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EUROSYSTEM

The Euro is already in CEE

The role of de facto monetary integration

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Thomas Scheiber
CESEE Division | Economic and Research Department OeNB

Disclaimer: Views expressed are not necessarily those of the OeNB or the Eurosystem.

Euro adoption is an ongoing process, that already started…

We define CEE4 = CZ, HU, PL and RO

- **Trade** in goods and services: more than 65% of total EX and IM are invoiced in EUR
- **Banking**: strong presence of euro-area parent banks
  - Cross-border banking linkages are a key transmission channel
  - Resilience of euro-area parent banks matters directly for the credit provision in CEE4
  - CEE4 subsidiaries generate sizeable shares of profits and risk-weighted assets in CEE4 markets and are therefore material for the SSM
- **Labor market** integration: remittances and income in EUR (4% of residents in RO)
- **Cross-country payments** settled in EUR: CEE4 is part of SEPA (41 members)
- **Public debt** denominated in EUR: CZ <10%, HU, PL ~25% and RO ~45%
- **Demand for saving deposits** denominated in EUR

Source: NCBs.

Macroeconomic importance of bank deposits in EUR by sector

% of total deposits, end of 2025	CZ	HU	PL	RO	BG	HR (2022)
Non-financial corporates	27	37	20	25	36	37
Households	5	15	11	35	27	55

Do euro deposits in CESEE react to unanticipated exchange rate shocks?

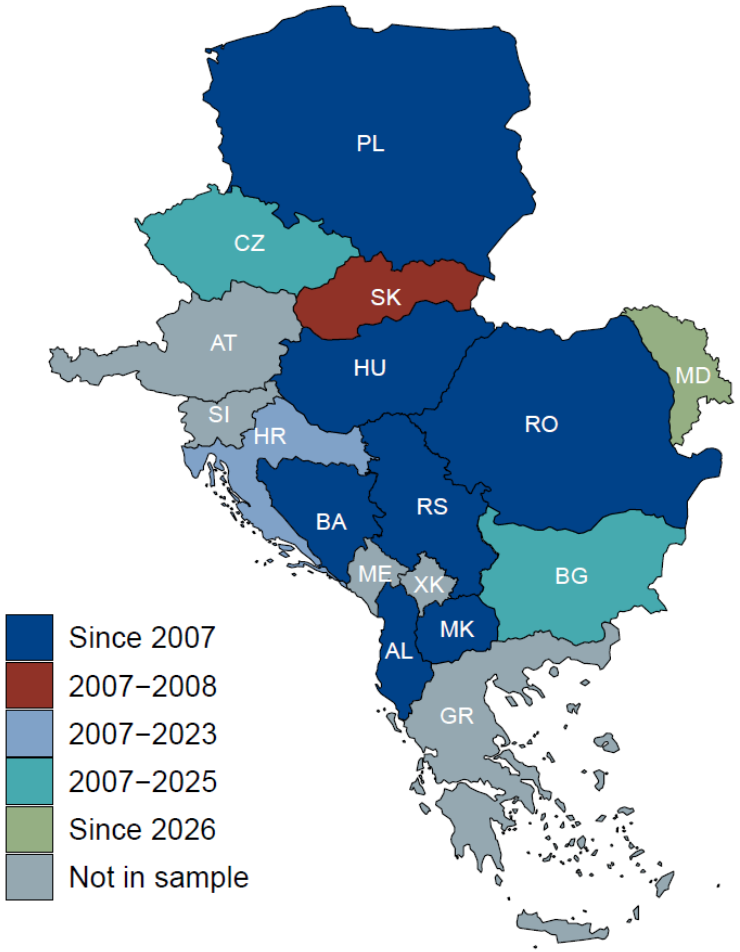
- **Non-financial corporates → use EUR for financing trade and investment**
  - NFC react rather swiftly, they seem to manage their liquidity and portfolios actively
  - NFC sensitivity varies more frequently, faster, stronger than HH sensitivity
- **Households → use EUR as safe haven asset**
  - HH tend to be inattentive or inert. But once they react, they change behavior more persistently
  - HH sensitivity varies gradually if at all
- CZ, HU, PL: episodes of significant correlations were associated with macroeconomic events: GFC, negative interest rates in EA
- HR: structural factor may have dominated → institutional changes like ERM II reduced risk of large depreciations → weakened responsiveness of NFC

Source: Petz, Scheiber and Wörz (2025).

