SELECTED EUROPEAN TOPICS AND EURO ADOPTION IN THE CZECH REPUBLIC 2026

CONTENTS

1 INTRODUCTION

The survey of analysts reveals that the EU faces a combination of structural problems and external pressures that are undermining its competitiveness and growth. The loss of competitiveness of industry, caused predominantly by high energy prices and a growing regulatory and administrative burden, is considered the most fundamental weakness. These factors are putting European companies at a disadvantage with respect to the USA and Asia and are reducing investment activity.

The green transition is also playing an important role. The lofty ambitions of the EU's climate objectives are clashing with economic reality. The analysts point out that environmental policy needs to be better aligned with security and economic priorities, in particular in the area of energy. A related issue is the EU's energy dependence, which makes it more exposed to geopolitical shocks.

Another problem is the incomplete single market and regulatory fragmentation, which are hindering the effective functioning of the economy. Weak integration of the capital market, slow decision-making processes and persistent barriers are limiting the EU's growth potential.

The analysts believe that global tensions, de-globalisation and protectionism will lead to lower growth and higher inflation. These negative factors are strongly affecting the Czech Republic, a small open economy reliant on exports and industry.

Rising public debt, adverse demographic trends and talent drain are identified as underestimated issues that are weakening Europe's economic potential in the long term. The pressure to increase defence spending is meanwhile growing. This may support innovation and growth, but simultaneously places a burden on public finances.

The high level of regulation is seen as a major obstacle to business, mainly due to its complexity and administrative demands. The debate about a two-speed Europe reflects the reality of differing integration and raises questions about the future cohesion of the EU.

In the case of the Czech Republic, euro adoption remains an open question with no clearly prevailing economic arguments. The absence of political will and the fear of loss of an independent monetary policy are key obstacles.

Overall, the analysts emphasise that the future of the EU will depend on its ability to implement reforms, reduce the regulatory burden, increase investment and strike a balance between its economic, security and climate objectives. In general, the analysts do not expect the Czech Republic to join the euro area before the 2030s – more likely in the second half of that decade.

We thank all those who provided contributions to the survey – they are much appreciated. There are more respondents than last year, and the range of responses and opinions is correspondingly wider. However, it should be noted that the opinions expressed in this survey are those of the participating respondents and do not necessarily reflect the views of the institutions they represent or of the CNB.

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2 CURRENT ISSUES FACING THE EU

What do you consider the most important challenges for the EU and how do you think they should be resolved? Which areas do you regard as underestimated or insufficiently discussed?

The respondents largely agree that the declining competitiveness of the EU economy – especially industry – is the biggest structural problem. Industry faces a combination of over-regulation, high input costs and a growing administrative burden. Energy prices, which have long been higher than in the USA and Asia, significantly worsening the position of European companies on global markets, are a critical factor. In an environment of ongoing de-globalisation and trade conflicts, it is becoming clear that the EU can no longer rely on strong net exports as its main engine of growth.

The green transition: ambition versus reality

EU climate and energy policy crops up very frequently in the responses. The respondents point out that the EU has set extremely ambitious emissions targets. Achieving them requires massive investment and a fundamental change in how the economy and society work. In particular, there is criticism of the lack of discussion about the feasibility of the targets, their economic impact and even their compatibility with physical and technological limits. According to the respondents, the solution is to relax some green policies – for example, the Emissions Trading System and the Carbon Border Adjustment Mechanism – and to strike a better balance between climate ambitions and competitiveness and security.

An incomplete single market with internal barriers and an inefficient decision-making process

The respondents mention repeatedly that the EU does not function as a truly single market, even though it is supposed to be one. The internal market still contains many barriers to trade, differing regulations and administrative obstacles that prevent it from working effectively. There is related criticism of the EU's management and decision-making processes, which are often slow and ineffective. Some of the respondents therefore see deeper integration, including a shift to a larger fiscal union, as the solution.

Security, defence and geopolitics

Europe's security is increasingly identified as a key challenge. The analysts consider it no longer possible to for the EU to rely to the current extent on the USA as the main guarantor of its security. It will therefore need to greatly increase defence spending, strengthen its own capacity and better cooperate within NATO. This investment need not be only an expense – it could serve as a catalyst for technological innovation and economic growth. Energy security, i.e. reducing dependence on a single supplier or region, is an integral part of security, as underscored by the current situation in the Middle East.

Underestimated problems: debt, demographics and human capital

The respondents view the high debt levels of most EU Member States, which limit their ability to react to future crises, as an insufficiently discussed topic. Equally serious are adverse demographic trends, namely an ageing population and a shrinking workforce, which will weigh on growth in the long term. In the respondents' view, little attention is also paid to the fact that Europe is unable to attract and retain top talents, who often leave for better working and living conditions in the USA and Asia.

The way forward: investment, the market and domestic demand

The need to boost the EU's competitiveness is a common denominator of the proposed solutions. This means completing the single market, deregulating, deepening the capital market, increasing investment and relying more on domestic demand, not just exports. The EU will have to better align its climate policy and security priorities with economic reality. Without this balance, there is a risk that its ambitious targets will weaken rather than strengthen the European economy.

What impact do you expect the current global tensions (measures of the Donald Trump administration, the growing influence of China, developments in the Middle East, geopolitical blocs, etc.) to have on the economies of the EU and the Czech Republic?

According to the respondents, the current global tensions (the measures of the Trump administration, the growing influence of China, the conflicts in the Middle East and the strengthening of geopolitical blocs) will have significant and mostly negative impacts on the EU and Czech economies. These impacts will not be short-term, but long-term and structural. The common denominator is an expectation of higher inflation and lower real growth than Europe was used to in past decades.

