European Monetary Institute EMI. 3rd annual 1996 Report

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OBJECTIVE: presentation of the 1996 annual report of the European Monetary Institute (EMI). SUBSTANCE: the report describes the economic, monetary and financial situation of the Community up to the end of 1996 and the activities of the EMI; it also presents the Institute's annual accounts. To a significant extent, the material presented in this year's report draws on earlier, more extensive EMI publications, particularly the reports entitled 'Progress towards convergence 1996' and 'The single monetary policy in Stage III - specification of the operational framework' (see COS0519). - After analysing the economic and financial background in 1996, the EMI points out that, even though the economic outlook for 1997 is more favourable, the need for structural adjustment persists. In general, more and durable progress is needed to ensure sustainable fiscal positions. In particular, the EMI stresses the link between sustainable fiscal adjustment and an improvement of growth perspectives over a medium term. Further progress will also contribute to sustaining exchange rate stability and the convergence of bond yields. As regards budgetary policies, the EMI stresses that it must be kept in mind that the necessary strict compliance with the fiscal criteria also implies ensuring the sustainability of government financial positions as a precondition for the adoption of the single currency. It also points out that exchange rate stability remains an element in judging the degree of sustainable convergence both before and after 1999. - As regards the preparatory work for Stage III, the EMI believes that it made further progress in 1996 in preparing the ground for the European System of Central Banks (ESCB) to be able to perform its tasks from the start of Stage III of the single monetary policy. This involved work in the areas of monetary policy, foreign exchange policy, statistics, payment systems, issuing bank notes, accounting rules and standards, information systems and legal issues. The EMI also continued to monitor progress in the preparatory work for the introduction of the Euro, following the adoption of the changeover scenario by the European Council in Madrid in December 1995.