

The Czech Republic and the Euro

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The publication from Vladan Hodulák „The Czech Republic and the Eurozone“ is part of a regional project, organised by the representation of the Friedrich-Ebert-Stiftung in Bulgaria in 2018 on the topic: BEYOND MAASTRICHT: The Development of the Eurozone. The comparative study project aimed to discuss with the six East European non-Eurozone members the motivation to join the Eurozone.

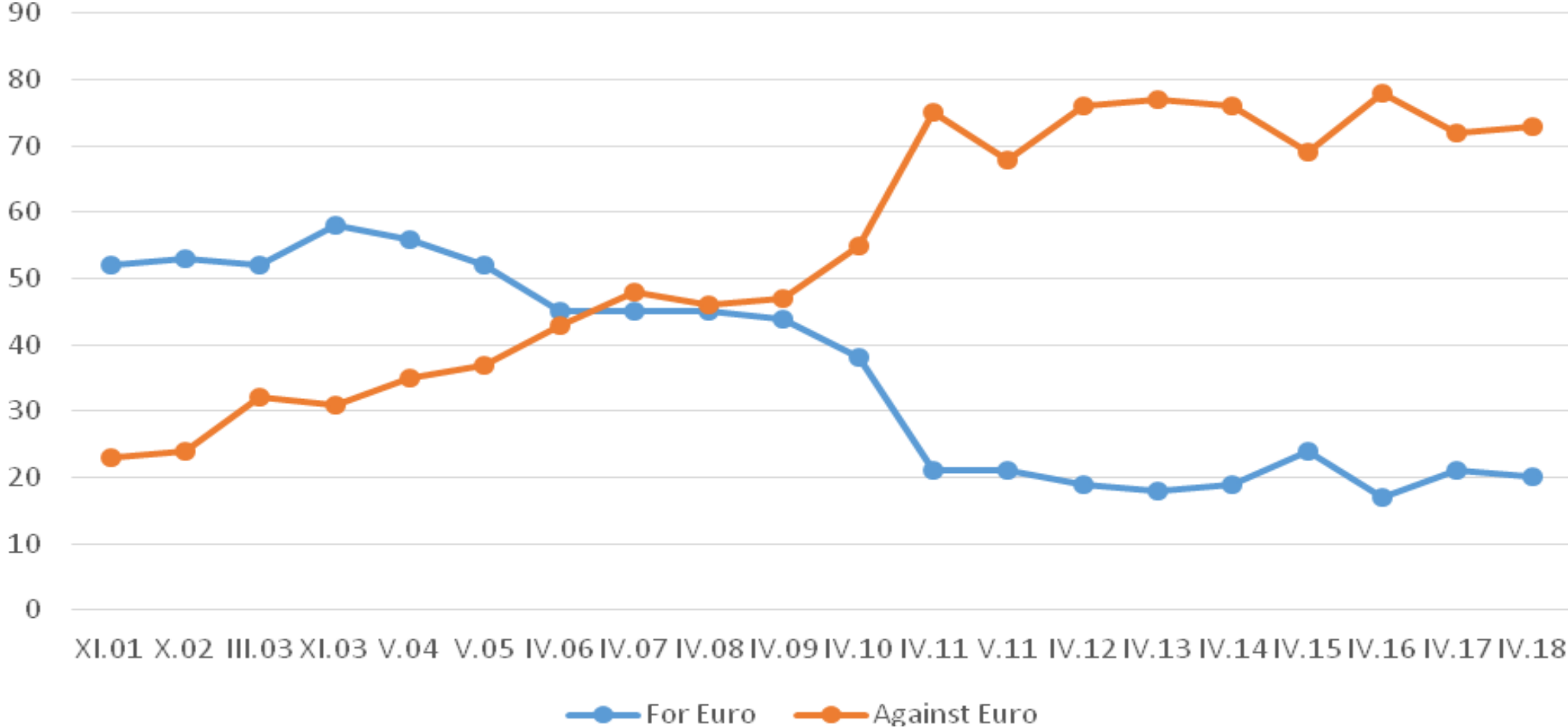
Introduction

- The Czech Republic promised to join the Eurozone upon its entry to the EU
- Officially, the Czech Republic follows the National plan for Euro Adoption, but there is no definite date
- The Czech Republic could theoretically have already joined the eurozone on several occasions.