De-globalisation and fragmentation of the global economy

A key trend is ongoing de-globalisation, growing protectionism and shortening global supply chains. US tariff policy is accelerating this process and indirectly strengthening EU's orientation towards China, on which it is becoming more dependent with each passing year.

This is viewed as a strategic problem, because it exposes Europe to new economic and political risks.

This trend is particularly unfavourable for both the EU and the Czech Republic. The European economy – especially its core, Germany – is highly export-oriented. Moreover, the Czech Republic is a small, open and industry-oriented economy that is deeply integrated into international trade and complex supply chains. Any disruption to global trade therefore has a rapid and significant impact on the Czech economy.

Energy, inflation and growth risks

Geopolitical conflicts, in particular the Ukraine war and now also the Persian Gulf tensions, are amplifying supply shocks, especially in the area of energy. According to the respondents, these will generate price pressures and weaken economic growth. In the extreme scenario, there is a risk of stagflation, i.e. a combination of weak growth and elevated inflation. That said, most of the respondents believe that inflation will not reach the extreme levels of 2022–2023, due to an improved energy mix and lower initial inflation.

For the Czech Republic, the situation is all the more sensitive because the country is a net importer of energy commodities and has an energy-intensive economy. Moreover, the impact of shocks is exacerbated by the fact that some investors still regard Czech assets – the country's currency and bonds – as emerging market assets. This implies a higher risk premium and a greater susceptibility to capital outflows in times of uncertainty.

Fiscal constraints and the role of public finances

The analysts point out that the ability of the Czech Republic and some other EU countries to react to shocks is limited by the state of public finances. Targeted support measures are difficult to implement, and across-the-board assistance would further fuel the already high debt. There is therefore growing tension across the EU between the need to invest – in energy, defence and infrastructure – and efforts to maintain fiscal sustainability.

According to some of the respondents, an alternative would be to significantly strengthen and unify the European capital market, which is currently fragmented and does not fully exploit the potential of savings in the EU. This would make it possible to finance necessary investment in a more market-oriented way and with less pressure on public budgets.

Political weakness and the need to change course

A widely held view is that the current crises lay bare the EU's limited geopolitical influence. The EU carries the economic consequences of conflicts but often does not have a fully fledged status at the diplomatic negotiating table. This discrepancy between its economic weight and its political influence is regarded as a long-term problem.

Yet there is also a cautiously optimistic view that the current crises could make Europe more self-aware and serve as a catalyst for a more profound transformation in the areas of defence, energy, infrastructure and strategic autonomy. The short-term impact may be negative, but in the medium term, higher investment could support growth – albeit at the expense of higher public debt.

Ability to implement structural changes

According to the respondents, the overall impact of the global tensions on the EU and the Czech Republic is therefore not entirely clear in advance. If the EU succeeds in deepening the single market, boosting investment, ensuring energy and security stability and reducing its dependence on external actors, the long-term effect could ultimately be positive. If it fails, there is a risk that the EU and the Czech Republic will continue to lose competitiveness and fall behind not only economically, but also geopolitically.

Which factors are currently holding back economic growth in the EU the most, and why do you consider these factors key? What factors should the EU take into consideration when seeking to support competitiveness and economic growth?

The respondents largely agree that high energy prices are the biggest hindrance to the growth of the EU economy. This was a problem even before the current geopolitical conflicts started, and in recent years it has become one of the main factors undermining the competitiveness of industry. European companies face significantly higher energy costs than their counterparts in the USA and Asia. This is reflected in their prices, investment and ability to survive in world markets.

Several of the respondents point out that the EU is moving forward more ambitiously than the rest of the world in cutting carbon emissions, without sufficiently considering the economic impact. In their opinion, the overly rapid transition to a zero-emission economy is driving up energy prices, creating uncertainty and weakening investment activity. From this perspective, the EU should consider slowing the pace of climate regulation and better aligning its environmental objectives with competitiveness and energy security.

Over-regulation, bureaucracy and market distortions

The respondents are critical of the EU for frequently reacting by implementing new subsidy programmes that further complicate the system, distort the market and increase the administrative burden, rather than eliminating the causes of problems. This is an obstacle to enterprise, innovation and the creation of new companies.

There is criticism that regulation often increases costs without delivering corresponding benefits in the form of higher productivity or a technological edge. Weak support for R&D, fragmentation of rules and complex approval processes are causing the EU to lose momentum and fall behind its competitors.

An incomplete single market and a missing capital market

Although the EU is one of the largest markets in the world, it still has many obstacles – in services, capital flows, the labour market and energy. According to the respondents, eliminating these would make the economy much more efficient, promote investment and improve the allocation of resources.

The respondents therefore call for deeper integration – a banking union, a capital union and in some cases also a fiscal union – to enhance the capacity for action of the EU as a whole.

Energy dependence and strategic weakness

Another key structural problem is the EU's dependence on fossil fuel imports. The respondents see the solution in greater diversification of resources and massive investment in energy infrastructure, including renewables and nuclear power, i.e. greater energy self-sufficiency.

Some also point to taboo topics such as the extraction of domestic shale gas and strategic raw materials, which could make the EU less reliant on external suppliers and strengthen its industrial base.

What the EU should consider going forward

According to the respondents, the EU is at a crossroads. If it wants to promote competitiveness and long-term growth, it should focus on:

- lowering energy prices and increasing energy independence,
- reducing excessive regulation and systematically cutting red tape,
- eliminating barriers in the single market,
- creating a truly functioning European capital market,
- boosting investment in infrastructure, research, innovation and defence,
- reassessing the pace and instruments of the green transition.

