Adopting the euro

A review from a Slovak perspective

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The Global Euro Starts at Home
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The views expressed are those of the authors and do not necessarily represent the NBS or the Eurosystem.

Slovakia in the euro area since 2009

Path to the euro

2004	EU accession
2005	ERM II entry
2007–08	Two revaluations of the central parity
Jul 2008	Conversion rate fixed at 30.126 SKK/EUR
Jan 2009	Euro adoption

The only Visegrád country in the euro area

Entered from a managed float.

Two benchmarks

- Expectations before entry (Šuster 2006; Csajbók and Csermely 2002)
- Outcomes in Czechia, Hungary and Poland

Expectations and outcomes

Delivered

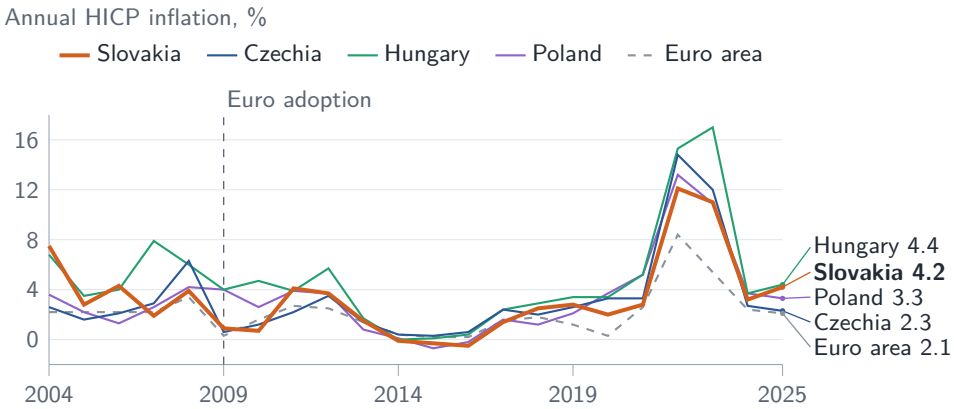
- Lowest inflation peak in the V4, with the lowest policy rate
- Lower funding costs
- Stronger legal central bank independence
- Stronger financial crisis management **new**
- Most non-EU imports invoiced in euro **new**

Not visible in the data

- Faster growth than the region
- More trade with the euro area
- More foreign direct investment
- More fiscal discipline and reforms

Euro adoption delivers macro-financial benefits. It is not a substitute for domestic policies.

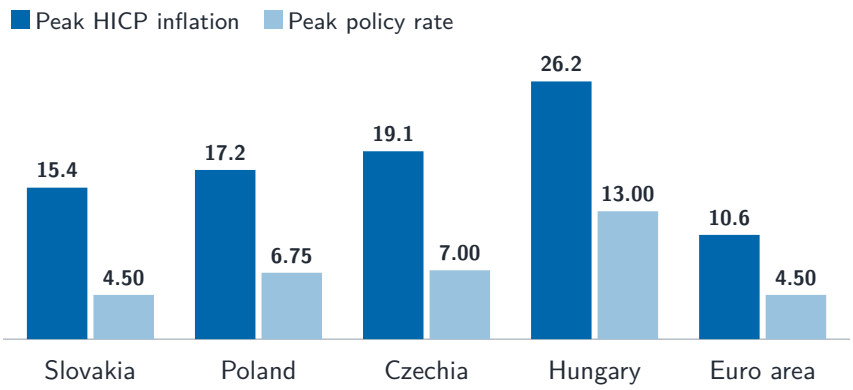
Inflation from a longer-term perspective



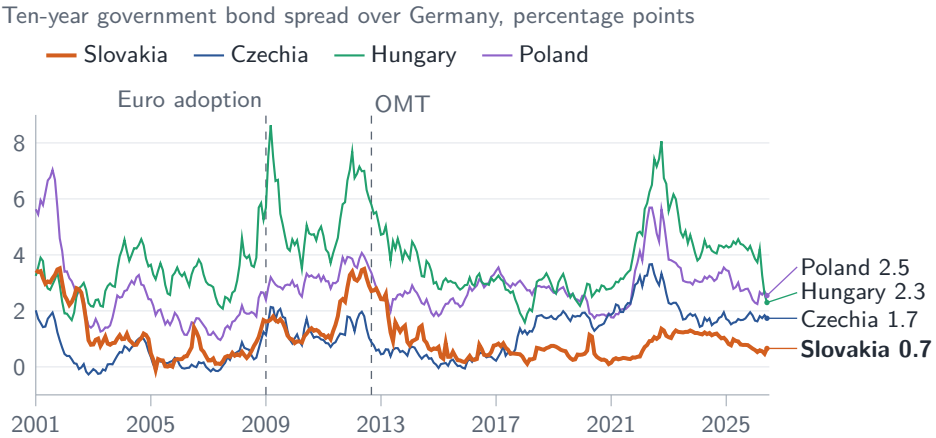
Since entry (2009–2025): 3.1% a year, the lowest in the V4 (euro area 2.1%). Before entry (2004–2008): 4.1%, second highest.

