local journalists, the delivery of publications, and the conduct of opinion polls.

Cyprus, Malta and Ireland have participated in a twinning project, allowing the former countries to benefit from information and advice and to draw from the Irish experience with its euro communication campaign for the preparation of its own changeover communication strategy. The Central Bank of Cyprus has also entered into a twinning programme with the Bank of Greece covering technical and communication aspects of the introduction of the euro.

#### **2.4. Latvia**

The original target date for the introduction of the euro in Latvia was 1 January 2008, but the Latvian authorities have recently announced that they will need to postpone their target date. Latvia joined ERM II on 2 May 2005, while committing itself to limit the exchange rate fluctuations within a 1 % band around the central rate.

The Cabinet of Ministers of the Republic of Latvia approved the Action Plan for Introduction of the Single European Currency on 1 November 2005, and the first draft of Latvia's National Euro Changeover Plan on 28 February 2006 (Government order No.148, 6 March 2006). It was prepared by the Steering Committee for the preparation and coordination of the euro changeover established on 18 July 2005.

The Steering Committee and the Euro Project Manager, who, inter alia, is responsible for the implementation of the Steering Committee's decisions, are holding regular consultations with the representatives of professional associations and non-governmental organisations, in order to obtain a feedback from the public on the changeover process.

The Action Plan for Introduction of the Single European Currency in Latvia is annexed to the National Changeover Plan, providing concrete measures, deadlines of the changeover process and identifying the institutions in charge.

The "big bang" scenario with a dual circulation period of one month will be applied. Credit institutions, currency exchange offices and post offices will exchange lats banknotes and coins into euro banknotes and coins free of charge for a period of six months. The Bank of Latvia will continue to do so for an unlimited period of time free of charge and without any restrictions.

Due to the high nominal value of coins in Latvia and their intensive use by the public in day-to-day payments, the Bank of Latvia does not envisage a campaign to collect and withdraw national coins prior to €day.

The frontloading and sub-frontloading processes are envisaged as from 1 and 15 December 2007, respectively, whereby euro banknotes and coins may not be publicly circulated before €day.

In order to limit an abusive rise of prices for goods and services and to ensure a timely preparation of the public for the changeover, the dual display of prices will be compulsory for a period of three months before and one year after €day. The Administrative Offences Code will stipulate the liability of retailers and service providers for displaying incorrect prices in euro.

By December 2006, the Ministry of Economics and the Centre for the Protection of Consumer Rights (CPCR) will conduct a joint study on other countries' experience on how the introduction of the euro affects the operations of non-financial companies as well as consumers' daily purchases. On the basis of the results the Ministry of Economics will develop some guidelines by June 2007.

As of June 2006, the Ministry of Economics together with the CPCR, the Latvian National Association for Consumer Protection and the Latvian Trade Association will monitor price developments in retail trade, and publish the results.

The Ministry of Economics in cooperation with the CPCR will take measures to ensure fair conversion of prices, accurate rounding and respective display of prices in euro. For example, a "Fair Trader" campaign is planned.

The designs for the national sides of the euro coins are in the course of finalisation.

An "umbrella law" on basic provisions for the introduction of the euro in Latvia and amendments to national legislation in order to bring it in line with the legal requirements for the adoption of the euro are currently being prepared. All ministries of Latvia are involved in the review process to identify the need for new legislative acts and the required amendments to the existing ones.

A strategic communication action plan has been developed in April 2006. It focuses on the euro changeover scenario, the security features of euro banknotes and coins and the conversion rate of the lats. All public institutions as well as the private sector, notably credit institutions, retailers and service providers will be involved in the implementation of the changeover strategy and the communication action plan. The public will be informed about the changeover process through publications in the mass media and TV and radio programmes. Information booklets for consumers and non-financial corporations will be issued. A free-of-charge help-desk telephone line as well as a specific website on euro changeover issues will be set up. Discussions in order to conclude a Partnership Agreement with the European Commission have started in June 2006.

## **2.5. Lithuania**

On 28 June 2004, Lithuania joined ERM II and continues to maintain a euro-based currency board. The official target date of Lithuania for the introduction of the euro is 1 January 2007. However, this date is no longer relevant, as the Commission's convergence report adopted on 16 May 2006 concluded that the country does not fulfil the necessary conditions for adopting the euro on 1 January 2007.

Lithuania is in the process of updating the first version of its National Changeover Plan which was approved by the government on 29 September 2005. In order to facilitate practical preparations for the euro cash changeover, the draft Cash Changeover Plan has been prepared by the Bank of Lithuania (Third version, April 2006). Both the draft update of the National Changeover Plan and the draft Cash Changeover Plan were published on the internet.

Lithuania is planning a "big bang" scenario with a dual circulation period of 15 days. According to the draft update of the National Changeover Plan, the dual display of prices in both litas and euro will be compulsory during a period of 120 days before and 120 days after €day (60 days in the first version). The obligation of dual display of prices will explicitly cover communal utility and energy supply bills. In addition, a voluntary dual display of prices



as early as possible after the adoption of the irrevocably fixed conversion rate between the euro and the litas will be recommended.

Frontloading of euro coins to commercial banks will start three months before €day, whereas frontloading of euro banknotes will start one month before €day at the latest (12 days before €day in the first version). A deferred debiting model will be applied by the Bank of Lithuania for the frontloaded banknotes and coins.

The Bank of Lithuania and the Lithuanian Retailers Association have agreed that one month before €day the retail sector enterprises will be ready for euro coin and banknote sub-frontloading operations. Actual sub-frontloading of euro coins and banknotes to retailers at their demand is planned within the last month before €day. Sub-frontloading to the general public is not envisaged.

Business organisations will be encouraged to adopt a Code of Good Business Practice. Upon signing the Code, they will commit themselves to convert prices in the correct manner, not to use the adoption of the euro as a pretext for increasing prices and not to violate in other ways the interests of consumers. Retail price changes will be monitored. Information of the retail prices of the main goods and their changes will be published twice a month. The National Consumer Right Protection Council will investigate consumer complaints and detect violations of consumer rights.

On 26 January 2006 the Bank of Lithuania signed the Memorandum of Understanding between the Member States of the euro area, the European Commission and Lithuania on the start of euro coin production and on the preparatory tasks prior to the start of production on behalf of the Republic of Lithuania. Euro coins for the Republic of Lithuania are planned to be minted by the Lithuanian Mint.

Concerning the changeover of the public sector the draft update provides rules on the redenomination of securities, on the conversion of tax amounts to the euro, on adaptations of accounting and the adjustment of information systems, on the harmonisation of statistics and on the validity of prepaid items such as transport tickets and postage stamps. Lithuania currently participates in a twinning programme with the Ministry of Finance of Belgium. One twinning project covers the issues related to the conversion of the national public debt in euro and the second one deals with the departmental management related to the changeover.

The draft Law on the Adoption of the Euro has been prepared; it will, inter alia, provide rules on conversion and exchange of the litas to the euro, withdrawal of litas cash from circulation, publication of the images of notes and coins, redenomination of securities and dual display of prices. The law will be adopted after the decision on the abrogation of the derogation for Lithuania and the fixing of the conversion rate.

All existing legal acts that need to be adapted with a view to the euro have been identified by December 2005. The necessary amendments are planned to be adopted by 1 December 2006. This does not include amendments of a technical character, such as replacing references to the litas with references to the euro, which will be carried out after the adoption of the euro in Lithuania.

The communication strategy was approved by the government on 29 September 2005. The communication campaign will be most intensive during the last four months before €day and the period of dual circulation. On 8 November 2005 Lithuania has signed a Partnership

Agreement with the European Commission on the support of Lithuania's information activities concerning the introduction of the euro.

Lithuania started to implement its communication campaign by developing specific web pages dedicated to the euro within the sites of the Bank of Lithuania and of the Ministry of Finance, organising seminars and conferences, broadcasting specific TV and radio programmes on the euro, holding regular press conference and media relations. At the moment, Lithuania is finalising tender procedures to select a communication agency. The "euro coins genesis exhibition", portable stands, two seminars for journalists and the preparation of a brochure have been organised together with the European Commission. The postponement of the introduction of the euro will lead to a revision and re-schedule of the communication strategy of Lithuania.

Lithuania and Slovenia are participating in a twinning programme with the Netherlands in order to benefit from the Dutch experience in terms of communication on the euro.

## **2.6. Hungary**

There have been no major new developments to be noted since the previous report. Hungary's target date for the introduction of the euro is 1 January 2010.

The national changeover plan will be adopted at a later stage and a specific organisational structure for coordinating and monitoring the country's national changeover will be established. Magyar Nemzeti Bank (the central Bank of Hungary) is drafting a proposal, focusing on its tasks, for a national changeover plan.

The scenario remains to be decided, although a "big bang" scenario, possibly containing some phasing-out elements, and a dual circulation period of one month are being considered. Frontloading and sub-frontloading arrangements will be provided for.

The competition for the selection of the design of the Hungarian side of the euro coins will be launched in due time. The preparations for the production of euro coins are expected to start afterwards. The consultation audit of the Hungarian Mint Limited took place at the end of 2005, and the implementation of the related ECB recommendation is underway.

It has been estimated that 0.5 billion banknotes and one billion coins will be required to ensure a smooth changeover. The estimated volume of legacy currency to be withdrawn is 0.3 billion banknotes and one billion coins. In addition to credit institutions and post offices, Magyar Nemzeti Bank will exchange forint banknotes and coins. A logistic centre is being built to modernise the currency issuing, storing and processing activities of Magyar Nemzeti Bank and thus facilitating a smooth changeover. The start of operation is expected beginning of 2008.

Hungary has not yet elaborated a detailed communication strategy. Magyar Nemzeti Bank and the central bank of Austria participated in a twinning project, allowing the former to draw upon the latter's communication experience and to assist Hungary in the preparation of its communication strategy. Magyar Nemzeti Bank still aims to collect information and learn more about the experience of the central bank of Austria, and thus plans to continue the cooperation in the form of benchmarking.

## 2.7. Malta

The target date for the introduction of the euro in Malta is 1 January 2008. The Maltese lira joined ERM II on 2 May 2005.

On 5 January 2006, the National Euro Changeover Committee (NECC), which had been established on 13 June 2005, published the Preliminary Master Plan for the Euro Changeover in Malta. This document provides a preliminary overview of all aspects related to the euro changeover in Malta. In particular, it reports on the issues and concerns identified by the seven sectoral committees (public finance, public sector, education, private sector, consumers, financial and legal sector) and by the special task forces that form part of the NECC.

On 12 June 2006, the Maltese government adopted the Second Updated Master Plan for the Euro Changeover in Malta. This document constitutes the first comprehensive national changeover plan adopted in Malta. The plan envisages a "big bang" scenario with a "phasing out" period the length of which is still to be determined. The period of dual circulation will last for one month.

Frontloading of euro banknotes is planned as of late October or early November 2007, whereas sub-frontloading to retailers will start on 17 December 2007. Retailers will be able to purchase euro coin starter kits as from the same date. Coin starter kits for the general public are also envisaged. As from €day, ATMs will issue low denomination euro banknotes only, whereby at least one ATM in all major localities will offer this service.

Consultations are currently underway within the NECC for the establishment of the Retailers' Euro Changeover Best Practice Initiative (RECBPI). The RECBPI is planned to include a voluntary commitment by retailers towards price transparency and stability. The initiative will be managed by a euro observatory unit, which will monitor and analyse price developments and report on cases of non-compliance with the commitment. Guidelines concerning dual display of prices were issued by the NECC.

The process of selecting the designs for the national sides of the euro coins started in January 2006 with a public consultation process and was completed by 9 June 2006.

Whilst all existing primary and secondary legislation is being reviewed with regard to any amendments required in view of the adoption of the euro, the draft Euro Adoption Bill 2006, which serves as an "umbrella law", is currently being debated in Parliament. The Bill had been submitted to the European Central Bank for consultation. The opinion of the ECB was adopted on the 23 February 2006.

The "Multi-annual communication strategy in preparation for the adoption of the euro (2006-2008)" has been adopted by the Steering Committee for the adoption of the euro on 19 April 2006. A Partnership Agreement has been concluded with the European Commission on 5 May 2005. The NECC has embarked on a national information campaign, including the launch of a national helpline for the public and the launch of specific campaigns for different target groups including consumers, the business community, children, the elderly and vulnerable groups. A media campaign will already take place in 2006, but the intensive advertising campaign will be concentrated in the second half of 2007. The NECC has also recruited a number of information officers to assist the general public and specific target groups. The European Commission will partially finance the production of some publications, the media campaign and the salaries of information officers.

Malta participated with Cyprus in a twinning project with Ireland, in order to be able to draw upon the Irish experience in the area of information and communication.

Malta has chosen the slogan for its euro communications campaign which is: “*the euro – in our common interest*”.

## **2.8. Poland**

There have been no new developments to be noted since the previous report.

Poland has no official target date for the adoption of the euro. It is currently concentrating its efforts on the macro-economic conditions which need to be fulfilled prior to euro area entry.