Without these measures, the EU risks facing persistent low growth, a loss of competitiveness and a weakening of its role in the global economy and international politics. However, if it succeeds in implementing them, the current crisis could paradoxically serve as a catalyst for modernising and strengthening the European economy.

What economic impact could a long-term increase in defence expenditure have on growth, public finances and inflation in the EU?

The analysts generally agree that a long-term increase in defence expenditure will have mixed but structurally significant impacts on European economies. Defence is not seen as an optional item but as a fundamental function of the state, one that Europe has neglected in past decades. The current shift towards higher defence spending is therefore viewed as a necessary, albeit economically costly correction.

Impact on growth: depends on the spending structure

A majority of the respondents feel that the growth impact will be positive but limited. Defence spending generally has lower fiscal multipliers than, say, investment in civil infrastructure, as most purchases do not contribute directly to expanding the production capacity of the economy. This effect is further weakened by the high import intensity of military equipment, which in some key segments (e.g. strategic air force, air defence and missile systems) is still not produced in the EU – and hence in the Czech Republic – and has to be imported.

On the other hand, the respondents point out that some defence spending could have a stronger growth effect in the long term, especially if channelled into investment, R&D and dual-use technology. Areas such as drones, autonomous systems, AI, cybersecurity and digital technology could find broad application in the civilian sector and increase the economy's growth potential. In this respect, the Czech Republic is positioned relatively favourably thanks to its extensive industrial and defence ecosystem, which could benefit from a Europe-wide increase in defence budgets.

Public finances: higher debt is inevitable

There is almost unanimous agreement that the impact on public finances will be negative. Most EU countries will not be able to offset the higher defence spending by making cuts elsewhere or increasing revenues. This will lead to higher deficits and debt. In the short term, debt financing of defence is considered rational and legitimate – especially in a situation of heightened security threats and new NATO obligations.

In the longer term, however, the respondents point to the issue of public finance sustainability. Higher defence spending will have to be progressively offset either by reducing other expenditure or by increasing the tax burden. It is generally assumed that the Czech Republic has some fiscal space for short-term borrowing, but without structural changes the long-term pressure on the budget would rise excessively.

Impact on inflation: slightly inflationary in the short term, neutral in the long term

As for inflation, the views are more mixed, but the prevailing view is that the impact will be modest. In the short term, higher defence spending could be modestly inflationary, mainly due to limited production capacity, excess demand and pressure on defence industry prices. However, these effects are seen as temporary and should not transmit significantly to consumer prices.

As production capacity steadily increases and supply chains stabilise, the inflation pressure should ease. By contrast, the risk of higher inflation would increase if defence spending were part of a wider, persistently expansionary fiscal policy without a commensurate monetary policy response.

Efficiency and the institutional framework as a key factor

Concerns have repeatedly been raised about increased inefficiency, as the spending involved consists predominantly of public expenditure, where efficiency typically lags behind that of private sector spending. If funds are not allocated optimally, they may support growth only temporarily and leave behind higher debt and inflation pressures. Conversely, well-targeted investment – particularly at the European level – could contribute not only to security, but also to increasing the EU's capacity to act, strengthening the single market and boosting competitiveness, as emphasised in the Draghi Report.

Some of the respondents place the increase in defence spending in the broader context of a new global era characterised by higher inflation, higher interest rates and strong investment demand. This is not limited to defence, but also concerns the green transition, technological development and AI. In such an environment, demand for capital may exceed the supply of savings over the long term, with macroeconomic implications extending well beyond the defence sector itself.

How do you assess the level of regulation in the EU and its impact?

The respondents generally agree that the EU is among the most heavily regulated economic areas in the world. The combination of extensive regulation and bureaucracy is even widely viewed as a defining feature of the EU. This has significant implications for the business environment, competitiveness and overall economic performance. On the other hand, some of the respondents argue that European society – both the public and businesses – expects a certain degree of protection and regulation. However, a high level of regulation is not necessarily a problem in and of itself, provided it is meaningful, effective, and predictable. In practice, however, regulation in the EU is often associated with excessive bureaucracy, ambiguity and complexity, which greatly exacerbate its negative effects. The key issue is therefore not the existence of regulation as such, but rather its scope, quality and administrative burden.

Costs, competitiveness and investment attractiveness

The most frequently cited effect of excessive regulation is higher costs for firms, which translates into higher prices, lower investment and weaker competitiveness of the European economy. The respondents point out that the EU has long been adopting new regulatory frameworks, with the active participation of governments and parliaments, while the impacts on business are often seen as secondary or underestimated. The result is a gradual decline in the EU's position in the global economy and in international politics.

Another major issue is the uncertainty and lack of clarity of the rules, which deters investors. According to EU estimates, the regulatory burden in the single market is equivalent to tariffs of around 44% on goods and as much as 110% on services. This illustrates that the single market, which has been discussed for three decades, remains unfinished in terms of its practical functioning.

Bureaucracy and "gold plating" as a key issue

While European regulation itself is not seen by some of the respondents as a major problem, a key issue lies in its transposition into national law, which is often accompanied by "gold-plating", i.e. requirements that go beyond those imposed by EU law. This results in a fragmented, complex and, in some countries, excessively stringent regulatory environment that differs across Member States, further weakening the functioning of the single market.