Lowest inflation peak, lowest policy rate

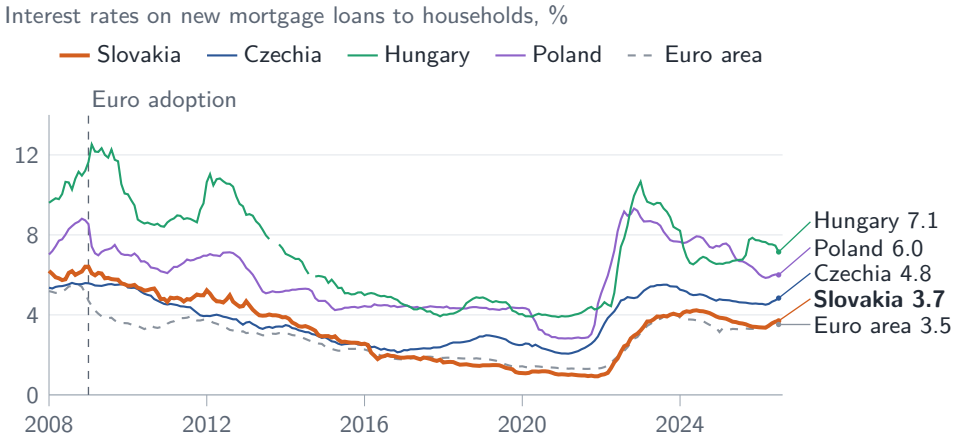
Peak HICP inflation and peak policy rate, 2021–2023, %



Cheaper government borrowing



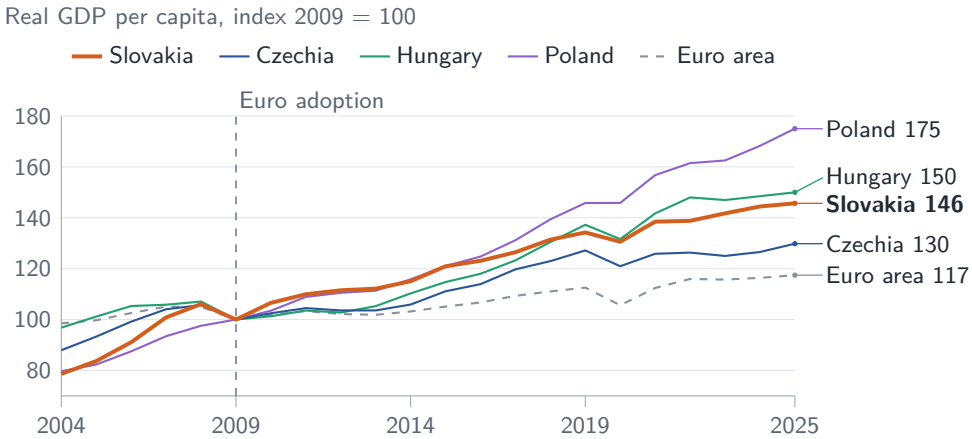
Households and firms pay euro area rates



Institutional anchor and crisis protection

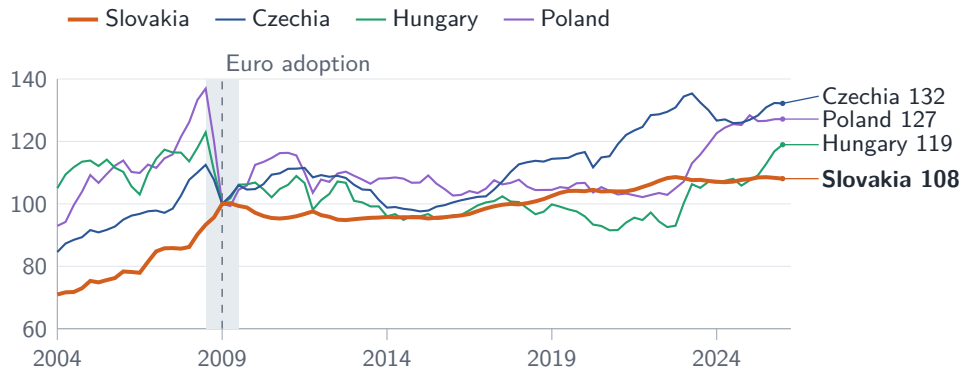
- Monetary policy decided in the ECB Governing Council, with independence anchored in the EU Treaty.
- Lower reserve needs: 10% of GDP in 2024, against 21–42% in Hungary, Poland and Czechia.
- Euro liquidity for Slovak banks in 2008–2009; Hungary needed an IMF programme, Poland a precautionary IMF credit line. **new**
- No currency mismatch in household borrowing, unlike in other countries such as Hungary. **new**