No changeover plan has been produced yet, neither have the Polish authorities decided on the type of scenario or started the practical preparations. Nevertheless, a document entitled "Poland's Integration into the Euro Area: prerequisites for membership and the process management strategy" has been produced in August 2005. The document envisages the future elaboration of a national strategy as well as a national changeover plan, together with an institutional framework (monitoring committee and different working groups).

The production requirements for euro coins are estimated at between 4 and 5 billion pieces.

In order to develop a comprehensive communication strategy and to benefit from technical advice, the Polish and the German central banks are participating in a twinning project.

## **2.9. Slovenia**

The target date for the adoption of the euro remains 1 January 2007. The Slovenian tolar joined ERM II on 28 June 2004.

The first update of Slovenia's Masterplan for Introduction of the Euro was adopted by the government on 2 February 2006. The updated plan provides for a "big bang" scenario with a dual circulation period of 14 days, instead of 7 days as foreseen in the original version of the Masterplan which had been approved in January 2005.

Frontloading to banks is planned as of 1 September 2006 for euro coins and as of 11 December 2006 for banknotes. Sub-frontloading to businesses will start on 1 December 2006 for coins and on 11 December 2006 for banknotes. Business and retailers will receive pre-packed coin kits containing a suitable structure of denominations for initial cash transactions. 150 000 starter-kits of euro coins will be available for sale to the general public as of 15 December 2006. The banking sector will upgrade software and ATMs so that tolar banknotes can only be withdrawn until 31 December, whereas only 10 and 20-euro banknotes will be dispensed as from 1 January 2007. About 60 to 70% of ATMs will dispense euro banknotes as from 1 January 2007.

According to the Act on Dual Display of Prices in Tolar and Euro, which entered into force on 26 November 2005, the dual display of prices for goods and services is compulsory since 1 March 2006. Until the convergence rate has been irrevocably fixed, the ERM central rate is used as a substitute. The act provides for a large number of exceptions to the requirement of dual price display, e.g. for petrol stations, small enterprises and farmers selling to end users, for catalogues, for the sale of meat, fish and bread, books and other published products, and for vending machines.

The Consumer Association of Slovenia is monitoring price developments in the retail sector for specific goods and services in co-operation with the Statistical Office of the Republic of Slovenia. The Association has announced that it will publish in the mass media the names of retailers who increase prices excessively.

The eight designs for the national sides of the euro coins have been selected. As Slovenia does not have a national mint, the Mint of Finland has been chosen as producer of the euro coins.

In February 2006 the Slovenian Minister of Finance signed the Memorandum of Understanding between the Member States of the euro area, the European Commission and Slovenia on the start of euro coin production and on the preparatory tasks prior to the start of production on behalf of the Republic of Slovenia.

The update of the Masterplan provides for a new chapter on sectoral preparations. For commercial banks, Friday 29 December 2006 will be the last working day in tolar. From 30 December 2006 to 2 January 2007 banks will not carry out transactions for customers, but will prepare the conversion of their systems in order to be ready to accept cash and non-cash euro payments on the first working day of 2007. As far as capital markets are concerned, the Masterplan deals with the redenomination of debt instruments and describes the changes to the Companies Act regarding the changeover to the euro. In the public sector special rules on tax calculations and tax returns are envisaged.

The draft Act on the Introduction of the Euro was sent to the ECB for consultation on 3 May 2006. This act will, inter alia, provide rules on the changeover to the euro, specify the dual circulation period and the period for exchanging tolar banknotes and tolar coins into euro, and regulate the conversion of public debt. Amendments to the Salary Tax Act have been adopted in December 2005; amendments to the Bank of Slovenia Act, to the Payment Transactions Act, to the Misdemeanours Act and to the Companies Act have been adopted in April 2006. A draft amendment to the Collateralisation Act has been submitted to the parliament in April 2006. A special implementing regulation will deal with tax issues. It will inter alia determine the currency in which taxpayers must submit tax declarations after €day for periods prior to that date.

In order to avoid a significant supply of national cash immediately before €day, the payment date of pensions, which are usually paid in cash, will be advanced from 29 December to 22 December 2006. On 8 November 2005, Slovenia and the European Commission concluded a Partnership Agreement concerning Slovenia's information and communication activities on the euro. In the first stage (June 2005 - March 2006) some major activities have been launched, for example a special national website on the euro changeover (<http://www.evro.si>) was set up on 15 February 2006, a toll free phone line (Evrofon) is operational for the public at large, the first informational publication ("Euro is coming") has been prepared and is to be sent to all households, a corporate identity has been chosen under the slogan "The euro – for all of us". In co-operation with the European Commission, a seminar for journalists, a conference and the printing of the publication have been carried out. In June 2006, the "euro coin genesis exhibition" will be displayed in Ljubljana.

Lithuania and Slovenia are participating in a twinning programme with the Netherlands in order to benefit from the Dutch experience in terms of communication on the euro.

## **2.10. Slovakia**

The target date for the introduction of the euro in Slovakia is 1 January 2009. The Slovak koruna joined ERM II on 28 November 2005.

The first draft of the country's National Changeover Plan was approved by the government on 6 July 2005. An update is scheduled to be submitted for discussion to the government by 30 June 2006. The Ministry of Finance is in charge of the overall co-ordination of Slovakia's

changeover and a National Coordination Committee has been established. Six working committees have been set up to coordinate the implementation of the National Changeover Plan. A government plenipotentiary has been appointed in December 2005 to intensify and better coordinate preparatory activities.

Slovakia will adopt a "big bang" approach with a short dual circulation period of 16 days. After the dual circulation period, banks will continue to exchange national banknotes free of charge until the end of the year and national coins until June 2009. The central bank will exchange legacy coins for five years and banknotes without any time limit.

Frontloading and sub-frontloading will start one to four months before €day. The largest possible number of ATMs is expected to have been fully converted as from €day, preferably with low-denomination banknotes. Shops should give change in euro only.

Mandatory dual display of prices (in shops, but also on bank account statements, payroll slips, invoices, etc.) is to start one month after the convergence rate is set by the Council and should continue for one year after €day. A voluntary display of prices can continue for another six months (until mid-2010). Price developments will be monitored and consumers will be informed on a regular basis on the results. Payments to the government (fees, taxes, etc.) will be rounded down, while payments by the government to the citizens will be rounded up. For other payments the existing rounding rules will be applied.

Local authorities, businesses and other organisations are encouraged to manage their changeover preparations on a timely basis, and to create ad-hoc working groups for this purpose.

Slovakia has a national mint, which could produce whole or part of the euro coins necessary for the changeover (estimated at 400 million). The three designs for the national side of the euro coins have been chosen by public tender and announced in December 2005.

On the legal side, general changeover issues will be dealt with in an "umbrella law", complemented by a set of specific legal acts that will ensure legal certainty and implement all other necessary provisions. The "umbrella law" is planned to be adopted by 1 January 2008. The necessary amendments to existing legislation have been identified by January 2006 and are envisaged to be adopted in 2008 at the latest.

A communication working group has been established, which has drawn up a draft communication plan in June 2005. Massive information of the public is expected to start between one and two years before the introduction of the euro and a partnership agreement with the Commission is envisaged. The information campaign towards the business sector will focus on SMEs. Larger business will be provided with the necessary information, but no specific campaign will be prepared for them.

The National Bank of Slovakia participates in two twinning projects. The first one, with the Austrian central bank, aims at benefiting from the latter's assistance in setting up and implementing an information and communication strategy. The second, with the Belgian central bank, covers technical and organisational issues related to the changeover, particularly the cash changeover.

## **2.11. Sweden**

There have been no new developments to be noted since the last report.

The referendum on the euro held on 14 September 2003 has led to a negative result. This outcome has stalled in practice the preparations. No national changeover body has been appointed, neither has a changeover plan or any decision been taken by the Swedish authorities on the type of scenario.

No special communication or information activities are currently foreseen.

### 3. THE STATE OF PUBLIC OPINION IN THE RECENTLY ACCEDED MEMBER STATES

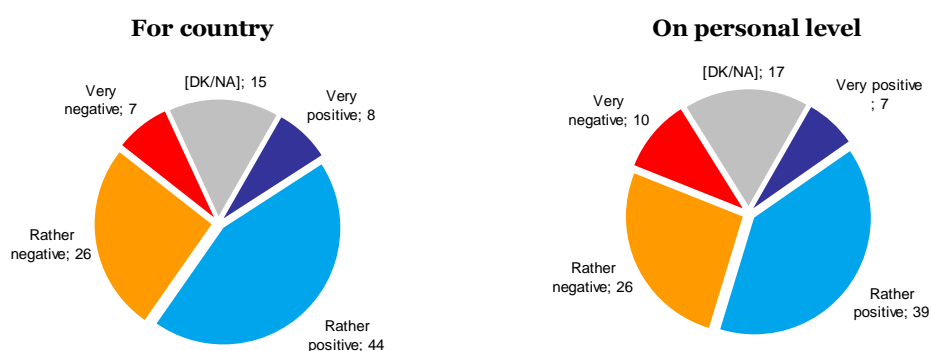
The European Commission recently requested a third Eurobarometer survey in the recently acceded Member States on public attitudes to and knowledge of the introduction of the euro. The previous surveys were carried out in September 2004 and 2005. All three polled over 10,000 citizens. The third survey was conducted by Gallup Europe in April 2006.

#### 3.1. Perceptions of and support for the single European currency

##### Summary

The overall perception of and support for the euro has improved markedly, even exceeding the levels of September 2004 which were more favourable than the September 2005 results, thus probably reflecting the improved general economic and political climate in Europe over the last months. The introduction of the euro is deemed to be much more positive, both for the country and for the individual: 52% think that the euro would be rather or very positive for their country and 46% for them personally, with support highest in Slovenia (58% and 53% respectively). People consider that the overall political environment has become more in favour of their country joining the euro area. However, the level of support varies widely from one country to another. It is noticeable to see that the three Baltic States are the least happy about replacing their national currency.

##### Consequences of the introduction of the euro (% , NMS-10)



source:  
FLASH EB 183  
11 March-5 April 2006

Q12. Do you think the introduction of the euro would have positive or negative consequences for (OUR COUNTRY)...?  
Q13. And for you personally, do you think that it would be positive or negative if the euro would be introduced?

Generally, citizens expect that most of the advantages will be more positive for their country than for themselves. Only 8% think that the introduction will have a very positive effect on the country, and 44% think that it will have a positive rather than negative effect. The figures regarding people's expectations for themselves personally are lower: 7% expect very positive

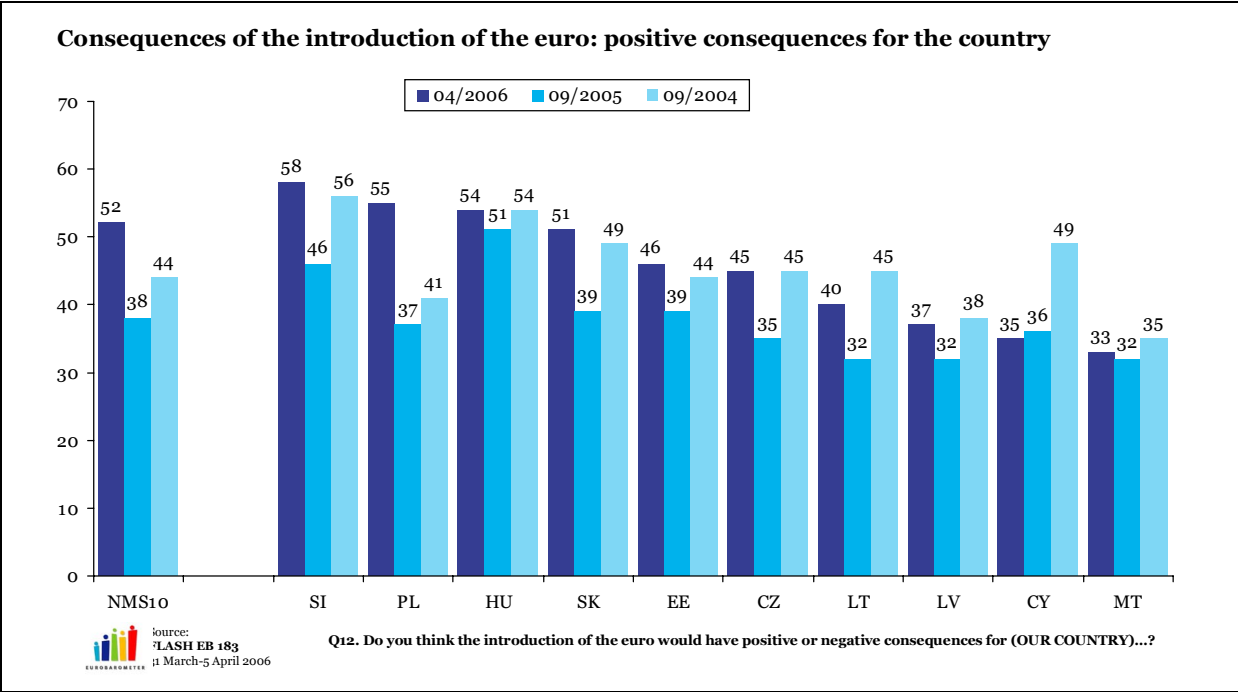


and 39% rather positive consequences for themselves when the common currency is adopted in their country. A significant minority – 36% – expect negative consequences for themselves, and almost as many (33%) for their country. 15-17% cannot say if the euro will bring positive or negative consequences for their country or for themselves.