Regulation in the context of environmental policy

Particular attention is paid to environmental and climate-related regulation, especially under the European Green Deal and the Emissions Trading System. The respondents agree that a review of targets and instruments is warranted in light of the new geopolitical and economic reality. However, some of them argue that abolishing or significantly scaling back these policies would be counterproductive and detrimental in the long term.

Possible ways forward

By contrast, initiatives aimed at greater integration and regulatory simplification are viewed positively. These include the introduction of the 28th regime for pan-European firms and the Omnibus packages designed to reduce the regulatory burden. Such measures could help bring the EU closer to a genuinely functioning single market and enhance its attractiveness as a destination for business and investment.

What is your opinion on the currently debated model of a "two-speed Europe"?

The respondents' views on the concept of a two-speed Europe differ considerably, but they converge on one essential point: even today, Europe is not moving at a single pace. Long-standing economic, institutional and political differences are evident among groups of Member States. The debate on a two-speed Europe is therefore not an abstract reflection on the future, but a response to a situation that already exists in practice. From this perspective, a two-speed Europe is a description of the existing reality rather than a revolutionary shift.

A two-speed Europe as a reality rather than a new concept

Several of the respondents point out that differing rates of integration and economic performance are evident, for example, between the countries of the euro area and the rest of the EU, with the euro area having lagged behind in terms of growth in recent years. This raises the broader question of whether a single currency and a single monetary policy are an optimal long-term arrangement for such a heterogeneous grouping, and points to deeper structural differences among Member States.

Efforts to increase the EU's capacity to act

A frequent argument in favour of a two-speed Europe is the low capacity for action of the EU as a whole. In a framework of 27 Member States, and given the widespread use of the right of veto, it is becoming increasingly difficult to take swift and decisive action. Some of the respondents therefore view a two-speed Europe as a pragmatic response to the constant blocking of decisions by a minority of countries, particularly in a period of rapid geopolitical and economic change.

From this perspective, a two-speed Europe is not viewed as an ideal solution, but rather as a workable compromise allowing a group of willing countries to move ahead more rapidly in areas such as defence, fiscal integration and the completion of the EU's economic architecture.

Risk of fragmentation and weakened unity

On the other hand, serious concerns are raised about negative consequences of this model. Some of the respondents regard it as a solution born out of "desperation" and warn that a two-speed Europe could mean the beginning of the end of the EU in its current form. In their view, it risks fragmenting the Union, creating lasting divisions between the "core" and the "periphery", and undermining the EU's ability to speak with one voice on the global stage.

From an economic perspective, this would not be favourable for the Czech Republic either, as its economic growth is closely tied to the condition of the EU as a whole. A more fragmented Europe could mean a weaker single market, lower investment and less geopolitical influence.

Likely scenario and the Czech Republic's position

Despite these risks, some of the respondents consider the emergence of a two-speed Europe – or a "concentric circles model" – to be very likely. The EU has already operated with different levels of integration in the past (the euro area, Schengen and defence cooperation), so there is a clear precedent. Given the need to advance integration further and complete the EU integration project, this model seems to be a realistic way forward.

This implies a relatively clear conclusion for the Czech Republic: if a two-speed Europe were to emerge, it would be in its interest to belong to the faster-moving group. The Czech Republic has been one of the largest economic beneficiaries of European integration, but securing a place in the "fast lane" would not be automatic. It would require both economic preparedness and political will, as well as the capacity to meet integration commitments.

How do you see the future of a central bank digital currency, for example, the digital euro? What challenges and opportunities do you foresee with the digital euro?

The respondents agree that central bank digital currencies (CBDCs), including the digital euro, are not a marginal experiment, but rather a logical response to the rapid shift of payments into the online environment. Cashless payments are becoming increasingly natural, fast and convenient for a growing proportion of the population. From this perspective, the digital euro has a role to play and, to some extent, an inevitable future.

Benefits: modern payments and a stronger role for the central bank

The respondents consider the main opportunities associated with the digital euro to be improvements to the payment infrastructure – faster, cheaper and more secure payments across the euro area. A central bank digital currency could also strengthen the EU's monetary sovereignty in the digital world, especially vis-à-vis private global payment systems and cryptocurrencies.

From the perspective of central banks, the digital euro is also viewed positively because it could enhance the effectiveness of monetary policy transmission and provide more granular real-time data for macroeconomic analysis. This would improve central banks' ability to respond to economic developments and shocks.

Some of the respondents also view the digital euro more favourably than cryptocurrencies, mainly because of its significantly lower energy intensity and the absence of the speculative excesses often associated with cryptocurrencies.

Risks: privacy, cybersecurity and "Big Brother"

The strongest concerns relate to privacy protection and the potential for excessive monitoring of transactions. The digital euro has the potential to greatly increase the transparency of financial flows. This may be an advantage for the government and regulators but a source of mistrust for the public and businesses. Some of the respondents explicitly point to the risk of a "Big Brother" scenario, i.e. the perception that every payment can be traced and monitored.

Another major risk is cybersecurity. A digital currency would become critical infrastructure and, as such, an attractive target for hacker attacks at both the institutional and individual levels. Technological design, system resilience and the ability to manage crisis scenarios are therefore considered key conditions for success.

Impacts on the banking sector and the role of cash

The respondents also point to concerns among commercial banks, particularly regarding the potential loss of part of their deposit base and transaction business. If the digital euro were to function as a fully fledged alternative to bank accounts, it could undermine the stability of the banking sector. For this reason, the current proposals to cap the digital euro at a few thousand euros – to prevent a massive shift of deposits from banks to the central bank – are viewed relatively positively.