Politics

- Public opinion on the matter was unequivocally positive only for a short period after the country joined the EU, since then it has become decisively negative
- The recent Czech political representation has displayed predominantly negative attitudes toward the introduction of the Euro into the national economy in the foreseeable future
- Opponents: the current Eurozone is very different from the original one and that the validity of the original Czech commitment is therefore questionable
- Supporters: that the Czech Republic will become isolated within the EU and therefore lose its influence over the future development of the community
- The Confederation of Industry of the Czech Republic x The Czech-Moravian Confederation of Trade Union

Chart 1: Opinions on the adoption of the Euro in the Czech Republic over time (in %).

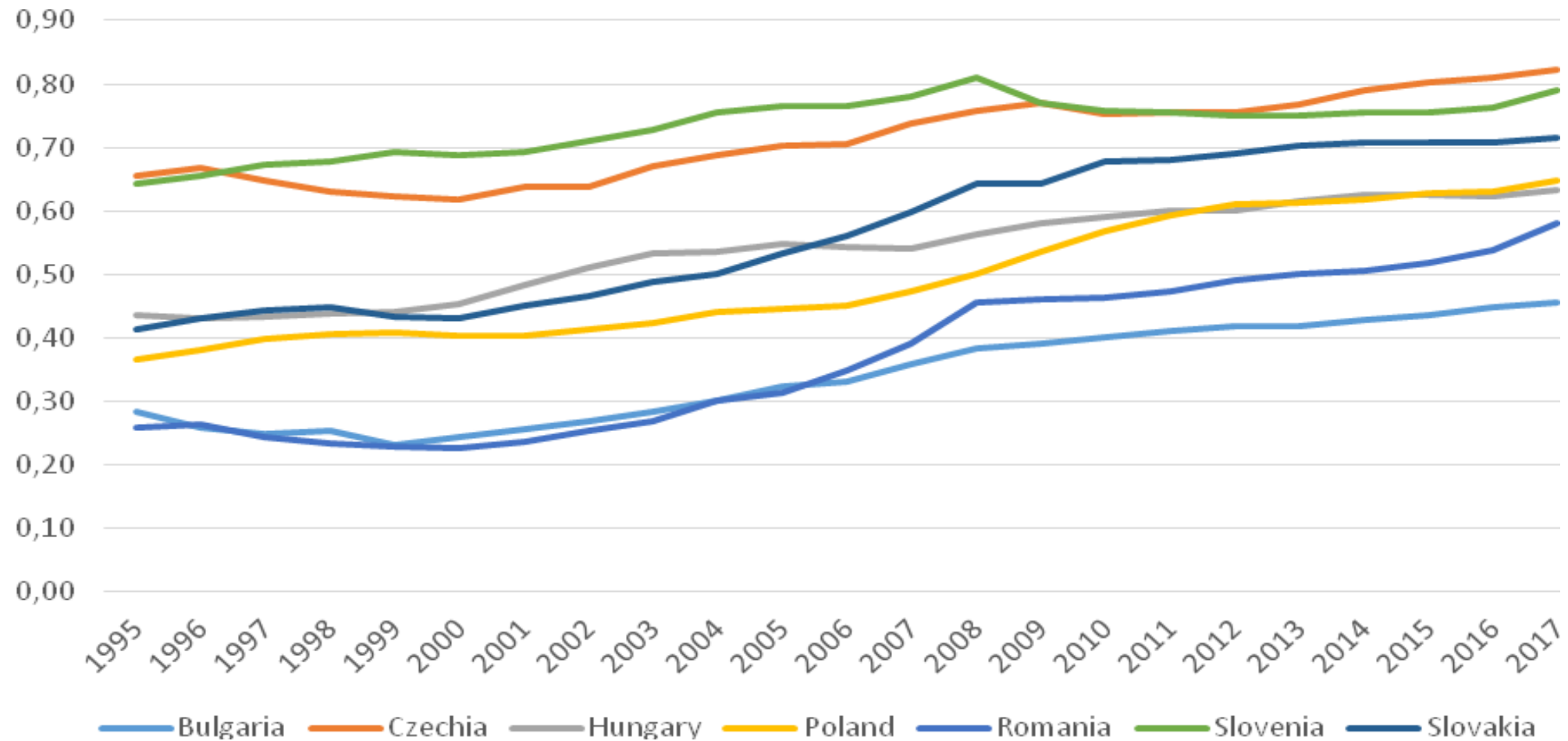


Source: Hanzlová (2018), Občané ČR o budoucnosti EU a přijetí eura – duben 2018.