Overall, the figures have bounced back from the temporary disappointments that the Eurobarometer survey measured last September. The current results are generally closer to the more favourable 2004 figures than to those of 2005.

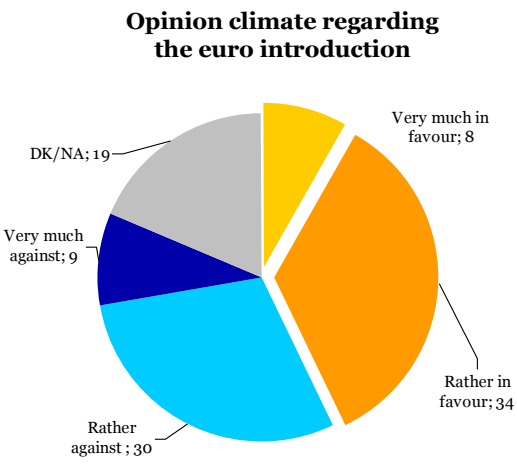
People in Slovenia are the most optimistic about the potential benefits of the euro for their country (with a similar level being found in 2004). Those in Poland and Hungary come second and third. The positive shift in Hungary are not overly surprising: since 2004 a majority have been optimistic about the euro. The Slovaks, have become more positive towards the euro since joining ERM II. The Maltese and the Cypriots continue to be most pessimistic. The Cypriots seem to be consistently sceptical towards the euro in most factors covered by this survey, and the figure expecting positive national-level consequences of the introduction of the euro has declined by 14 percentage points.

The current situation in every country is generally consistent with that of previous years, with some change in a few Member States, as outlined later in more detail, and substantial change only in Poland. While the prospect of Poland adopting the euro is still probably quite far off, Poles are starting to take a more positive view of it, with 55% of those interviewed thinking that joining the EMU will have quite positive consequences for their country, and only 29% thinking the opposite. The change in the level of optimism is a remarkable +18 percentage points, and negative attitudes have likewise declined by 17 percentage points compared to September 2005. This is of course related to the general perceptions of membership benefits and the more positive attitudes toward the European Union in general as well.



Time will tell if this change is just a temporary effect of the fragile political situation in Poland after the elections in the autumn of 2005 – or whether it represents a more enduring

change in attitudes. An argument that tends to support the second hypothesis is that one can see the same sharp increase in how positively the Poles see the *personal* consequences of any future changeover. An indication of how recent this change might have been is that the Polish respondents did not report a similar shift of opinion in those around them.

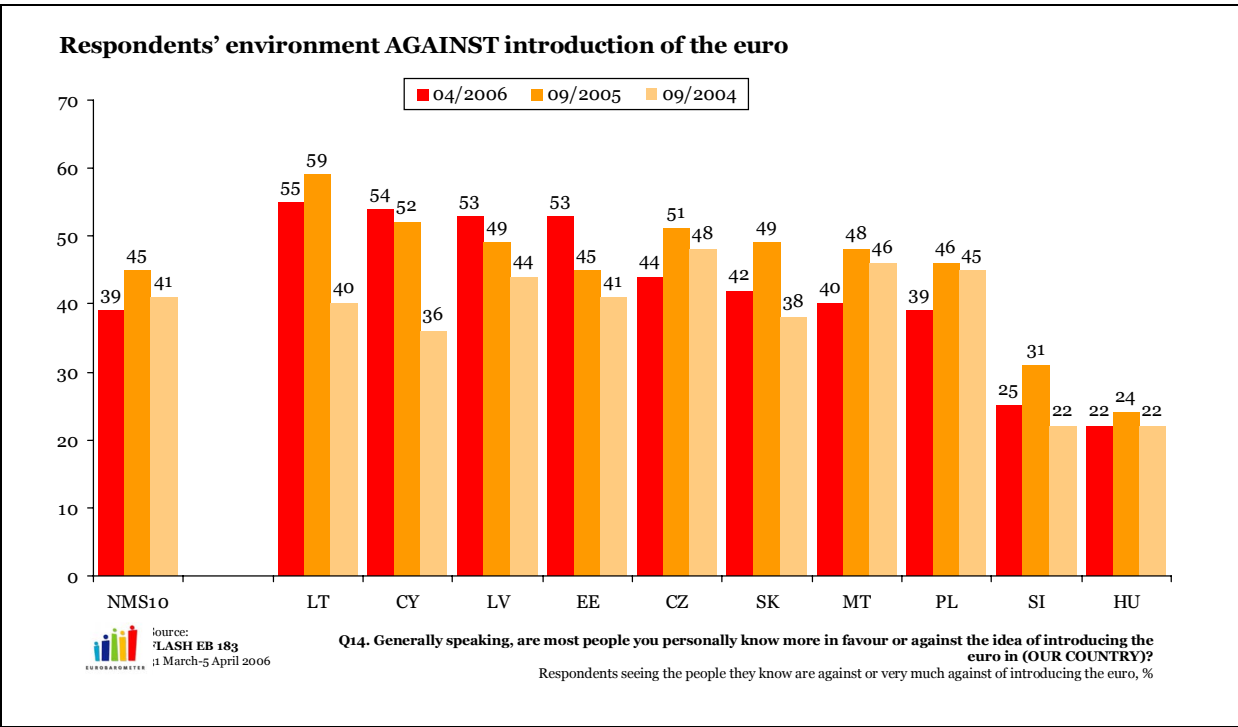


Q14. Generally speaking, are most people you personally know more in favour or against the idea of introducing the euro in (OUR COUNTRY)?  
 Source: FLASH EB 183  
 1 March-5 April 2006

In the region as a whole, more people report a positive than a negative climate of opinion around them. With one fifth of all respondents having no clear opinion, 42% believe that most people they know are supportive of their country joining the euro-zone. Almost as many citizens, four out of ten, say that the people they know are rather against introduction of the euro – which is 6 percentage points less than in 2005, and 2 percentage points less than in 2004.

At present, the majority of citizens in four of the recently acceded Member States sense public disapproval of any changeover to the euro. Respondents in the Baltic countries and in Cyprus are more likely than those elsewhere to say that the people they know are against the adoption of the single currency. A large minority

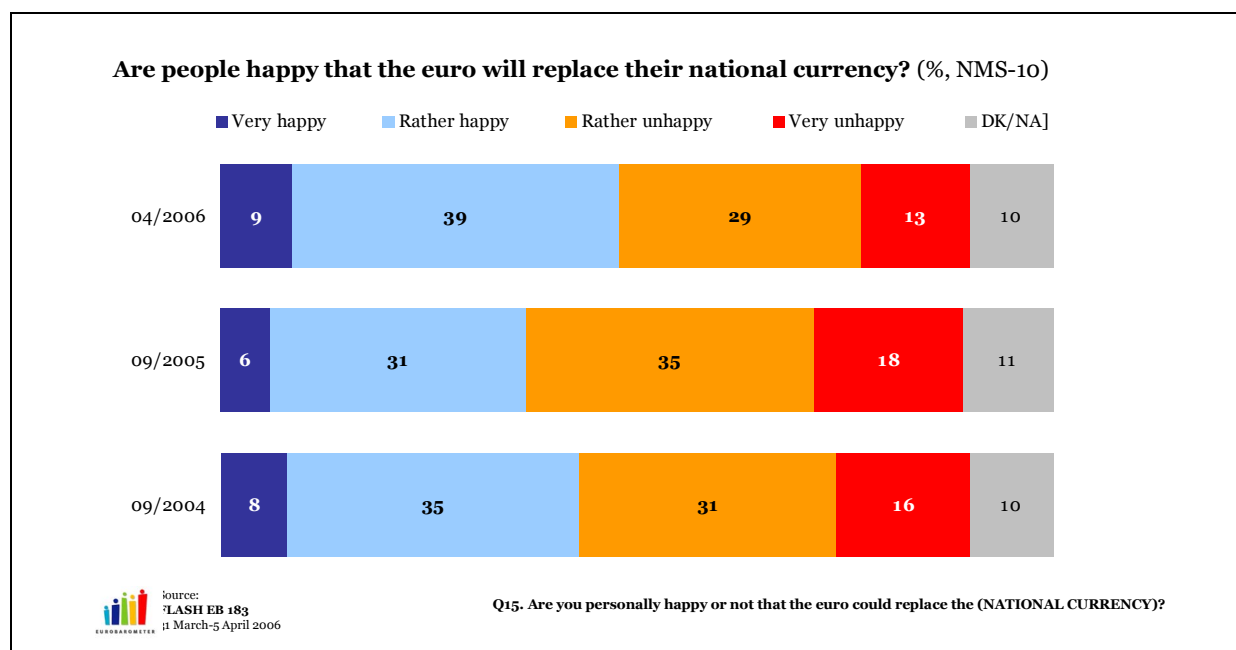
have the same perceptions in the Czech Republic, Slovakia, Malta and Poland as well. The perceived opinion climate is clearly favourable (with less than a quarter reporting any opposition in their wider surroundings) in Slovenia and Hungary.



There are emotional as well as rational issues at stake in changing a national currency. A national currency represents the autonomy of the nation-state, and contributes to the national

identity of the community of users. The Eurobarometer looked at how people related emotionally to a future changeover to the euro, asking whether or not they were happy that the euro would replace their national currency.

Again, the results show that citizens in the recently acceded Member States are increasingly prepared – at least mentally – to have their currency replaced by their joining the euro-zone: 48% say they are very or quite happy about a future changeover, which is a difference of +11 percentage points compared to 2005, and +5 since 2004. This is more than the 46% who gave a positive *rational* assessment of euro introduction (i.e. who said that the change will bring positive consequences for them).



The Slovenes are by far the least attached to their current currency. A slim majority in Hungary and in Slovakia are also happy about the change. However, in five countries the majority are unhappy about giving their currency up (Cyprus: 52%, the Czech Republic: 52%, Lithuania: 56%, Estonia: 60% and Latvia: 64%).

### Happy about the coming changeover?

	% Very + rather happy			% Very + rather unhappy		
	2006	2005	2004	2006	2005	2004
NMS10	48	36	42	42	53	47
SI	64	58	66	30	34	27
HU	56	49	56	35	37	33
SK	54	42	50	36	50	42
PL	50	34	40	39	54	49
MT	42	40	41	41	48	49
CY	39	40	49	52	53	40
CZ	39	33	39	52	58	55
LT	33	25	34	56	69	58
EE	31	24	29	60	64	57
LV	28	21	23	64	64	59

The trends here have again been inconsistent over time: positive attitudes dipped in most countries in 2005, but have now come back to roughly what they were in 2004. The two countries where changes seem to have been consistent are Poland (with a significantly positive shift) and Cyprus (with a sustained decline since 2004). Also, the Latvians – while still the least happy nation – have a markedly more favourable assessment of the changeover now than in previous years.