Some of the respondents also question whether the digital euro would provide significant added value for ordinary citizens. Given the existing deposit guarantee schemes, most people have little incentive to move their money directly to the central bank. At the same time, the digital euro cannot fully replace cash in terms of anonymity or offline transactions, and its characteristics are more similar to a current account held with the central bank.

3 THE CZECH REPUBLIC'S ACCESSION TO THE EURO AREA

Do the economic pros of the Czech Republic joining the euro area currently outweigh the cons?

The answer to this question is far from straightforward. Exactly half of the respondents who participated in this survey believe that the benefits of adopting the euro outweigh the drawbacks, while the other half holds the opposite view.

Which advantages or disadvantages do you consider decisive? Are any of them insufficiently discussed?

Key disadvantage: loss of independent monetary policy

The most frequently cited decisive disadvantage of adopting the euro is the loss of an independent monetary policy. The respondents point out that interest rates and the overall monetary policy stance set by the European Central Bank (ECB) may not always be optimal for the Czech economy, which differs from the euro area average in terms of its structure, position in the economic cycle and inflation dynamics.

The recent experience with the ECB's relatively accommodative monetary policy is often contrasted with the CNB's ability to respond more flexibly and at an earlier stage thanks to the Czech Republic having its own currency. The independent koruna exchange rate is also regarded as an important convergence instrument that has helped absorb asymmetric shocks in the past and has provided the central bank with additional flexibility. Some of the respondents also take a critical view of the ECB's actions during the inflation shock and its role as the largest creditor to certain euro area countries, which, in their view, undermines perceptions of its independence.

Prudence argument: insurance against extreme scenarios

Some of the respondents summarise their position in pragmatic terms: the economic benefits of adopting the euro are relatively clear in advance and are rather limited, while the costs arising from the loss of an independent monetary policy may materialise primarily in low-probability but potentially very costly crisis scenarios. From this perspective, by adopting the euro, the Czech Republic would give up an important safeguard against asymmetric shocks, the costs of which cannot be precisely quantified ex ante.

Well-known advantages: lower exchange rate risk and lower financing costs

On the other hand, the advantages of the euro are well known and generally undisputed. They include, above all, the elimination of exchange rate risk, lower currency hedging costs for firms, greater price transparency and the generally lower interest rates typical of the euro area. Adopting the euro would also reduce the vulnerability of Czech assets to fire sales during periods of global uncertainty and limit the scope for speculative attacks on the koruna.

Export-oriented firms in particular would benefit immediately from euro adoption. At the same time, however, some of the respondents note that these advantages are now being replaced to some extent by market-based instruments and fintech solutions, and therefore do not represent a change with a transformative impact on the economy as a whole.

Political and geopolitical dimension: an underestimated aspect of the debate

Several of the respondents argue that the debate on the euro in the Czech Republic is overly technocratic, while the political and geopolitical implications are not sufficiently discussed. Yet this is precisely where some of the respondents see the main potential benefit – a deeper anchoring of the Czech Republic within the core of European integration and a stronger political voice within the EU.

Experience of the euro area

The respondents also point out that none of the countries that have adopted the euro is currently openly seeking a return to a national currency, whether at the political or societal level. This suggests that the euro is not perceived as a failed project. At the same time, however, the overall costs and benefits of the single currency can only be assessed with certainty ex post.

Some of the respondents also warn of the risk of a domestic political backlash. Public opinion in the Czech Republic remains broadly sceptical about joining the euro area, and efforts to promote euro adoption "from above" could strengthen anti-establishment and populist forces. At a time when the country needs to implement other measures that are far less popular but economically more important – such as fiscal consolidation and pension reform – the euro is seen by some as an unnecessarily contentious issue without a clear-cut economic benefit.

In your view, in what ways is the Czech economy structurally different from the economies of the euro area, and which economic sectors might be disadvantaged by the adoption of the euro?

Industrial structure and openness of the economy

The most frequently cited difference is the exceptionally high share of industry in the Czech economy, not only by EU standards but also in global comparison. Manufacturing – particularly the automotive sector – plays a much larger role in the Czech Republic than in most euro area economies, where services, technology and the public sector tend to predominate. The Czech economy is also highly open, strongly export-oriented and deeply integrated into global value chains.

This structure makes it more sensitive to external shocks and at the same time means that the exchange rate functions as a natural stabilising mechanism. An independent currency provides an exchange rate buffer that helps absorb the adverse effects of a drop in external demand or a loss of price competitiveness.

The exchange rate as a tool and the issue of competitiveness

Some of the respondents argue that adopting the euro – especially if it were introduced at a relatively strong exchange rate – could reduce the price competitiveness of Czech exporters, particularly in low-margin sectors. In such sectors, the possibility of adjustment through the exchange rate would be absent. This would primarily affect export-oriented industries, which currently remain viable in part due to exchange rate flexibility.

A counterargument is also raised: a large part of the Czech economy is already effectively euroised. This applies in particular to the automotive industry, commercial real estate and large foreign-owned companies, which conduct business in euros and pass exchange rate risk further down their supply chains. For small and medium-sized enterprises, exchange rate volatility represents a cost, and euro adoption could therefore provide them with some relief.

Comparison with the euro area and the role of monetary policy

The Czech economy is structurally closest to Germany and Slovakia, two of its key trading partners. According to the respondents, however, the issue is not so much the degree of structural similarity as the fact that the ECB's monetary policy is tailored to the euro area average – or rather to large countries such as France, Italy and Spain, whose economic structures and challenges differ significantly from those of the Czech Republic.