Still converging, but no longer the fastest

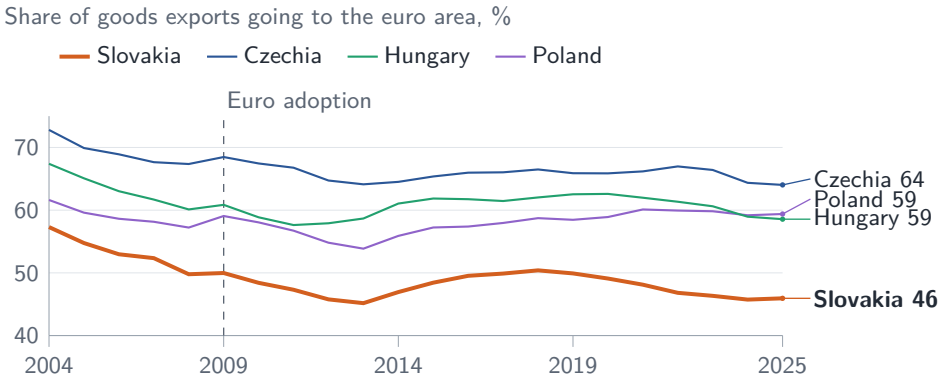


Cost competitiveness held up best in the V4

Real effective exchange rate deflated by unit labour costs, 2009Q1 = 100; higher = less competitive



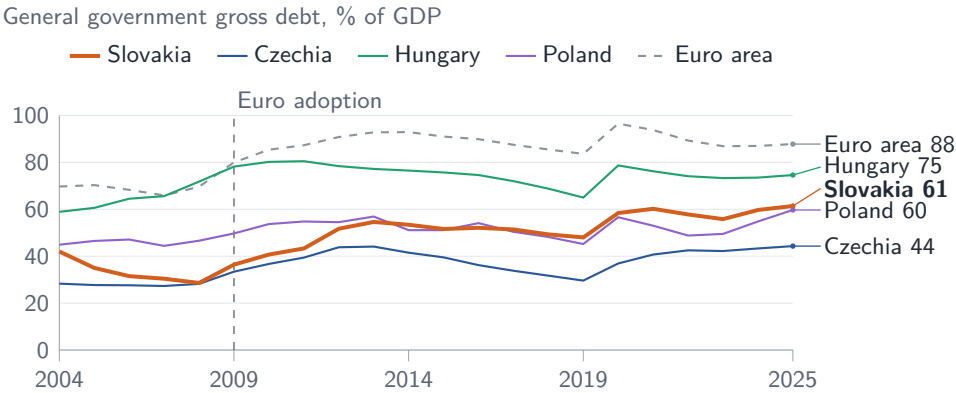
No visible trade or FDI dividend



FDI: inward stock 60% of GDP in 2024, no lasting rise after entry (Czechia 74%, Hungary 67%, Poland 45%).

New benefit: 60% of non-EU imports invoiced in euro (Czechia 32%, Poland 26%).

No fiscal or reform dividend from the euro



Institutions: regulatory quality (World Bank, 0–100) fell from 75 to 62 in Slovakia and from 77 to 60 in Hungary, 2004–2025; Czechia 74, Poland 69.

Conclusions

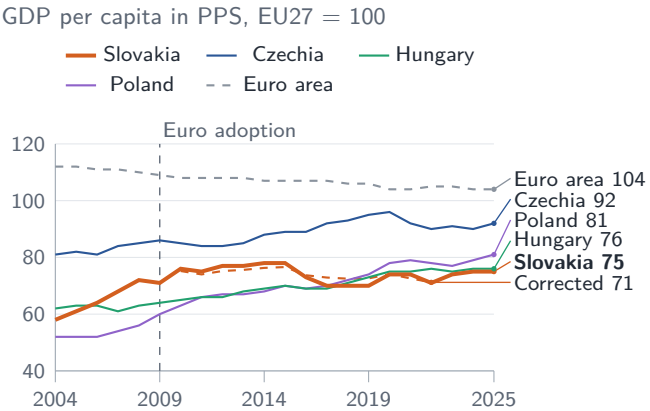
1. Clear macro-financial benefits: lower funding costs, an institutional anchor, protection in crises.
2. A better outcome in the 2021–2023 inflation shock, with lower policy rates.
3. No evidence showing growth, trade, FDI or reform dividend from adoption itself.
4. Growth depends on investment and cost competitiveness; wages and productivity are the adjustment margin.