### **3.2. Level of knowledge and experience of the euro among citizens of the recently acceded Member States**

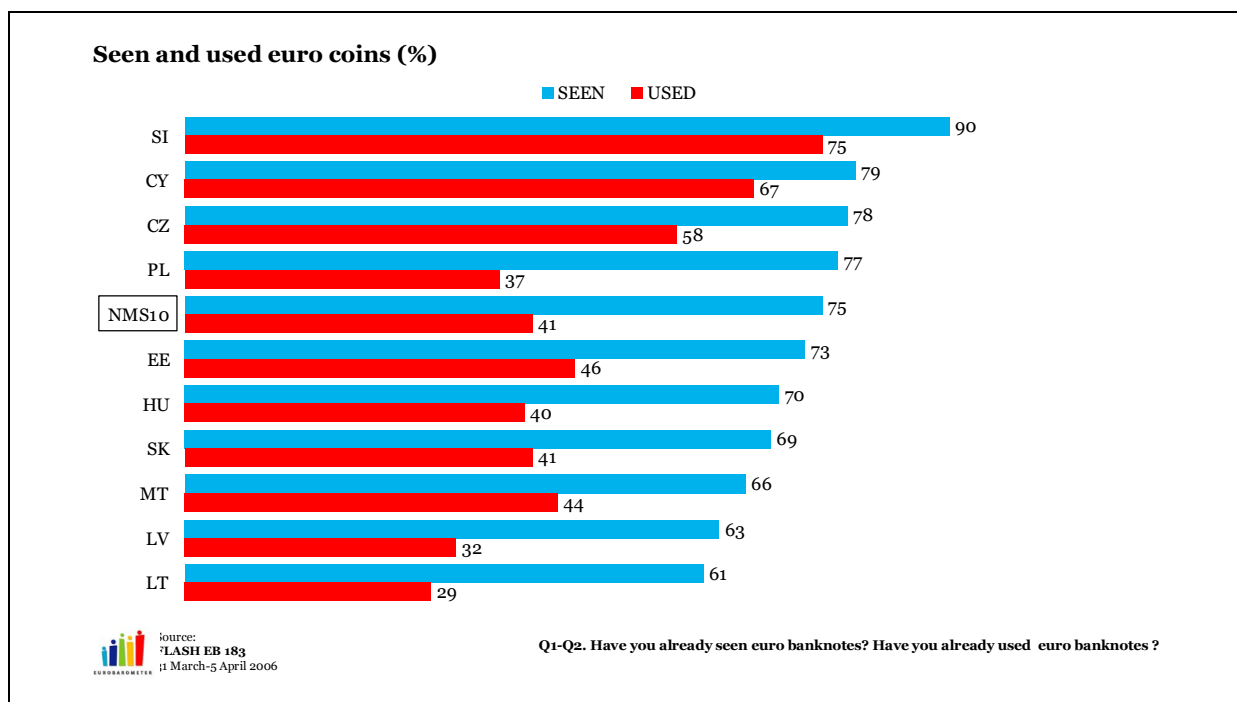
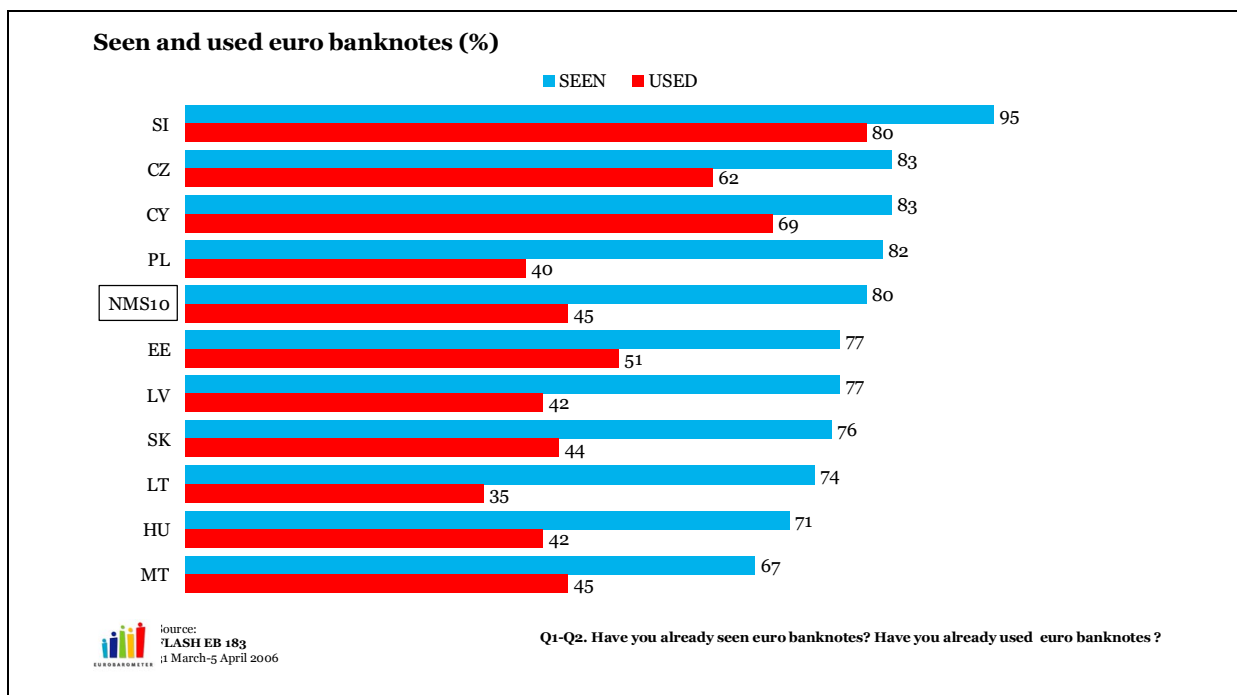
#### Summary

Respondents in the recently acceded Member States are relatively familiar with the common currency: most people have seen euro banknotes (80%) or euro coins (75%), though many fewer have used them already (45% and 41% respectively). These figures are essentially unchanged relative to last year. As in the past, the Slovenes are most familiar with the euro banknotes and coins. The usage of the euro has slightly increased but varies widely between countries. However, only a minority (46% for banknotes and 41% for coins) know whether or not the designs differ between countries.

The general public's knowledge about the framework conditions for euro adoption has not improved. Only 38%, the same percentage as in September 2005, are able to indicate the correct number of euro area Member States. The recently acceded Member States are committed to adopt the euro in due time as part of their accession to the EU. However, significantly more people (69% compared with 58% in the previous survey) seem to think that their country can choose whether or not to introduce the euro. This result is likely to reflect national discussions on referenda. Expectations of the date of euro introduction seem to be converging, however, with a realistic assessment of the probable national target dates.

Respondents in the recently acceded Member States of the EU are relatively familiar with the common currency, yet in most countries the level of information seems to have reached a plateau in 2005. Four out of five citizens in the recently acceded Member States have seen euro banknotes, and three quarters euro coins. Fewer than half have actually used the euro already. Generally, the banknotes are better known and more widely used than the coins in the New Member States.

Of all the nations polled, the Slovenians are the most familiar with the euro. Since March 2006, a dual display system has been in place, and the country plans to switch over to the euro in less than one year. Traditionally, the Slovenians have been the most active users and supporters of the euro amongst the accession countries. The Czechs, Cypriots and Poles are also very likely to have seen both euro coins and notes. The Lithuanians and the Maltese, on the other hand, are least likely to have seen the common currency, although the majority even in these countries have come across both notes and coins.

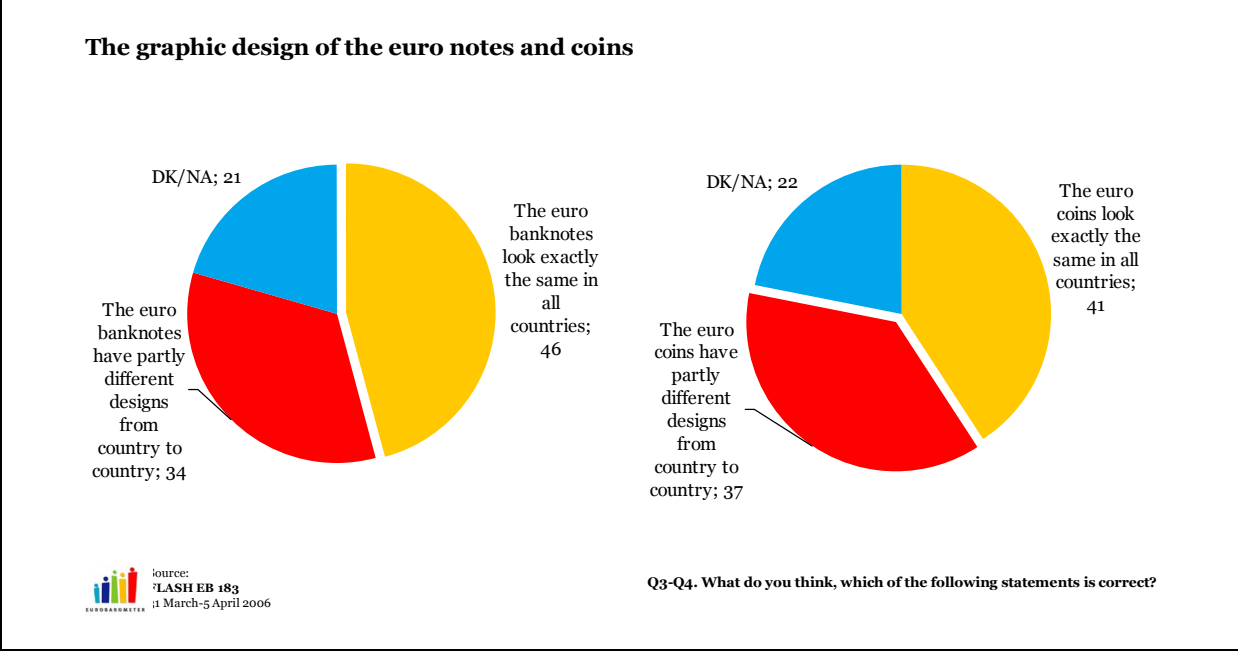


While familiarity with the appearance of the single European currency is quite widespread in the region (with a relatively narrow gap between the most and the least familiar countries), there are disparities in the extent to which citizens in each recently acceded Member State have actually used of the euro. People in Slovenia, Cyprus and the Czech Republic are most likely to have used it; while in most other countries the majority of citizens have not yet done so.

There has been relatively little change in the extent to which people have become familiar with the euro in the NMS zone. Current familiarity with the notes (80%) is only one percentage point up from September 2005, while knowledge of the euro coins has increased by four percentage points. The only country with a dynamically increasing degree of familiarity with the notes and coins is the Czech Republic (+8 percentage points for both). A

number of other countries show a moderate increase in familiarity: Slovakia (+5), Latvia and Poland (both +2). In several recently acceded Member States, though, quite notable drops were found when compared to 2005 (Estonia -5, Cyprus -6, Hungary -4, Malta -4). However, these differences may be attributable to a change in both the methodology and the order of questions relative to the survey of 2005.

As to the design of the common currency, only a minority in each recently acceded Member State know that banknotes are the same throughout the euro area, and that the coins have national designs on one side showing symbols pertaining to the issuing Member State.

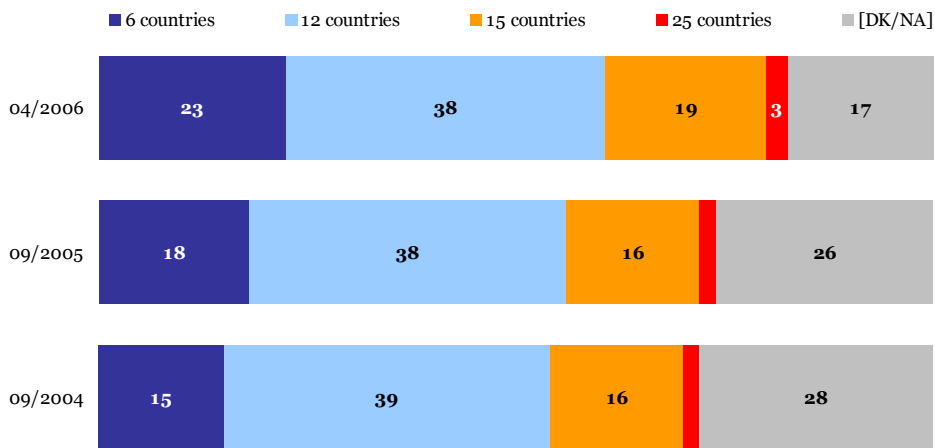


Apparently, citizens are generally unaware of this distinction in the uniformity of euro coins and notes: either people (e.g. in the Czech Republic and Poland) think that both notes and coins are identical in all euro-zone countries or (as in Slovenia and Malta) they think that the national design appears on both the coins *and* the notes. And one in five respondents across the region didn't know the answer to this question.

The Slovenians, being the closest to introducing the euro, are particularly alert to the "national" design elements of the coins, reflecting local debate about the choice of symbols proposed for the face of "their" coins. Estonians were the best-informed overall, being the only country where the majority answered both questions correctly.

The situation is similar regarding the question of how many countries already use the euro. Fewer respondents than in the earlier surveys admitted that they did not know, although the proportion of those who answered correctly has not risen at all. Only 38% knew there were 12 countries in the euro-zone. One in four thought that there were 6 countries, while one in five thought that all the old member states had already adopted the euro.

### Number of countries currently in the euro-zone (% , NMS10)



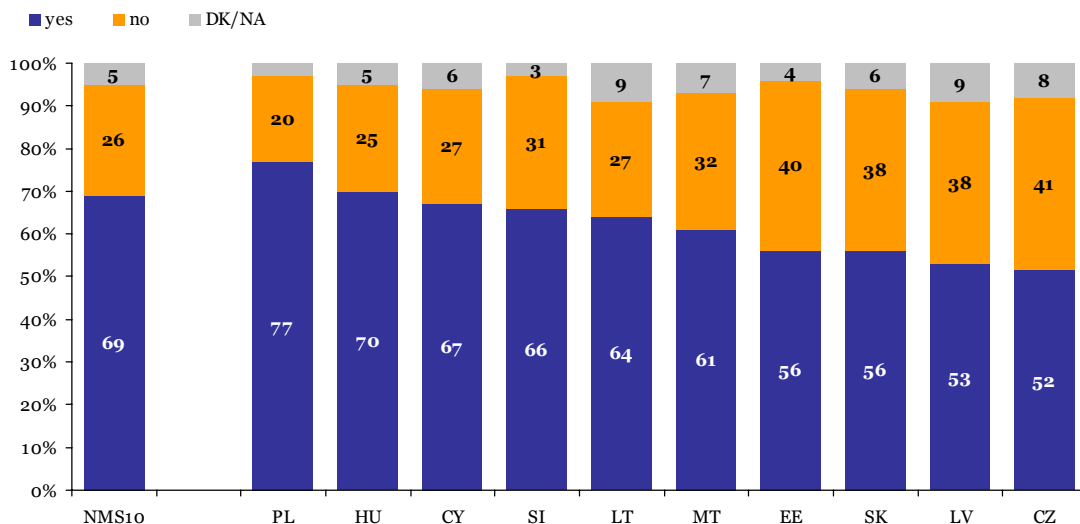
source:  
FLASH EB 183  
11 March-5 April 2006

Q5. According to you, how many EU countries have already introduced the euro?

