The Euro After Five Years
Achievements and Challenges

The challenges for new member states
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Transformation is only 15 years old ...

- Speed of catch up was moderate
- Macro fundamentals were stable
... and new members are thinking about Euro zone...

- Price stability below the target ....
- Long interest rates too ...
... but fiscal policy is source of concern ...

- The deficits are high...
- ...And debt is going up ...
.. So how far we are from Euro ...
**CR vs. Maastricht**

- Even 3% limit of public deficit requires a substantial reform
- Uncertainty about the ability to limit the volatility of the FX rate, the issue of monetary policy regime could be discussed
"Real convergence"

- Correlation of the macro indicators “moderate” at maximum
- Structure of the economy still different from most EU members
- ……

If anything matters, than it is a flexibility of the economy …
….. but how to measure it ?????
Current CR strategy

- The fiscal consolidation is not bringing deficits below 3% until 2007
- The time of entry to Euro zone should be 2009 or 2010
- CZK will not join ERM II until it is very likely that conditions will be fulfilled after minimum stay