The Czech industrial sector, for example, is considerably more sensitive to interest rates and fluctuations in the business cycle. As a result, losing its own monetary policy would limit the country's ability to respond to conditions specific to the Czech economy. This is regarded as one of the most important structural arguments against adopting the euro.

Which sectors might be disadvantaged by adopting the euro?

The responses indicate that no single sector can be clearly identified as being fundamentally harmed by the adoption of the euro. However, there are areas where negative impacts could arise indirectly:

Export-oriented industries with low margins, which would lose exchange rate flexibility.

Households, if the switch to the euro were to lead to faster upward price adjustment, while wages adjusted more slowly.

The banking and financial sector, which could lose part of its income from foreign exchange operations and currency hedging.

Does having an independent monetary policy benefit the Czech Republic? To what extent would the absence of an independent monetary policy limit the Czech Republic's ability to respond to economic crises?

The respondents mostly agree that an independent monetary policy has been, and in some situations remains, a significant advantage for the Czech Republic. At the same time, however, they point out that its benefits have changed over time and are gradually diminishing, particularly with increasing integration into the European economy and changes in the nature of economic shocks.

Practical experience: the response to the COVID-19 and inflation crises

The most frequently cited argument in favour of having an independent currency is the Czech National Bank's swift and decisive response during the pandemic and the subsequent surge in inflation. The CNB was among the first central banks in the world to raise interest rates sharply in 2021–2022, while the ECB reacted with a delay. According to the respondents, this was not only a matter of acting quickly, but also of correctly interpreting the nature of the shock: while the ECB long viewed the pandemic primarily as an anti-inflationary demand shock, in reality it was largely an inflationary supply shock, which the CNB recognised earlier.

This episode is regarded as strong evidence that the ability to tailor monetary conditions to the domestic economy has practical significance, especially in small open economies such as the Czech Republic.

Structural specifics of the Czech economy

According to the respondents, the advantages of having an independent monetary policy are amplified by the specific structure of the Czech economy. The Czech Republic has long had a very tight labour market, with a low unemployment rate that did not rise significantly even during the pandemic and the energy crisis. Even the influx of Ukrainian migrants did little to help. In such an environment, the central bank can use interest rates to moderate overheated demand and inflation pressures more effectively.

In addition to external factors, strong domestic demand played a significant role in the latest wave of inflation. This is an area where monetary policy has genuine stabilising potential.

Limitations of independent monetary policy

The respondents also point out that an independent monetary policy is not without risks. Compared to the monetary policy of a large currency area such as the euro area, it is more susceptible to domestic political and interest-group pressures. In addition, the CNB cannot ignore developments in the euro area when setting interest rates – the interest rate differential affects the koruna exchange rate, so Czech monetary policy must indirectly take the ECB's decisions into account.

Some of the respondents also point out that, due to high foreign exchange reserves, the role of the exchange rate as a buffer against external shocks has been less pronounced in recent years than in the past. Therefore, the exchange rate no longer depreciates to an extent sufficient to at least partly offset the impact of downturns in external demand.

A counterargument putting this into perspective: the euro area versus the Czech Republic

An interesting counterargument is a comparison with Slovakia, whose economy is structurally very similar to that of the Czech Republic. Although the ECB has responded more slowly to inflation in recent years, Slovakia has not recorded significantly worse inflation results than the Czech Republic. Moreover, the current differences in inflation are more a consequence of fiscal policy than of the monetary regime.

This leads some of the respondents to conclude that the importance of monetary policy as a stabilising tool has declined in relative terms in recent years, as global supply shocks – including those related to energy, geopolitics and supply chains – have predominated. Monetary policy has only a limited impact on such shocks.

Relationship to fiscal policy and the EU's institutional architecture

According to the respondents, the loss of an independent monetary policy would mean greater reliance on fiscal policy to address domestic crises. However, this is problematic for two reasons: fiscal policy is strongly influenced by the political cycle, and the scope for its active use is limited by high deficits and debt. Governments generally have no problem supporting the economy through public spending when needed; however, they do face difficulties returning fiscal parameters to their pre-crisis levels once the crisis has passed. In addition, the euro area lacks a fully fledged fiscal union and a system of transfers to help offset asymmetric shocks across countries.

What's your perspective on the debt levels of certain euro area Member States? From your perspective, could this be a factor in the Czech Republic's limited interest in joining the euro area?

The debt levels of certain euro area Member States, especially France, Italy and Greece, are among the frequently cited arguments in the domestic debate on euro adoption. However, the respondents' answers suggest that views on this issue differ considerably and do not lead to a clear conclusion that high public debt in the euro area would constitute a decisive obstacle to the Czech Republic's accession to the monetary union.

Risk of sharing debt problems

Some of the respondents view the high debt levels of certain euro area countries as a genuine systemic risk. They argue in particular that, following accession to the euro area, the Czech Republic could indirectly become involved in resolving future debt crises, whether through stabilisation mechanisms or via a more accommodative monetary policy stance of the ECB. For this group, concerns about "another round of the debt crisis" therefore constitute a relevant reason for caution.

This is also linked to the view that countries with high debt levels may, in the future, put pressure on the ECB to pursue a more accommodative monetary policy than would be consistent with the inflation situation in more fiscally disciplined countries. According to the respondents, such pressure would not necessarily be optimal for the Czech economy.

The reality of recent years: debt is no longer a limiting factor

At the opposite end of the spectrum are the respondents who argue that the level of government debt in the euro area ceased to play a significant role in practice years ago. In their view, the Maastricht fiscal criteria have long gone unmet without any serious consequences. The turning point came when the ECB effectively assumed the role of lender of last resort for individual countries. Since then, even highly indebted countries have had access to financing and markets have accepted their debt.