There is not a huge variation among countries: correct answers range from 31% in Lithuania to 43% in Slovenia. Yet even in Slovenia, which had the highest proportion of people answering correctly, 29% believe that the euro is now in use in all 15 old member countries.

The number of countries that use the euro might not be vital information for most citizens of accession countries, but notions about the possibility of opting out does have a more direct influence on the national politics of those states.

### Can the country decide whether or not to join the EMU?



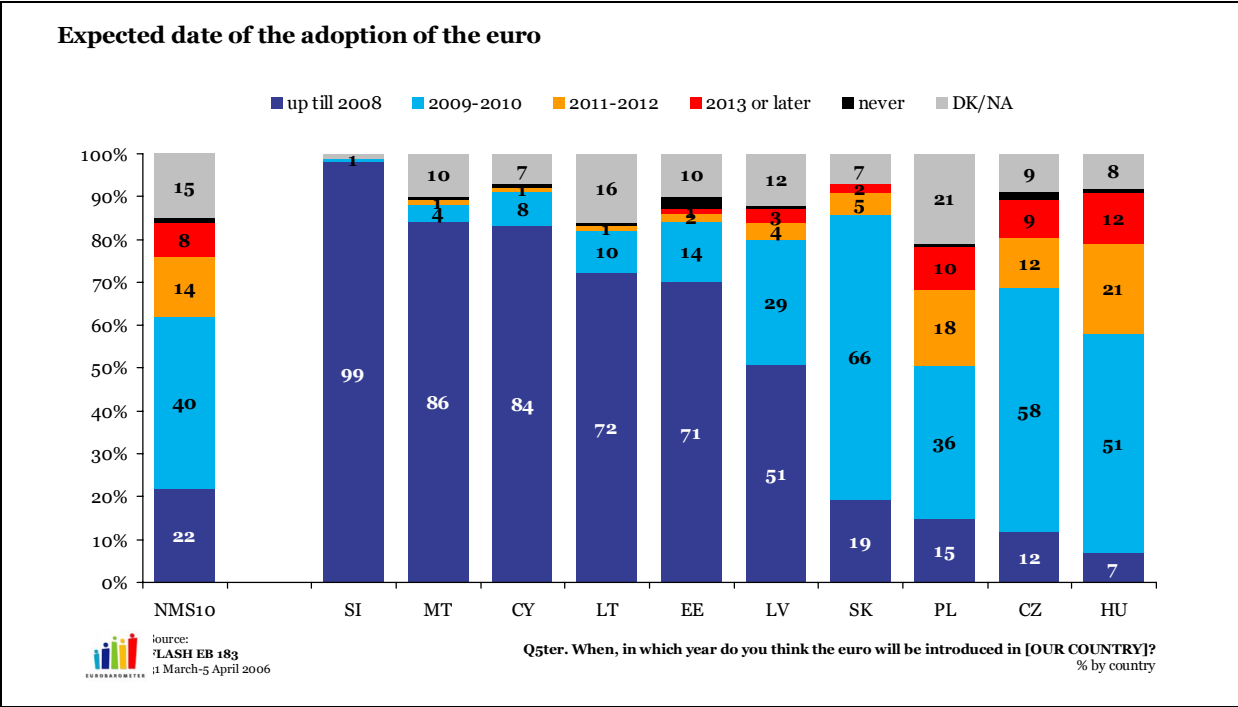
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FLASH EB 183  
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Q5bis. Can (OUR COUNTRY) choose whether or not to introduce the euro?

The majority of citizens in each country polled currently believe that their nation has a choice about whether or not they will adopt the euro (69% vs. only 26% who do not believe this). However, under the Accession Treaties, this is not in fact the case. Poles in particular – and to a lesser extent Hungarians, Cypriots and Slovenians – think that they still have complete

sovereignty when it comes to choosing their currency; while this view is least common in the Czech Republic and in Latvia.

When asked about the expected date of the introduction of the euro, hardly anyone in the recently acceded Member States answered that the euro would *never* be adopted in their country (1%) despite the majority view believing that countries are free to choose whether or not to join the EMU.



Opinions regarding this question are roughly in line with the level of preparedness for joining the euro area. Virtually everyone in Slovenia predicts entry by 2008 (and indeed have a strong expectation of joining in 2007); and a decisive majority in Malta, Cyprus, Lithuania and Estonia foresee a switchover in the next two years. While most Latvians believe that they will adopt the euro by 2008, almost three out of ten put the date in the 2009-2010 time period. In Slovakia, which only recently joined ERM II, there is a general expectation of the country joining the euro club before the end of the decade (66% put the date between 2009 and 2010). The countries not yet in ERM II are least likely to expect a change before the end of the decade. The Polish are least certain about their target date, with one in five citizens saying that they don't know. Hungarians anticipate the most distant date for their accession to the euro-area, 12% of them expecting it to be after 2013. A majority of Czechs expect to introduce the euro by 2010, although one in five expect it after 2010.



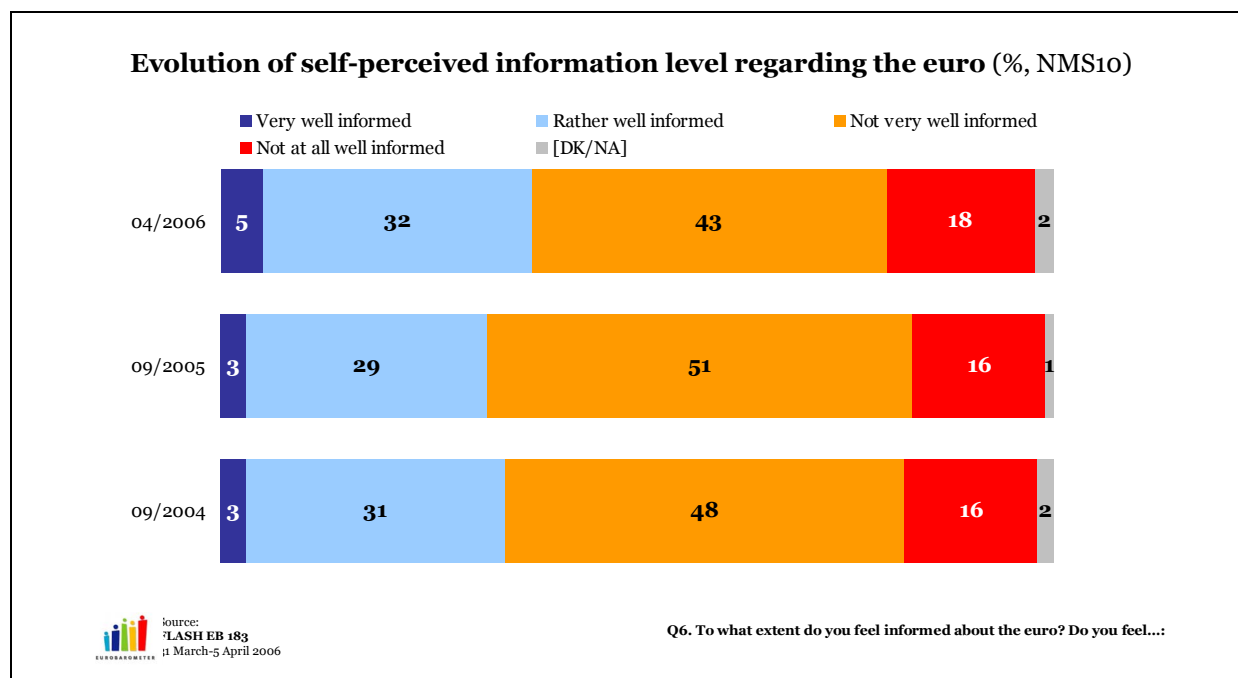
### 3.3. Information and information channels

#### Summary

According to the survey, people feel better informed than in the last survey (37% as opposed to 32%), most notably in Slovenia, suggesting that the communication efforts on the European and national level are bearing some fruit. However, the majority of citizens (60%) regard themselves as not very or not at all informed. The level of knowledge according to people's own self-assessment is disappointingly low in some countries with relatively imminent national target dates for euro introduction, such as Latvia, Malta, Estonia and Cyprus. Respondents confirmed previous results that early information on the introduction of the euro is appreciated.

As regards sources of information on the euro, the survey confirms that National Central Banks are the most-trusted (77%). Importantly, however, it emerges that the European Institutions rank second (70%). As regards channels of information, the strongest preference is expressed for traditional media (TV, papers, radio) but the internet and banks also rank high – even though the use of banking services is still relatively low in these countries. Most citizens identify practical information, such as the conversion rate (93%) and the changeover scenario (90%), as the preferred topics for the national campaigns. The loss of the national currency is also fraught with fear: 92% want to know how they can avoid being cheated when prices change to the new currency. The survey confirms that the dual display of prices (86%) and on bills (76%) is considered the most essential tool for preparing the population for the new scale of values.

- The level of factual knowledge about the euro is not particularly high in the recently acceded Member States. The more important question, though, is to what extent citizens are content with the level of information available to them.



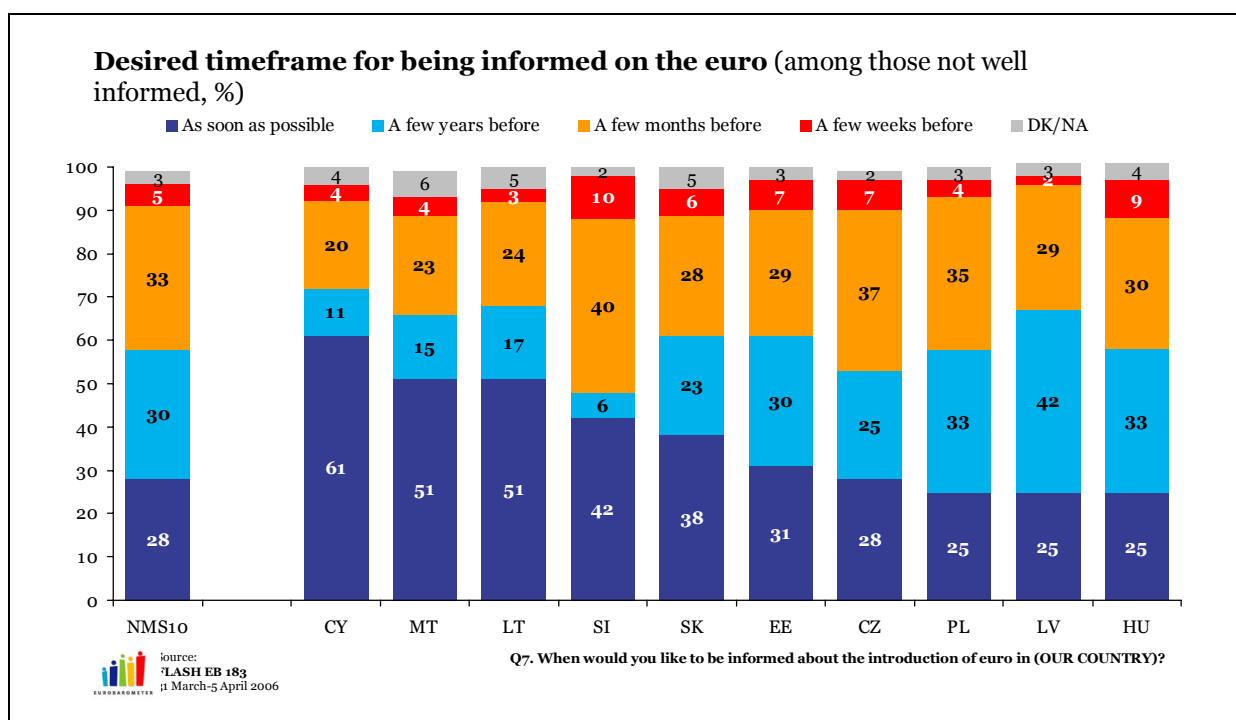
Self-perceived knowledge on the euro has improved in the last year, likely due to effective information dissemination in some Member States. A marked increase in the self-perceived information level was found in Slovenia, the Czech Republic, Slovakia and Lithuania. The majority of citizens in the region still think that they are not very well informed about the euro (six out of 10 respondents said so.) Overall, 5% believe that they are *very* well informed about the euro, and another 32% report that they are well informed. On the other hand, almost one in five claim not to be at all well informed about the common currency.