The euro brings tangible benefits, but domestic policies decide whether they translate into growth.

Thank you for your attention

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GDP per capita in purchasing power standards



The 2016 drop is largely a statistical revision; the corrected series still flattens.

- Corrected Slovak series (dashed): 76.6% of the EU average in 2015, 71.2% in 2022.
- Source of the break: the 2019 benchmark revision of the national accounts, mainly housing rentals.

Determinants of growth in the EU, 2007–2019

Growth depends on investment and cost competitiveness more than on the currency regime.

1. Investment is the most robust positive determinant of growth, in every country group.
2. Inflation is associated with lower growth in the long run.
3. Real appreciation driven by unit labour costs is associated with lower growth in the short run.
4. We find no robust differences between euro members and countries with their own currency.

> **Slovakia:** investment fell from 26.0% of GDP in 2004–2008 to 21.2% in 2013–2024, when funding costs were lowest (Czechia 25.6%, Hungary 24.3%, Poland 18.3%).

Determinants of growth: estimates

	Short run (CCEMG)	Long run (CS-DL)	Long run (CS-ARDL)
Inflation	-0.196^{**}	-0.288^{**}	-0.213^{*}
	(0.089)	(0.124)	(0.109)
Investment growth	0.071^{***}	0.077^{***}	0.083^{***}
	(0.016)	(0.017)	(0.018)
Employment rate, change	0.089	0.178^{*}	0.143
	(0.086)	(0.104)	(0.094)
Capacity utilisation, change	0.029	−0.045	−0.038
	(0.035)	(0.040)	(0.041)
Real appreciation (CPI)	-0.171^{**}	−0.327	−0.283
	(0.069)	(0.207)	(0.180)

Standard errors in parentheses. $^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.10$.

Long run: one point of quarterly inflation, 0.2–0.3 points less quarterly growth.

Consumer prices and unit labour costs

	CPI, short run	ULC, short run	CPI, long run	ULC, long run
All countries	−0.048	−0.174**	−0.131	−0.067
	(0.180)	(0.079)	(0.273)	(0.072)
Old EU, euro	0.072	−0.231**	−0.099	−0.100
	(0.299)	(0.110)	(0.472)	(0.106)
New EU, euro	−0.300	−0.093	−0.280	0.012
	(0.256)	(0.210)	(0.299)	(0.174)
New EU, own currency	−0.094	−0.105*	−0.041	−0.069
	(0.058)	(0.060)	(0.070)	(0.049)

Standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

Real appreciation matters through unit labour costs, in the short run only.

Inflation by period

Average annual HICP inflation, %

	2004–08	2009–14	2015–19	2020–25	2009–25	2004–25
Slovakia	4.1	1.8	1.2	5.9	3.1	3.3
Czechia	3.1	1.6	1.6	6.4	3.3	3.2
Hungary	5.6	3.3	1.8	8.2	4.6	4.8
Poland	2.8	2.5	0.8	6.7	3.5	3.3
Euro area	2.4	1.5	1.0	3.5	2.1	2.1

- From second highest in the V4 before entry (2004–2008) to the lowest in 2009–2019 (1.5%, narrowly below Czechia at 1.6%).
- Cumulative increase January 2009 to December 2025: headline 64.5% in Slovakia (Czechia 68.8%, Poland 75.8%, Hungary 111.5%); core 61% (Czechia 56%, Poland 58%, Hungary 93%).

Destination of goods exports

% of goods exports	Euro area 2004	Euro area 2009	Euro area 2025	EU27 2025	Germany 2025	Czechia 2025
Slovakia	57.3	50.0	45.9	78.3	21.3	12.6
Czechia	72.8	68.5	64.0	78.8	31.6	–
Hungary	67.4	60.9	58.6	75.2	24.5	4.2
Poland	61.6	59.1	59.4	74.8	26.9	6.2

- Germany's share of Slovak exports fell from 28.7% (2004) to 21.3% (2025); the ten largest destinations from 81.3% to 74.2%.
- Diversification of destinations, not a reorientation towards the euro area after entry.