Adoption by Latvia of the euro on 1 January 2014

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The Commission presented a report on the introduction of the euro in Latvia.

The Council decided on 9 July 2013 that Latvia fulfilled the necessary conditions for the adoption of the euro and that its derogation from participating in the single currency was to be abrogated with effect from 1 January 2014. Latvia followed the practice of all Member States that have adopted the euro after the first changeover wave (1999–2002) and used the so-called "**big-bang**" changeover scenario, i.e. euro banknotes and coins acquired legal tender status on the day of euro adoption.

Following the two reports of the Commission (23 July 2013 and 3 December 2013) on the practical preparations of the euro changeover in Latvia, this report covers the most important aspects of the changeover process from an ex post perspective focusing on:

Preparations for the cash changeover: the report notes that the cash changeover in Latvia was well prepared and organised. Banks and businesses and citizens were adequately supplied with euro cash in advance of the changeover. In light of the Latvian experience, the standard estimate for the number of coin kits to be produced for the general public should be revised downward.

The dual circulation period: the introduction of the euro was well prepared and organised. The two-week dual circulation period during which the euro and the Latvian lats where circulating in parallel expired on 14 January 2014.

ATMs and point of sale -terminals were converted in time and banks and post offices coped well with the extra workload during the dual circulation period. Retailers managed well with the challenges of the changeover process and the handling of two currencies at the same time. They were well supplied with euro cash and pursuant to a Commission survey, already on 2 January 2014, 94 % of the citizens polled received change in euro only.

Preventing abusive price and erroneous price perceptions: since January 2013, prices of 120 frequently purchased products and services in the most popular points of sale in the seven biggest cities of Latvia have been monitored.

Latvia has implemented the **dual display of prices** and a **fair pricing initiative** in line with the recommendations of the Commission. The compulsory dual display of prices in lat and euro started on 1 October 2013 and will last until 30 June 2014.

Participation to the fair pricing initiative has been rather disappointing in comparison with previous euro changeovers. Countries introducing the euro should target a subscription rate to the agreement of at least 75%.

Price trends and price perceptions: the euro changeover was preceded by a period of very low, and occasionally negative, inflation in Latvia.

Disinflation was driven primarily by the energy component and to a lesser extent by non-energy industrial goods and more recently by unprocessed food. These trends are similar to those observable in the euro area aggregate data and in Latvia's neighbouring countries.

According to a recent Commission survey, the majority of **Latvians (57%) think that the euro will increase inflation** in their country while only 19% believed that joining the euro area would help Latvia to maintain price stability.

Communication on the Euro: the communication and public awareness campaign contributed to a smooth changeover to the euro. The target of 90% of Latvian inhabitants feeling sufficiently informed can be judged to have been met with 89% of Latvians feeling well informed about the euro. Support for the euro has reached 52%.

Therefore, it is recommended to continue supervising the dual display of prices, the correct conversion and rounding rules and the evolution of prices in general for a few extra months.