European Central Bank ECB. 1998 report

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OBJECTIVE : presentation of the 1998 annual report of the European Central Bank. CONTENT : this annual report, which is the first to be published by the ECB, outlines the developments which have taken place in the macroeconomic environment, in 1998, for the Member States of the euro zone, as well as the measures taken to finalise the operational framework for monetary union. The report also covers the first weeks of 1999, following the launch of phase III of EMU. The report stresses that the gentle transition to the euro bore testimony to the preparatory work of the EMI and the national central banks. At the beginning of phase III, the Eurosystem was completely operational on both the technical and organisational fronts. The Eurosystem took over responsibility for a single monetary policy in a context of inflation rates compatible with price stability and favourable prospects with respect to the maintenance of stable prices. In this regard, the conditions necessary for sustained economic growth are in place. However, it would appear that the economic expansion of the euro area is experiencing weaknesses and uncertainties coming from outside. In order not to compromise the confidence which has underpinned the the convergence efforts already achieved, priority needs to be given to the abolition of structural obstacles preventing an acceleration in economic activity and an improvement in employment. These structural rigidities particularly affect European labour markets. In addition, the confidence has to be backed up by the achievement, as soon as possible, of budgets that are balanced or in surplus. It will also be necessary to deal with the longer term challenges posed by the ageing of the population. The objective from now on is to consolidate the foundations of the stability of the euro and to create the conditions necessary for the return to production and employment.