## Perceived information level regarding the euro, by country

	% Well + very well informed			% Not very + not at all informed		
	2006	2005	2004	2006	2005	2004
NMS10	37	32	34	60	67	65
SI	80	60	57	20	39	42
CZ	48	31	33	50	67	63
SK	45	32	28	52	66	70
LT	42	31	31	56	69	68
CY	37	44	43	62	56	56
EE	36	34	30	63	65	68
HU	34	36	34	66	62	65
MT	33	29	32	65	70	68
PL	32	31	35	65	69	64
LV	31	28	27	68	71	72

The self-reported level of information does not necessarily coincide with the *actual* levels of knowledge regarding the euro. The majority of the Slovenians say they are well informed about the euro, but only a minority are able to correctly say how many countries there are in the euro-zone, whether or not Slovenia is free to decide whether or not to adopt the common currency, or point out the nuances concerning how national designs are to appear on the coins and notes. At the same time, almost every Slovenian is familiar with the euro and has seen and used it. Consequently, they have different expectations of what information should be given: they appear to be less interested in the political aspects of EMU, but it appears that they would appreciate information on the changeover scenario and other technical information about the euro introduction.

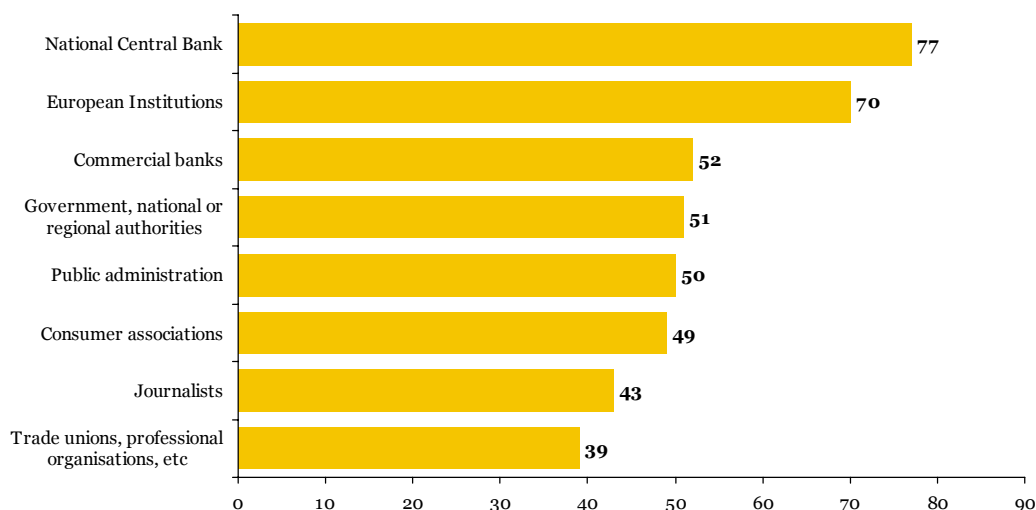
The public in some other countries, however, claim to be seriously lacking in euro-related information: the Latvians, the Poles and the Maltese being those most likely to say that they are not sufficiently informed.



In Cyprus, and to a lesser extent in Malta and Lithuania too, there is an immediate demand for information among the majority of those who are not currently well informed about the euro. In several countries, however, a significant number of people will not want more information until euro adoption becomes a more tangible reality; this is the case in particular in Poland, Latvia, Hungary and the Czech Republic. Adding together those who would like information immediately with those who would prefer to be informed at least a few years before the changeover, we see that the majority expect information about the introduction of the euro well in advance.

Trust is a key factor in information provision: people differentiate between possible sources primarily based on their assessments of how trustworthy a particular source is. It is therefore essential to provide the necessary information in countries that plan to adopt the euro through channels that are widely trusted. Traditionally, as previous measurements have already established, national central banks are considered the most trustworthy sources of information regarding the euro and changeover-related issues. Currently an average of 77% of citizens express their confidence in national central banks. European institutions come in a close second, with 70% trusting them in relation to information about the euro. In contrast, national public administrations (national and regional authorities) were trusted by only half of those interviewed.

## Trusted distributors of information and campaigns (NMS-10, %)



source:  
FLASH EB 183  
11 March-5 April 2006

Q8. For each of the following institutions or groups, please tell me if you would trust information they provide on the changeover to the euro, or not? (% trust shown NMS-10 level)

The least trusted group is one that consists of professional associations and trade unions. Similarly, there is only moderate confidence in journalists across the recently acceded Member States, at least as conveyors of euro-related information.

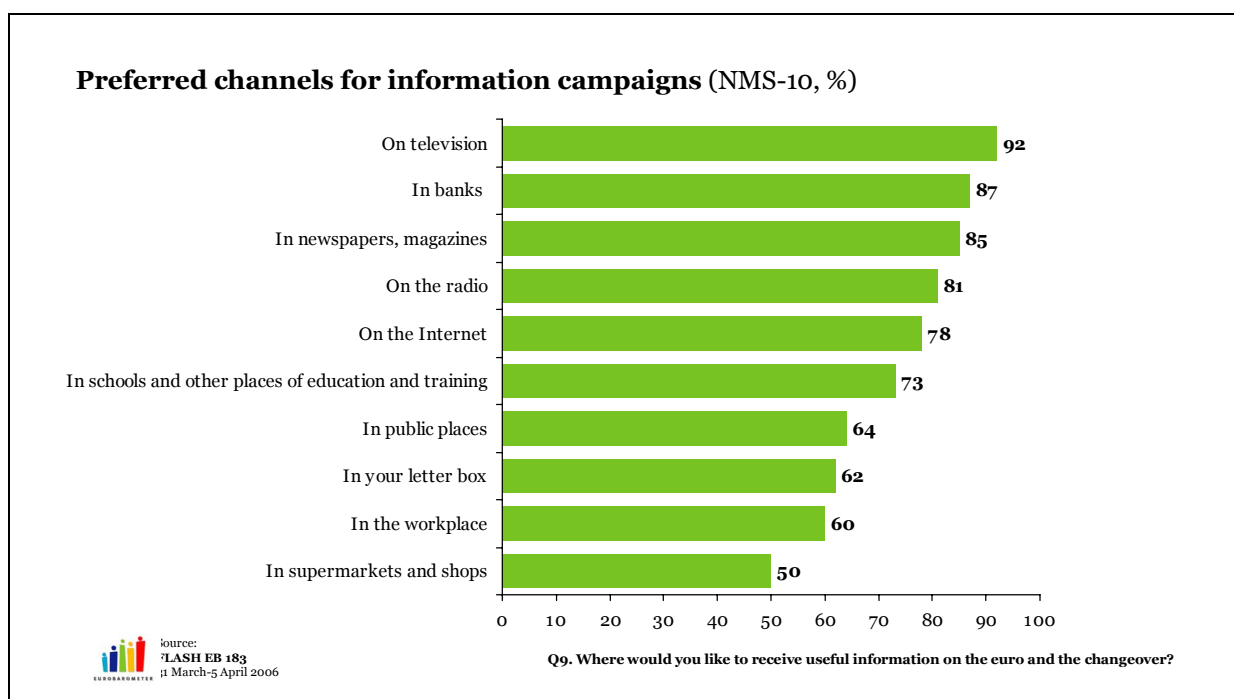
Of course, these results are not uniform across the different countries – national communication plans will therefore have to take into account their local environment in order to be effective. The one finding that does apply in every country, however, is that the Central Bank is “the” prime source of information that citizens will turn to with confidence when it comes to the euro and any switchover. European institutions also make the top three in every country, indicating that they should be given a key role in the information and communication processes used by the Commission and the ECB.

### Most trusted information sources in each country (% trust)

CZ		EE		LV		LT		CY	
Central Bank	86	Central Bank	80	Central Bank	78	Central Bank	70	Central Bank	85
European Institutions	74	Government, authorities	71	European Institutions	62	European Institutions	63	Government, authorities	76
Commercial banks	74	European Institutions	65	Government, authorities	58	Journalists	45	European Institutions	72
HU		MT		PL		SK		SI	
Central Bank	86	Central Bank	85	Central Bank	71	Central Bank	88	Central Bank	89
European Institutions	80	Commercial banks	83	European Institutions	66	European Institutions	78	Consumer associations	79
Government, authorities	66	European Institutions	70	Consumer associations	55	Commercial banks	70	European Institutions	78

Another key aspect of a successful information and communication campaign will be the medium used to distribute information. Respondents were asked how they would like to *receive* useful information about the euro and the changeover. Normally, communication campaigns are designed on the basis of audience measurement data rather than self-reported preferences of information placements, as the latter is reported less accurately. However these results might add a dimension that goes beyond the use of the most expensive mass media channels (the option most preferred by citizens).

The most preferred information channel is television. Eurobarometer results consistently find that people prefer to be informed via the screen of their television about anything that might be relevant to them. It is interesting to note that almost nine out of ten citizens named “banks” as their favoured information channels – yet other Eurobarometer studies suggest that the number of people who regularly use bank services in these countries is significantly lower (only 45% of people in the recently acceded Member States had a current account in 2003).

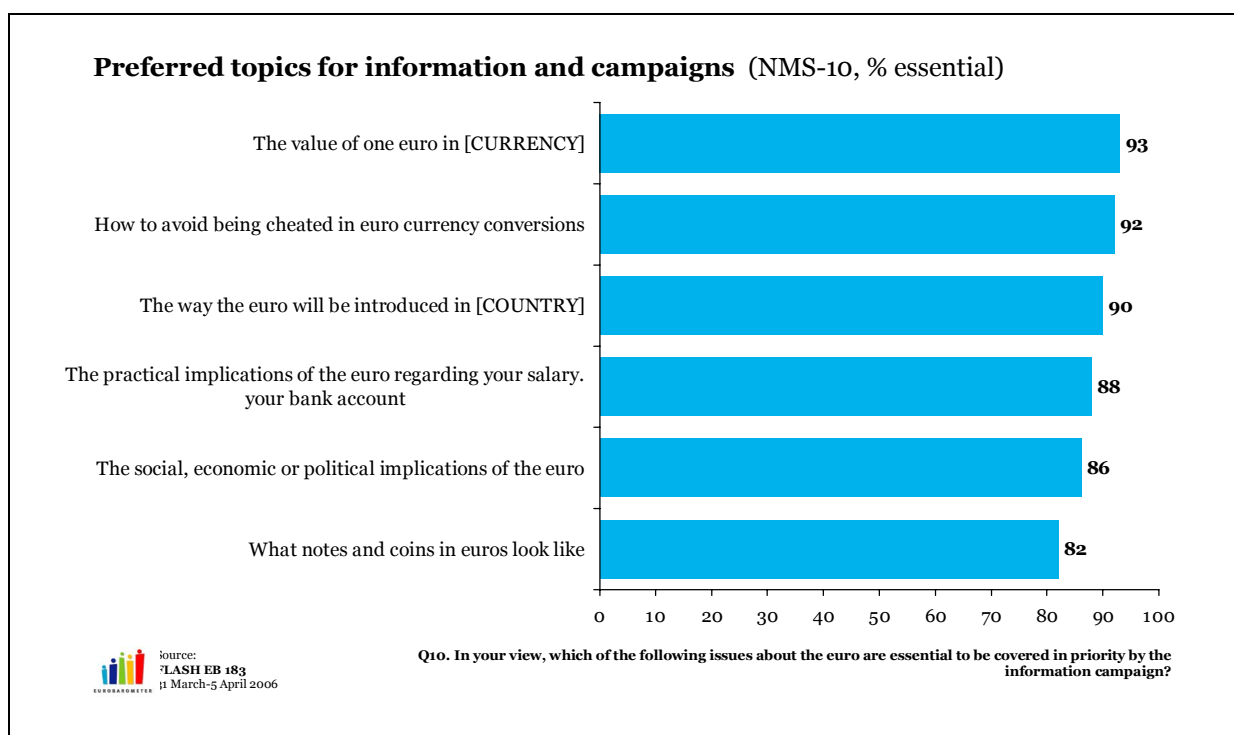


The third most favoured channel is that of newspapers and magazines, followed by the radio and the Internet (with almost four out of five citizens preferring this as a way of receiving useful information about the euro – again, a proportion that exceeds the number of those who actually use the Internet in these countries). Even the least desired place for disseminating information (supermarkets) was mentioned by half of the citizens, indicating a general need for easily accessible and readily available information on the subject.

As to the content of the information required, citizens are convinced that each of the topics suggested for inclusion in the euro information campaign is more or less essential to requirements.

The most important information requirement is the value of the national currency in euros; citizens almost unanimously identified this element as essential to any euro campaign. Similarly important is providing information about how to avoid being cheated in euro conversions until a full changeover has taken place. Almost as essential is information on the general scenario for the introduction of the euro in the country, i.e. the important dates and milestones in exchanging their current legal tender to the euro. Even though most of them

(80%) want still information on how the euro looks, people consider this aspect of the euro the least essential element of an information campaign. However, country differences are pronounced in this respect, ranging from only 67% in Lithuania to 90% in Poland.