The Czech Economy

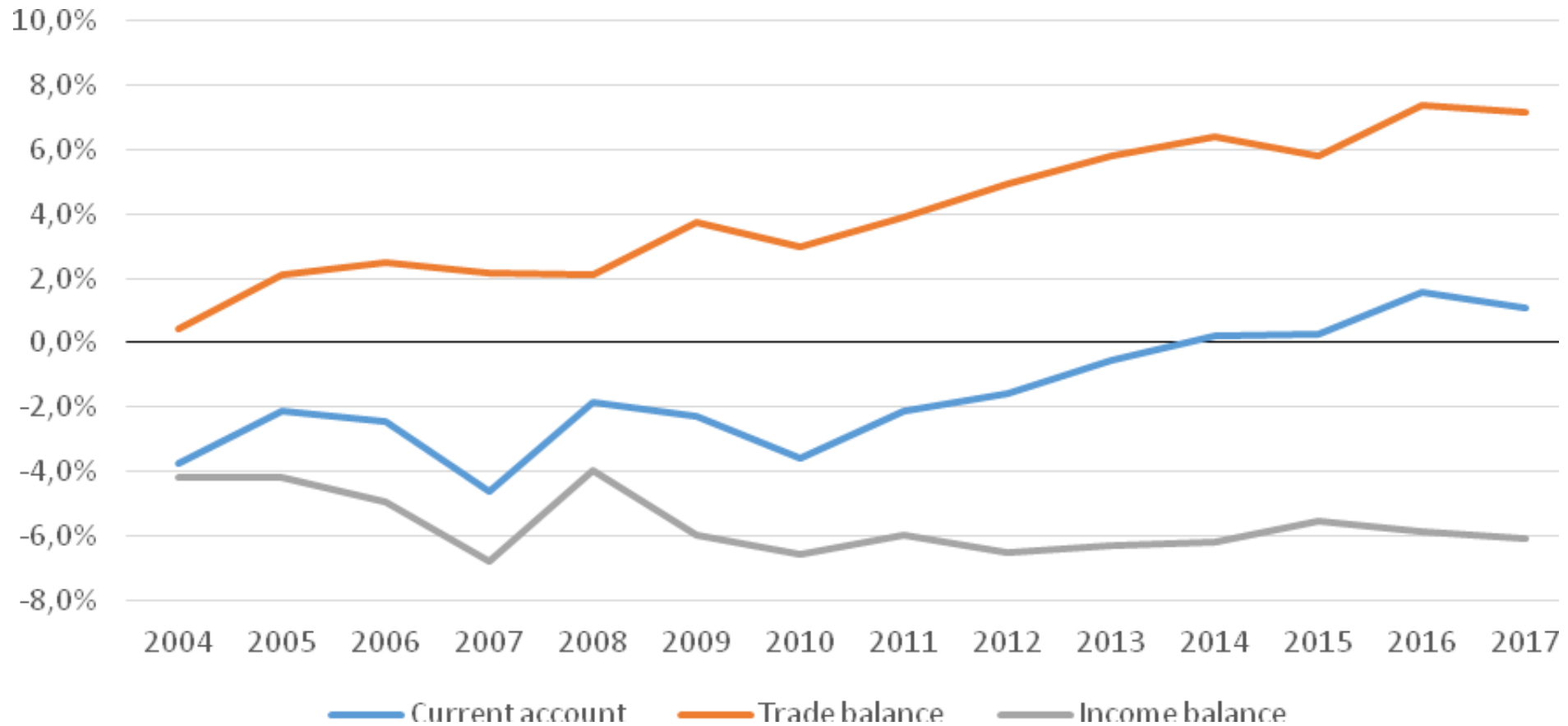
- The Czech Republic is a small, open economy, highly dependent on its trade with the EU, particularly with the Eurozone
- Since 1990 the economy has undergone a rather slow process of real economic convergence
- Solid macroeconomic fundamentals (GDP, unemployment)
- Huge income outflows, problematic (locked in?) position in the global value chains

Chart 2: GDP per capita, real expenditures in PPS EU 28 (EU 15=1)



Source: Eurostat (2018a). Purchasing power parities (PPPs), price level indices and real expenditures for ESA 2010 aggregates. Own calculations.

Chart 3: The Czech current account and its components (% of GDP, current prices)



Source: Czech National Bank (2018), ARAD data series system, own calculations.

The effects of euro introduction in CZ

- Employment, labor costs and wages
- Migration and labor mobility
- Prices
- Public debt and budget balance
- Regional cooperation and trade integration
- Conclusion: What can be done to minimize the risk of Euro introduction