Národná banka Slovenska
Communication Section

OPENING REMARKS
by Mr Jozef Makúch, Governor of Národná banka Slovenska

at the conference

10 YEARS OF THE €URO IN SLOVAKIA
International Conference to Mark the 10th Anniversary
of the Introduction of the Euro in Slovakia

Bratislava, 11 January 2019

Dear Deputy Prime Minister Kažimír,

Dear Mr Mersch, our honoured guest from the ECB Executive Board,

Dear Governors,

Ladies and gentlemen,

It is my great pleasure to welcome so many distinguished guests to this conference, organised to mark the 10th anniversary of euro adoption in Slovakia. Ten years ago, when we were just switching to the euro, or even 15 years ago, when we started preparing for euro accession, we believed this would be the pinnacle of our integration process. We were coming from a small emerging market economy with volatile capital flows and unexpected foreign exchange pressures. We were looking forward to becoming part of the world's largest economy and the second most important global currency.

It turns out we have got both more and less than we expected. On the one hand, we got not only a monetary union, but also a banking union, soon a capital markets union, and to some degree also a fiscal union. Ten years after our euro area entry, and ten years after the outbreak of the global financial crisis, the European monetary union is more complete than ever but still needs a lot of work. I am sure many of our distinguished speakers will be discussing what needs to be done to bring it to completion.

On the other hand, we also got less from the changeover than we hoped. No matter how happy the wedding, there will always be rough patches in the marriage: every union requires constant efforts from the partners to function well. The debt crisis in some euro area countries has shown us that the euro is still vulnerable to shocks. From a domestic perspective, not all the expected benefits of the euro have fully materialised. One reason is that the crisis slowed our convergence towards the most developed economies. Another reason is that the global slowdown in trade weighed on the most important channels of monetary union benefits. A third reason is that our domestic policies have not always been optimal: the reform momentum stalled and long-term growth was not always a priority. Certainly some of our panellists will be exploring these aspects further.

At this point, I would like to recall Slovakia's successful preparations for the euro. While the euro was, and still is, a political project – both in the EU and in Slovakia – it is also based on sound economic fundamentals. From a political economy point of view, our euro adoption process was a role model of economic policymaking. We analysed the costs and benefits very deeply – and given the information set we had at the time, most of the analyses are still valid. All the analyses were openly published. We discussed the project with all relevant stakeholders and tried to make sure no one was left behind. We set a target date for euro adoption and ended up being one of the very few countries that never shifted the target adoption date. And today, ten years on, we are looking back with an open mind to see which of the expectations were fulfilled and which were not.

As you well know, the final decision on our euro accession was made in July 2008, just before the global financial crisis broke out in September. We could not have hoped for better timing. The euro shielded us from the initial hit of the crisis, while in other emerging markets, exchange rates plummeted. The drop in demand and in oil and food prices at the end of 2008 meant there were no price pressures in early 2009. Thus, we were maybe the first country in which the euro was adopted without consumers perceiving any price increases. Had we not adopted the euro in 2009, we would not have been able to meet the Maastricht criteria for the next 4 to 5 years, as the government deficit increased substantially. You might say we were lucky, but I would rather concur with the great biologist and chemist Louis Pasteur that fortune favours the prepared.

Shortly after our entry, Slovakia and the rest of the euro area were faced with the most severe financial crisis in European history. The measures taken by the Eurosystem were unprecedented and the easing cycle that started in 2008 is only now coming to an end. Outside of Japan, this is probably the longest easing cycle in the history of central banking.

The euro, now twenty years old, can certainly be described as a mature currency. It has survived some very hard times and is now much more resilient. It must be said – especially in this country – that many of the institutional arrangements developed in the euro area in the past decade are making the common currency stronger. Perhaps we were not aware we needed the new arrangements, or perhaps we did not like the costs and effort needed, but these costs should be seen as a form of insurance against future crises. It is better to be insured than not to be – and it is even better to be paying just the insurance premium than to be forced to draw the insurance benefits.

I am sure the future will bring further important challenges. I will be keeping my fingers crossed that all my colleagues and future governors at the National Bank of Slovakia manage to meet them. Perhaps there will be another gathering here ten years from now to discuss how views have changed after using the euro for 20 years. One person who knows a thing or two about what 20 years of the euro is like is Mr Yves Mersch, who will be taking the floor shortly.

Ladies and gentlemen, I hope you enjoy the conference and contribute to a fruitful discussion. I am very happy to see all of you here. Thank you for your attention.