Most information measures that were a part of euro introduction campaigns in the current euro-area are considered to be essential in the recently acceded Member States, too. Dual display of prices is considered to be the most essential measure, both in shops and on utility bills. Most people want advertisements to explain the situation in newspapers and on television. Most people do not actually have a pay slip, but seven out of ten in any case consider dual display on pay slips as also essential in preparation for a euro switchover. Leaflets and brochures are considered the least essential for people's personal preparations for euro adoption.

**Information campaign actions judged to be essential (% essential, NMS)<sup>1</sup>**

	2006	2005	2004
Dual display of prices in shops	86	79	81
Dual display of the amount on bills (electricity, gas, etc)	76	69	70
Newspaper advertisements	72	73	-
TV advertisements	71	73	78
Dual display on your pay slip	71	66	66
Radio advertisements	64	64	66
Leaflets / Brochures	62	61	64

<sup>1</sup> Question text: Here is a list of various information campaign actions. Could you tell me, for each of them, whether you would find it essential or not essential to prepare yourself for the euro?

Compared to the results in previous years, media tools received similar support (with a slight decline in preferences as regards TV spots over these two years), while dual displays now enjoy an even higher support than in 2004 or 2005.

### 3.4. Expectations and fears regarding adoption of the euro

#### Summary

The picture of people's expectations and fears is mixed and sends somewhat contradictory signals. On the one hand, people have increasingly positive expectations towards the euro as regards its status as an international currency and the role of Europe in the world. They are also becoming less worried about certain consequences such as loss of control over economic policy or loss of national identity. And a broad and increasing majority expect tangible benefits for daily life such as for travelling and price transparency. On the other hand, people are becoming more sceptical in their expectations of the macroeconomic effects of the euro, such as on interest rates or public finances, though a relative majority do still expect a positive impact. Slightly more expect no improvement of growth and employment than those who do expect some improvement (40% and 38% respectively). This may reflect greater national ownership of the growth and jobs initiative, and correspondingly weaker expectations of results at the European level.

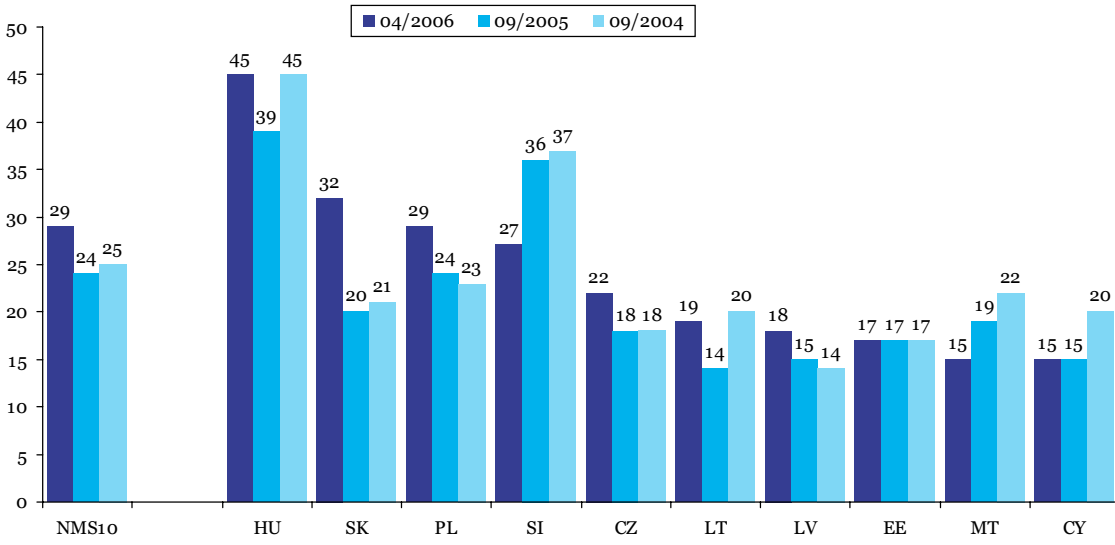
Price stability has been one of the main objectives of EMU which has been achieved with impressive low inflation rates not exceeding 2.4% p.a. since the introduction of the euro in 1999. In contrast to this empirical evidence, most citizens (46%) fear that the introduction of the euro will increase inflation in their country. Albeit rising, the share of those who believe that the euro might help to maintain price stability is low at 29%. The highest rates of sceptical persons as regards inflation are women, 25-39 year-old citizens, those still in education, employees and metropolitan area populations.

Price stability being one of the main objectives of EMU, the survey also looks at the expectations of citizens in the new Member States as regards price stability.

In spite of previous experience and empirical evidence related to the euro introduction in the current twelve euro countries showing that the fear is unfounded, most citizens in the recently acceded Member States fear that the introduction of the euro will increase inflation in their country. The proportion of those who trust the euro as a tool to maintain price stability has risen by 5 percentage points since September 2005, but 46% still do not. Approximately one in five respondents had no opinion on this question.

In Hungary, more people see the euro as a vehicle for a stable financial environment than as a threat to the current level of price stability. In every other Member State the majority are concerned that the euro will raise prices, even in those countries where a belief that the euro might help maintain price stability is not as low as in the Baltic countries or in the recently acceded Member States from the Mediterranean region.

### The euro will help to maintain price stability

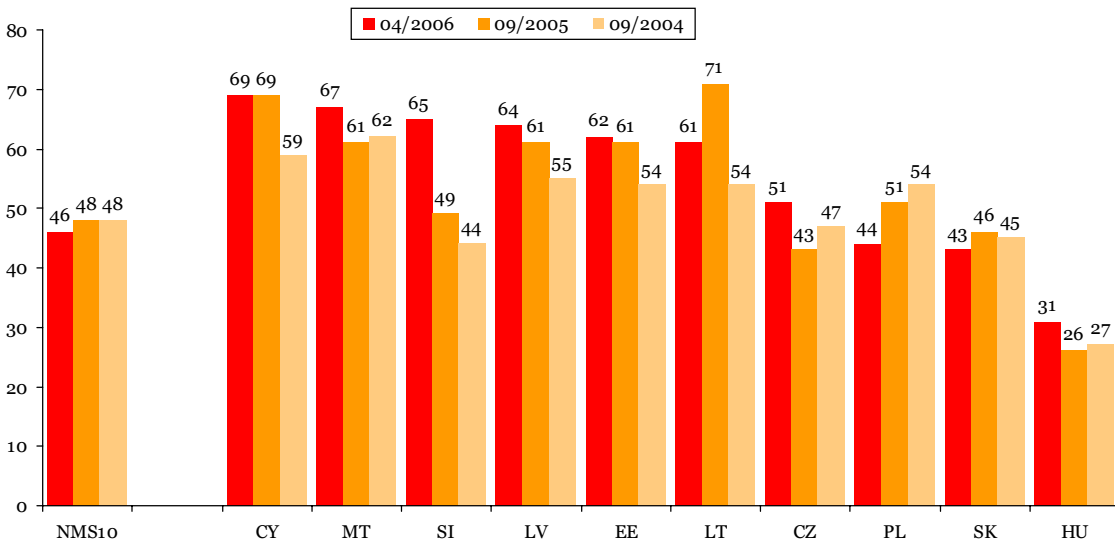


source: FLASH EB 183  
11 March-5 April 2006

Q17. Do you think the euro will help to maintain price stability or, on the contrary, increase inflation in (OUR COUNTRY)? (% 'will help to maintain price stability' shown)

Opinions in this respect have been relatively stable in most countries over the past three years. An important change is currently taking place in Slovenia where, in spite of the dual display system that is already in place, the fear of potential inflation at or after a changeover has risen to a level that had previously only been seen in the most sceptical countries. Almost two thirds of Slovenes now think that the introduction of the euro will give rise to inflation, only marginally fewer than the number in Cyprus and Malta who think so (69% and 67% respectively). This represents a 16 percentage point increase in pessimism among Slovenes and a 9-point decrease in optimism in the close run-up to the actual introduction.

### The euro will give rise to the inflation



source: FLASH EB 183  
11 March-5 April 2006

Q17. Do you think the euro will help to maintain price stability or, on the contrary, increase inflation in (OUR COUNTRY)? (% 'will increase inflation')



There is wide consensus (74%) in the recently acceded Member States that the euro is an international currency like the Japanese yen or the US dollar. This opinion has not significantly changed over the course of the past three years, and there is a very little variation across countries in this regard. Slovenes are most likely to agree here, with 81% answering yes; and even the most sceptical nations – the Hungarians and Cypriots – have a large majority who agree with the proposition ( 72% in both countries).

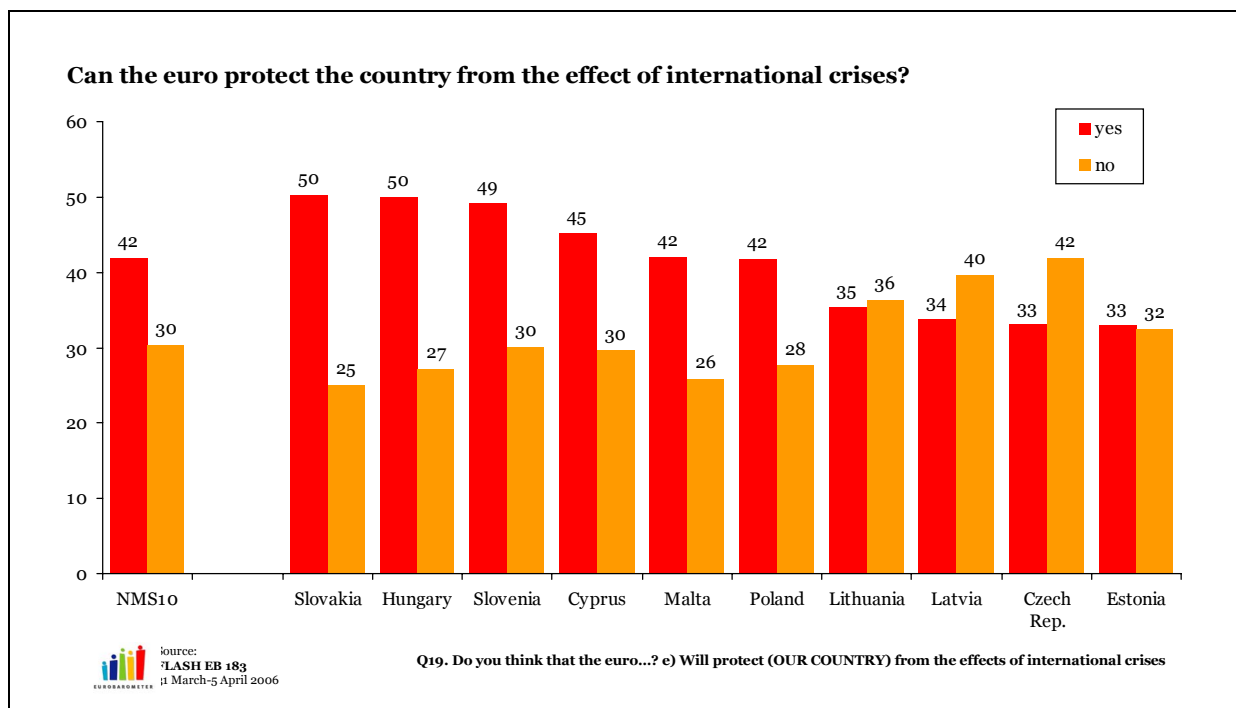
There are a number of advantages of belonging to the euro area that respondents universally acknowledged. One undisputed advantage concerns tourists: a large majority of respondents in every country agreed that it would make it more convenient to travel in another country of the euro area. Nine out of ten people – a 10 percent increase since 2005 – also agree that it will be easier to shop in other countries using the euro. More respondents than before agreed that comparing prices will become easier between countries in the euro-zone (83%, +13). Similarly, almost 8 out of ten respondents (79%, +4%) see benefits in the elimination of exchange charges within countries of the euro area. In each of these respects country variations are small.

