The euro area in the world economy and the developments in the next years

2002/2259(INI) - 19/12/2002 - Non-legislative basic document

PURPOSE : to report on the impact of euro notes and coins one year after their introduction. CONTENT : according to the Eurobarometer survey conducted in November 2002, the majority of people (51.5%) in the euro area indicated having no difficulties at all with the use of the euro. This result ranges from 71.7% in Ireland to 36.5% in France. The proportion of those who have no difficulties at all is higher among men (57%) than among women (46.4%). A large majority of people quickly got used to the euro cash: 92.8% find it easy to handle banknotes and more than two thirds (68.8%) have no problems handling the euro coins. The vast majority of Europeans believe that the number of existing denominations for banknotes (83.7%) and for coins (53.5%) is just right. On the question of satisfaction with the euro, 49.7% of euro area citizens consider themselves to be "very" or "rather" happy that the euro has become their currency. 11.1% are neither happy nor unhappy, while 38.7% indicate being quite or very unhappy. Among eurozone countries, the approval rate is the highest in Luxembourg (84.2%) and lowest in Germany (27.8%). People are now well acquainted with the coins from other euro area countries. In regions along the borders, in big cities and in tourist areas, a rising share of the coins in circulation are of 'foreign' origin. The different national faces of the coins are clearly a source of interest and 92.6% of the respondents confirm that they have no difficulties with the variety of coins. The interest of coin collectors was also directed towards the 80 "genuine" euro collector coins that were issued during 2002 and which are not destined for regular payment purposes. The figures appear to show that the introduction of euro cash favours cross-border trade and price transparency. 12% of consumers are more interested in buying goods in another EU country. The share of people who feel encouraged to buy abroad ranges from 31% in the Netherlands to 6% in Denmark. The figures seem to be higher in smaller member States (Austria, Luxembourg and Ireland). With regard to corporate behaviour, 32% of businesses in EU-15 indicate that after the introduction of euro banknotes and coins, they are more interested in selling abroad. The figure is highest for Portuguese business (57%) followed by Irish (50%), Swedish (48%) and Austrian businesses (47%). At the lower end are businesses from the UK, Denmark and Finland. 53% of European travellers indicate taking euro cash with them when leaving the euro area, as opposed to only 16% taking US-Dollars. It appears that payment with euro cash is regularly accepted in the three Member States outside the euro area (DK, S, and UK) as well as in the 12 accession countries, although this practice is usually confined to the capitals and to tourist areas. Some shopkeepers display prices in euro. In certain areas in the Balkan region, such as Montenegro and Kosovo, the euro is de facto used as the local currency, often as replacement for the former D-Mark The introduction of notes and coins has had a more limited impact outside Europe. The euro is accepted as a means of payment in the tourist areas of some American, Asian and African countries, sometimes in connection with the display of prices in euro. The report points to a discrepancy between actual and perceived inflation after the introduction of euro notes and coins. In particular, a detailed statistical analysis of price evolutionsbased on the harmonised index of consumer prices (HIPC) indicates that the impact of the introduction of euro banknotes and coins on prices ranges between 0.0 and 0.20 %. However, most studies also point to more significant price jumps in the service sector, particularly related to tourism. Price rises in cafes and restaurants correspond to 4.3% on a year on year basis, i.e. almost double the general inflation rate (measured by HIPC). The Eurobarometer survey showed that 84.4% of respondents in the euro area thought that prices had been converted to the detriment of consumers. Whether the introduction of euro cash has influenced the payment habits of the population is to clear at this stage. A significant increase in the use of non-cash payments has been noticed n the course of 2002, but it is difficult to attribute this shift exclusively to the euro. The average amount withdrawn at ATMs (Automatic Teller Machines) also seems to have increased. 42.2% of consumers already calculate mainly in euro, but this percentage drops to 12.5% when important purchases are being made (e.g. a house or a car), as most people continue to calculate in national currencies for important transactions. While a small majority (50.6%) of consumers no longer wants shopkeepers to display prices

in old and new currency, 47.2% still prefer the dual display of prices. In agreement with Eurocommerce, the Commission recommends that the retail sector discontinue the dual display by 30 June 2003 at the latest, while informing their customers well in advance of this change. The same approach is recommended in other sectors where prices and amounts are still being displayed in national currency and in euro. This is the case on the invoices of certain companies and on the account statements provided by financial institutions to their customers.