From this perspective, the high debt of some euro area members is not a dramatic obstacle, but rather a new normal within which the system continues to operate. Some of the respondents therefore consider concerns about euro area debt to be overstated.

Improvement in the fiscal position of parts of the euro area

Another argument that puts the importance of debt into perspective is that the fiscal situation of a number of problematic countries has improved in recent years. Examples include the significant decline in debt and improvement in the financial position of Greece, Portugal and Spain, which have weathered previous crises and managed to adapt. This suggests that even high levels of debt do not necessarily imply an unsustainable path.

The structure of the debt is more important than its level

The respondents agree that debt cannot be assessed solely on the basis of its absolute level; its structure and purpose must also be taken into account. A key distinction is whether it is used to make investments with future returns or to finance mandatory and consumption expenditure that does not generate any growth potential.

From this perspective, the structural debt of France and Italy in particular continues to be viewed as problematic, while Greece, paradoxically, is assessed more moderately than in the past. According to the respondents, however, the financial markets remain the key arbiter – as long as they are willing to finance the debt under reasonable conditions, it does not constitute an acute systemic risk.

The euro area versus an independent small economy

Several of the respondents point out an important context: government debt is a global phenomenon, not one specific to the euro area. In this light, joining the euro area may in fact be less risky for highly indebted countries than remaining outside it, as the single currency and deeper financial markets imply lower financing costs and greater stability.

However, this argument works both ways. While the euro may be an advantage for highly indebted countries, for a fiscally more prudent country such as the Czech Republic, it may mean a loss of relative discipline.

Political dimension of the debate

A strong view expressed by the respondents is that the argument regarding euro area debt is often used in the Czech debate for political rather than analytical purposes. According to the respondents, euro adoption is primarily a political decision, and the debt of other countries is often used as an easily understandable but oversimplified argument against accession. At the same time, it is noted that the state of Czech public finances is not without problems either, and that the Czech Republic should not approach the debate from the position of a fiscally flawless country.

Which factors, in your opinion, most hinder the adoption of the euro in the Czech Republic? Should the Czech Republic step up its preparations for euro adoption? If so, in what way? And what role should be played by the CNB?

The respondents' answers clearly indicate that the main obstacle to euro adoption in the Czech Republic is not technical or economic, but political. The adoption of the euro is perceived as a purely political decision, for which there has long been a lack of sufficient political will and public support in the Czech Republic. These two factors reinforce each other: the public is generally sceptical of the euro, and political representatives often cite this scepticism or, in some cases, even fuel it. This creates a "vicious circle" that blocks any meaningful debate on the euro before it can even begin.

Loss of monetary policy flexibility as a key concern

The most frequently cited substantive argument against adopting the euro is the loss of an independent monetary policy. The respondents repeatedly emphasise that the flexibility afforded by the national currency, and the ability to set interest rates in line with the specific needs of the Czech economy, constitute a key economic policy tool that the Czech Republic would forgo by adopting the euro. For this reason, some of the respondents recommend postponing euro adoption at least until the structural issues affecting the euro area as a whole have been resolved, including economic divergence across Member States and multi-speed integration.

A lack of rigorous public debate

There is strong criticism that the debate on the euro in the Czech Republic is superficial and ideological. The respondents warn against simplistic slogans such as "the euro – a guarantee of low inflation," "the euro – automatic prosperity" or "the euro – a safety net". In their view, a factual and open discussion is needed, grounded in the experience of other countries – such as Slovakia – rather than driven by political marketing or attempts to sway public opinion.

From this perspective, some of the respondents explicitly reject the view that, in the current situation, the government should in any way steer the public towards the euro in the absence of clear societal demand and a convincing economic rationale.

When it would make sense to start preparing for euro adoption

While some of the respondents do not see any reason to step up preparations, others acknowledge that if the Czech Republic were to make a political decision to adopt the euro, the necessary steps could be defined quite clearly. These would concern not only the currency itself, but also the health of the domestic economy and its institutions.

The key preconditions identified include in particular:

- consistent consolidation of public finances,
- initiation of structural reforms (tax system, regulation, digitalisation of the public sector, labour market),
- negotiation of the terms of participation in the banking union prior to euro adoption,
- entry into ERM II for the shortest possible necessary period.

From a political and procedural standpoint, the respondents point out that, given the four-year electoral cycle, a decision would have to be made at the beginning of a government's term of office; otherwise, the entire process could be very easily jeopardised.

Role of the CNB: expert, not political

As regards the role of the Czech National Bank, the respondents broadly agree that it should play a strictly expert, neutral and procedural role. It is not for the CNB to decide whether the Czech Republic should adopt the euro, or to persuade the public from a political standpoint. However, it should:

- provide high-quality and neutral economic analyses,
- assess the costs and benefits of joining the euro area, and
- ensure technical preparedness in the event of a political decision.

What factor (or trigger) will ultimately decide the Czech Republic's entry into the euro area?

The respondents' answers point to a relatively clear conclusion: the adoption of the euro in the Czech Republic will be decided not by economic analyses or technical preparedness, but mainly by political factors and a shift in public opinion.

Political will as a necessary condition

The respondents agree that the decisive factor will be the emergence of a sufficiently strong and unified political representation willing to assume responsibility for this step. At present, no such force exists on the Czech political scene. Political parties that have historically supported euro adoption are either clearly in the minority or no longer able to persuade voters. By contrast, most of the established parties either avoid the issue of euro adoption altogether or have postponed it indefinitely.