#### Expected positive effects of joining the euro-zone (% , NMS-10)

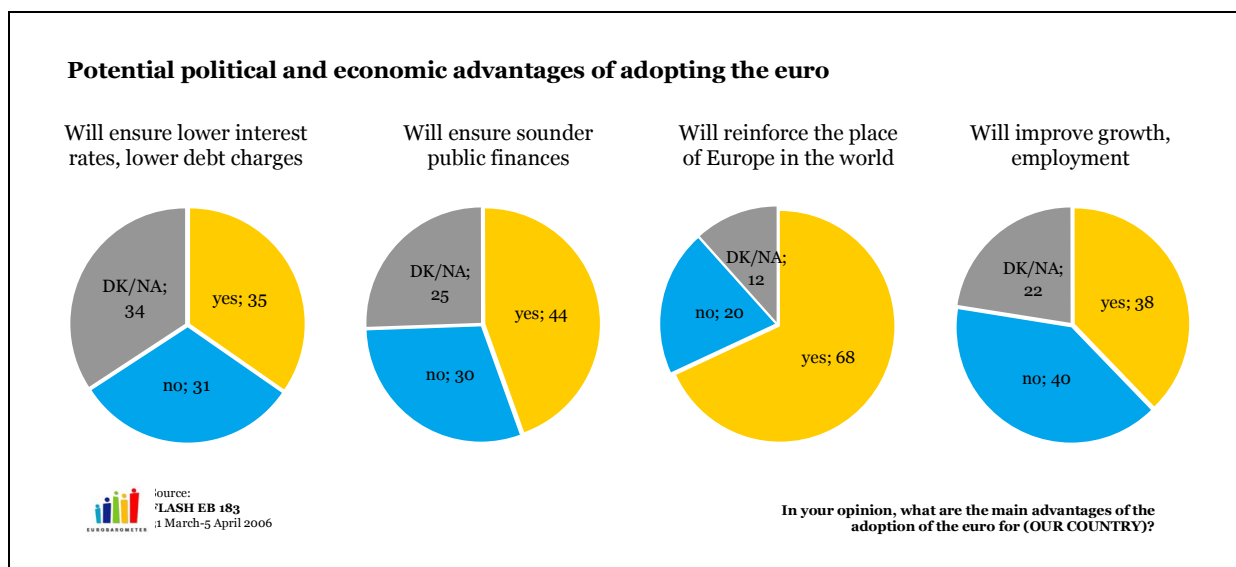
	yes			no		
	2006	2005	2004	2006	2005	2004
d) Will it be more convenient for persons who travel in other countries using the euro?	95	92	92	3	4	5
b) Will make it easier to shop in other countries that use the euro?	90	80	82	7	13	12
a) Will it allow you to easily compare prices with other countries that use the euro?	83	70	73	11	19	18
c) Will it save money by eliminating currency exchange charges in other countries that use the euro?	78	74	77	13	12	11
e) Will it protect (OUR COUNTRY) from the effects of international crises	42	-	-	30	-	-

For the respondents, a much less clear-cut benefit of accession to the EMU is the protection – or buffer – it provides in cases of international economic or other crises. Only 42% agree that the euro will be able to provide such protection, while 3 in ten respondents disagreed. Almost as many (28%) did not know.

The most ambivalent countries are Lithuania, Latvia, the Czech Republic and Estonia in this respect. In the other six countries a clear majority agree that the euro has protective effects.



Looking at the various economic or political effects of euro introduction, people agree that enlargement of the euro zone with their country will improve Europe's global significance, and they also tend to believe that it will have a positive effect in the area of public finances. People are more sceptical regarding whether a change to the euro will ease their debt burdens, and the relative majority do not expect it to help increase employment or boost economic growth.

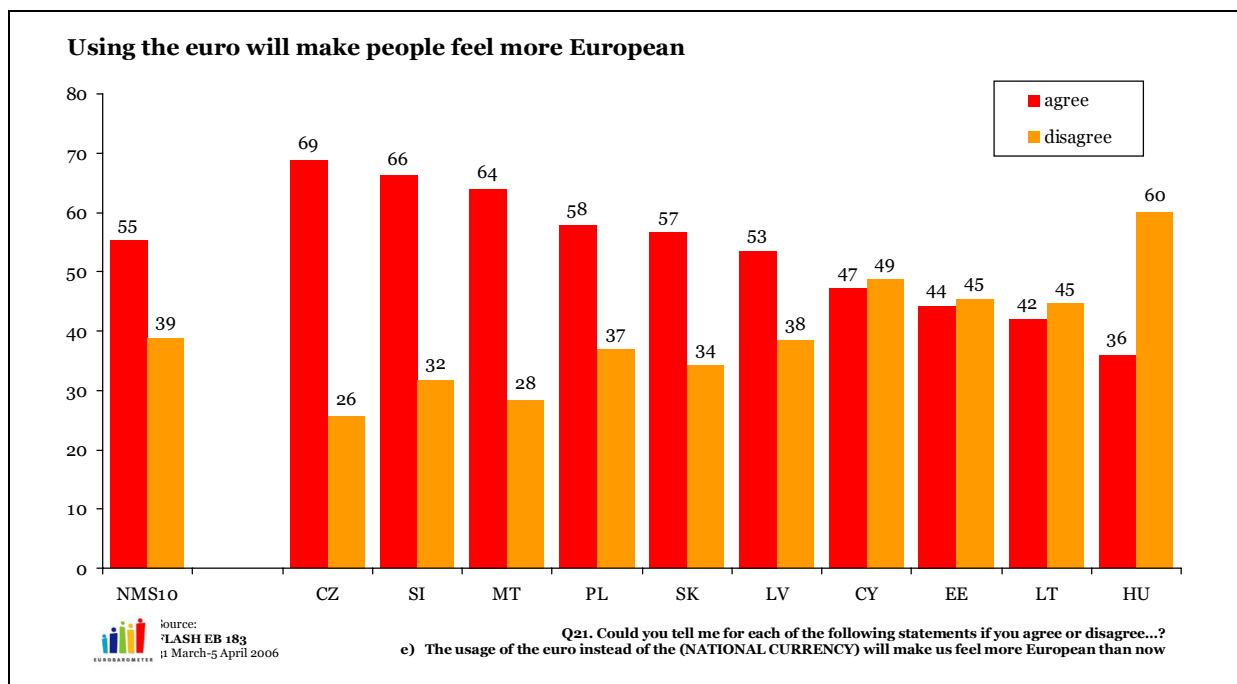


As the table below shows, these opinions are consistent across the region, though there are a few notable exceptions. In contrast to the regional average, both the Baltic and the Mediterranean countries tend not to believe that the cost of borrowing will be more favourable after joining the euro zone. As to whether the common currency can help a country have healthier public finances, only in the Czech Republic do a majority disagree, while opinion is split evenly in Estonia and Latvia. There is no major doubt in any country regarding that Europe will have a stronger global position after a euro-zone enlargement. The

most controversial statement is whether or not introduction of the euro is likely to increase economic growth and employment. A resounding “no” can be heard from the Czech Republic, Slovakia, Latvia, and especially from Slovenia. At the same time, the majority of Hungarians, Cypriots, Lithuanians, Maltese and – by a slim margin – Poles hope it will have such an effect.

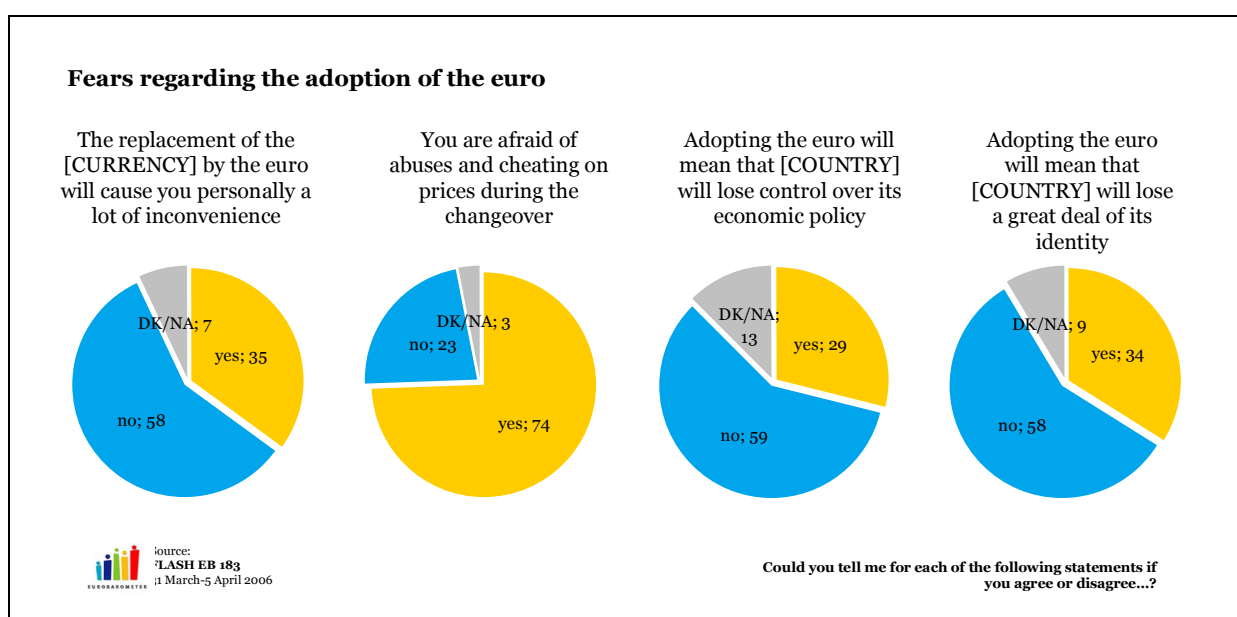
	Will ensure lower interest rates, lower debt charges		Will ensure sounder public finances		Will reinforce the place of Europe in the world		Will improve growth, employment	
	Yes	<i>no</i>	yes	<i>no</i>	yes	<i>no</i>	yes	<i>no</i>
NMS10	35	31	44	30	68	20	38	40
CZ	23	43	34	42	58	28	25	57
EE	21	37	33	32	56	22	35	37
CY	42	27	39	29	73	13	40	35
LV	29	37	36	36	61	26	34	44
LT	29	34	44	26	63	18	52	24
HU	52	23	66	19	75	13	49	30
MT	27	30	44	24	66	13	40	34
PL	34	29	42	30	70	21	39	37
SI	47	35	53	30	68	22	22	66
SK	35	31	42	29	71	16	29	50

More than half of citizens in the recently acceded Member States agree that introducing the euro in their country will make them feel more European, while 39% disagree.



The variation is quite considerable across countries. Respondents from the Czech Republic, Slovenia and Malta express very strong agreement, while those in Cyprus, Estonia and Lithuania are somewhat ambivalent. Most Hungarians disagree that using the single currency will make them more 'European'; they see the issue in more instrumental terms.

People in the new Member States express a number of fears regarding the euro, though some are only shared by a minority: most people are not concerned about personal inconveniences caused by any changeover; and are also not particularly worried that their country will lose control over its economy. Only a third of citizens said that they feared that abandoning their old and established currency would have a negative effect on their country's identity. But what people are clearly afraid of is pricing abuse around the time of the changeover. Three quarters of all respondents are worried that they will be cheated.



Those who are from the generally more sceptical countries tend to be more concerned about each of these specific issues as well.

In all countries, people are most concerned about potential cheating and abuses during the switchover. However, in most countries the majority (even if only a slim majority) are not worried about what personal inconveniences a changeover will mean to them; only in Malta are those who are concerned about this in a majority. Similarly, there is only one exception to the general trend of opinion as to whether the countries will retain or lose control over their economic policies after they have joined the euro area: only in Latvia do a majority think that control will be lost after adoption of the euro (although large minorities share this opinion in a number of other countries, too).

Opinions regarding the relationship between the national currency and national identity vary widely. A clear majority in the three Baltic states agree that losing their newly established currencies will harm their national identity. By contrast, there is very little agreement with this position in Hungary, Poland or Slovenia, where citizens approach the issue rather in terms of the economic benefits the change might bring in terms of managing their economies.

### **3.5. Lessons to be learned**

The results of the survey show a generally more positive attitude towards the introduction of the euro in all recently acceded Member States than in the previous survey. The situation in Poland in particular displayed a considerable shift in view. This is partly due to an overall improved political climate: the reform of the Stability and Growth Pact has been adopted, the Financial Perspectives 2007-2013 have been agreed, the debate on the European Constitution is continuing at a less emotional level and the overall economic situation as well as the economic outlook have improved in the past few months. The more positive results may also reflect the more intensive communication efforts by the national authorities and the European Community, in particular in the countries where the introduction of the euro is more imminent.

The survey confirmed once more that the overwhelming majority of people would like to be informed about the main features of the euro well in advance of (at least a few years before) its introduction: these features include the conversion rate, the national changeover scenario and other practical implications. It also highlighted the deep-seated fear among people, in particular those in urban areas, that they will be cheated in the conversion process – a fear that needs to be addressed pro-actively in any communication strategy. The European institutions are highly regarded sources of information and should therefore (continue to) play an active role in communication and the distribution of information.

While more people show a positive attitude towards the euro than in the previous survey, public perception of the positive impact of the euro and EMU on macroeconomic developments could still be improved. It is particularly disappointing that less than a third of respondents associate the euro with price stability despite the empirical evidence and the ECB's convincing track record. Moreover, a majority – albeit a small one – do not believe that the euro will improve growth and employment. These views need to be carefully taken into account when shaping communication strategies.

In socio-demographic terms, the results essentially confirm past survey findings. The attitude towards the euro is the more likely to be positive among younger people, the better educated,

and those who live in urban areas. In most countries it is manual workers who tend to agree that the euro protects people from the effects of international crises and that it can help improve growth and employment. The rural population see the main advantage of the euro in its capacity to reinforce the global position of Europe in the world. The fear of negative consequences from the introduction of the euro is found mainly among women, older people, the less well-educated, and manual workers.