Adoption by Latvia of the euro on 1 January 2014

2013/0190(NLE) - 25/06/2013 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted a non-legislative resolution by Burkhard BALZ (EPP, DE) approving the Commission proposal for a Council decision on the **adoption by Latvia of the euro on 1 January 2014**, and favouring the adoption of the euro by Latvia on that date.

It notes that the global financial crisis has hit Latvia hard in terms of poverty, unemployment and demographic developments and it urges the **implementation of stringent macroprudential standards** aiming at avoiding unsustainable capital flows and credit growth trends experienced ahead of the crisis.

The report calls on the Latvian Government to:

- maintain its **prudent fiscal policy stance**, together with its overall stability-oriented policies, anticipating potential future macroeconomic imbalances and risks to price stability as well as correcting the imbalances identified by the Commission in the framework of the alert mechanism report;

- address **structural deficiencies in the labour market** by appropriate structural and educational reforms, and also address the level of poverty and the widening gap of income inequality;

- ensure that a **strict supervision of the banks in the non-resident deposits (NRD) business** and to remain cautious about possible mismatches between banks' asset-liability maturity structures that can be considered a danger to financial stability;

- establish appropriate control mechanisms to ensure that the introduction of the euro is not used for hidden price increases.

Lastly, the committee is concerned by the current **low support** of the Latvian citizens for the adoption of the euro, and it calls on the Latvian authorities to continue their information and communication campaign in order to ensure more public support.