The respondents emphasise that technical preparedness alone is not enough. Without political resolve and a clear commitment set out in an electoral programme, the process will never be initiated.

Public opinion as both a constraint and a precondition

The Czech public's long-standing scepticism towards the euro also plays a significant role in the whole issue. Politicians often refer to this sentiment, while, according to some of the respondents, at the same time reinforcing it through an insufficiently rigorous debate. A shift in public opinion is therefore regarded as a necessary, yet difficult-to-achieve, condition for euro adoption.

The respondents do not expect public support for the euro to increase spontaneously or rapidly. Rather, there is a prevailing view that political representatives would not pursue such a shift in sentiment without an external impetus casting the issue in a different light.

Crises as a typical trigger for major change

A recurring view among the respondents is that major institutional changes in the EU and its Member States often occur only in response to crises. An economic, monetary, geopolitical or other crisis could act as a catalyst, making euro adoption suddenly politically feasible or even desirable.

However, the respondents describe such a scenario as more realistic than desirable – the euro would be adopted under pressure from circumstances rather than as a result of long-term strategic thinking.

External impulses: the role of the region and Poland

According to some of the respondents, an interesting external trigger could be a decision by Poland to join the euro area. Poland is one of the Czech Republic's most important trading partners, and its accession would leave the Czech Republic as a monetary "island" in Central Europe. This could have adverse implications for the investment decisions of foreign firms, which might begin to view the Czech Republic as an exception to the regional norm.

In such a situation, the respondents argue that the debate on the euro would change fundamentally, as it would cease to be a domestic political issue and would instead become a question of maintaining the Czech Republic's competitiveness in the region.

Business pressure as a potential driver

Another potential impulse would be stronger pressure from the business sector, particularly from exporters and foreign investors. If there were clear evidence that remaining outside the euro area was resulting in lost investment or higher costs, the business community could become a major driver of a shift in attitudes.

For the time being, however, the respondents note that this pressure is not sufficiently strong, and firms have adapted to the existence of the koruna through currency hedging and internal euroisation.

How would you assess the current economic and political preparedness of the Czech Republic to enter the euro area?

Economic preparedness and formal criteria

The respondents agree that the Czech Republic either meets, or is very close to meeting, all of the Maastricht criteria, which are the formal prerequisites for joining the euro area. This applies in particular to price stability, long-term interest rates, the sustainability of public finances and the exchange rate regime. According to the respondents, entry into ERM II would not pose a technical obstacle, and if a political decision were taken, the entire process could be completed within approximately three years, i.e. within the standard time frame.

The Czech Republic's economic preparedness is also supported by the fact that part of the Czech economy is already effectively euroised. Large and export-oriented firms routinely conduct business in euros, keep their accounts in euros, obtain financing in euros and, in some cases, already pay wages in euros. However, this euroisation is highly asymmetric – it is widespread among firms, particularly on the liabilities side, and minimal among households.

Incomplete real convergence as a risk

Alongside the formal criteria, the respondents also point to incomplete real convergence, i.e. the fact that price and wage levels in the Czech Republic remain significantly below the euro area average. This carries the risk that, following euro adoption, prices could converge more rapidly, leading to higher inflation, particularly in the services and housing sectors.

Another structural factor is the high share of industry in the Czech economy, which makes it more prone to asymmetric shocks – i.e. situations in which economic developments in the Czech Republic do not correspond to the euro area average. Adjustment could also be complicated by a relatively rigid and geographically immobile labour market, making it more difficult to respond to regional or sectoral issues.

Business cycle alignment

Some of the respondents note that the alignment of the Czech Republic's business cycle with that of the euro area is not ideal, even if it is not markedly low. This implies that at times, the ECB's monetary policy may not fully match the needs of the Czech economy. This has long been one of the main economic arguments for taking a cautious approach to euro adoption, although some of the respondents consider it less significant today than in the past.

Political preparedness: the key issue

While economic preparedness is assessed positively, the respondents' assessment of political preparedness is unequivocally negative. Most political parties represented in parliament do not support euro adoption, and public opinion has long been against. This situation is seen as a fundamental obstacle, one which, in itself, prevents the process from being initiated.

The respondents agree that, without a clear political decision, it is impossible to speak of genuine preparedness, regardless of the economic data. Some summarise the situation succinctly: "Economically, we are ready; politically, we are not". Others add that "there is no need to rush" and that the current wait-and-see approach is not necessarily wrong from an economic perspective.

When do you expect the Czech Republic to enter the euro area?

The respondents' answers present a highly consistent picture: the Czech Republic's entry into the euro area is not a matter for the near future. On the contrary, there is a broad consensus that the Czech Republic will not adopt the euro during the current parliamentary term, and most likely not during the next two either – that is, not within the next six to eight years.

The most frequently cited time frame is "after 2030", with many of the respondents specifying the second half of the 2030s. This horizon recurs in various formulations – "in the second half of the 2030s at the earliest", "in the mid-2030s", or "in more than 10 years' time". One of the respondents even remarked, somewhat tongue-in-cheek, that each time the question is asked, the expected date shifts further into the future. This nicely illustrates the long-standing lack of progress on the issue in the Czech Republic.

Considerable uncertainty and a prevailing "not on the agenda" scenario

Alongside more specific time lines, however, a much more sceptical view is emerging. Some of the respondents state openly that they do not expect the Czech Republic to join the euro area in the foreseeable future at all, and do not attempt to identify a specific date. This stance reflects the view that the current political and societal dynamics provide no impetus for a fundamental change, and that the wait-and-see strategy will continue beyond 2030.

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