Data – The OeNB Euro Survey

- Survey of individuals in CESEE
  - 3 EU Member States: Hungary, Poland and Romania

    Also covered in earlier waves: Bulgaria, Croatia, Czechia and Slovakia
  - 5 Non-EU Member States: Albania, Bosnia and Herzegovina, Moldova, North Macedonia and Serbia
- Since 2007 (semi-) annually
- 1,000 randomly selected respondents per country/wave, personal interviews at the respondent's residence
- Samples are representative with respect to age, gender and regional distribution
- Unique information about (euro) cash holdings, saving behavior and debt; respondents' economic opinions, expectations and experiences
- For further details on technical issues see OeNB website.



Households: What we know about drivers of deposit euroization in CESEE

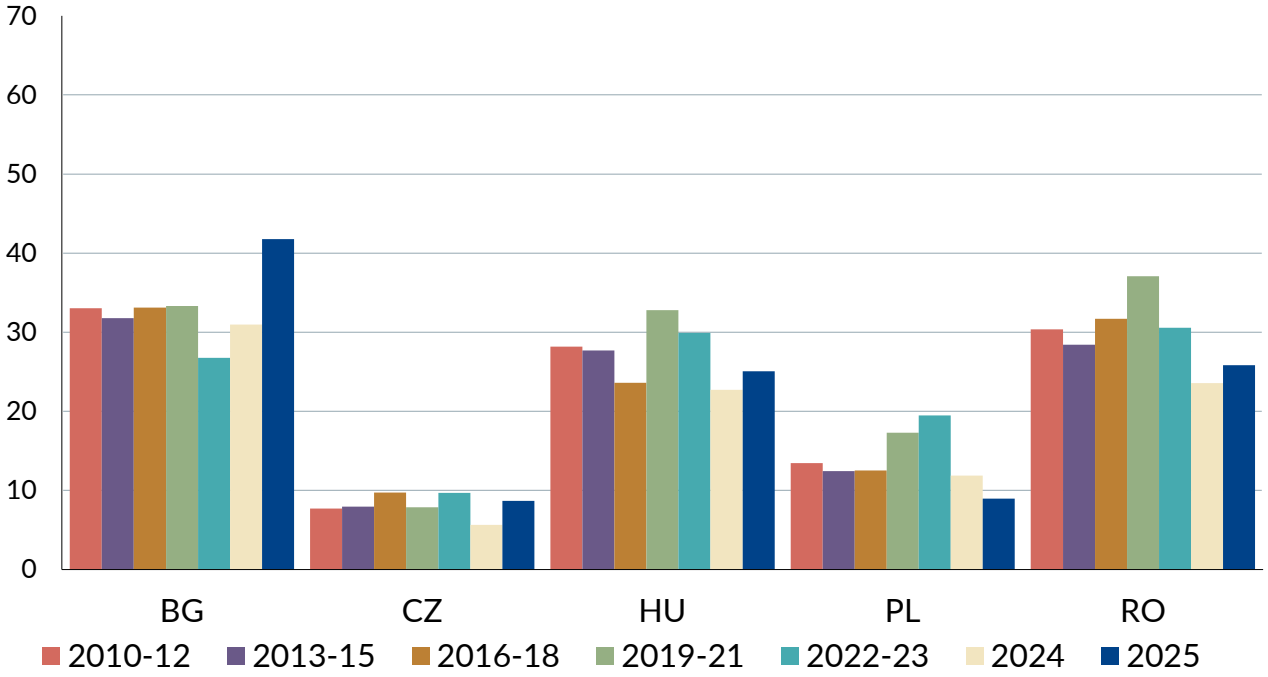
Deposit substitution

- **…seems to be largely demand-driven**
  - Many households have broad access to a wide range of savings products in domestic and foreign currency
- **…is strongly related to monetary expectations**
  - FX cash + deposits as an insurance against FX volatility
  - Habits and **network effects** also play a significant role
- Monetary expectations in turn are influenced by **past financial crises** as well as by **current policies** and quality of **institutions**
  - Surprisingly, no differences between age cohorts

For details see: Brown and Stix (EP 2015).

Preference for deposit savings in euro

% of individuals



Source: OeNB Euro Survey.

Note: Data are weighted. "Don't know" and "no answer" responses are set to missing. No survey was run in Albania in 2023 due to census fieldwork in fall 2023. For further notes on Albania see: https://www.oenb.at/en/Monetary-Policy/Surveys/OeNB-Euro-Survey/methodology.html.

Survey questions capturing attitudes towards euro adoption

Expectations

When, in which year, do you think the euro will be introduced in your country?

Year / Never / Don‘t know / No answer

Preferences

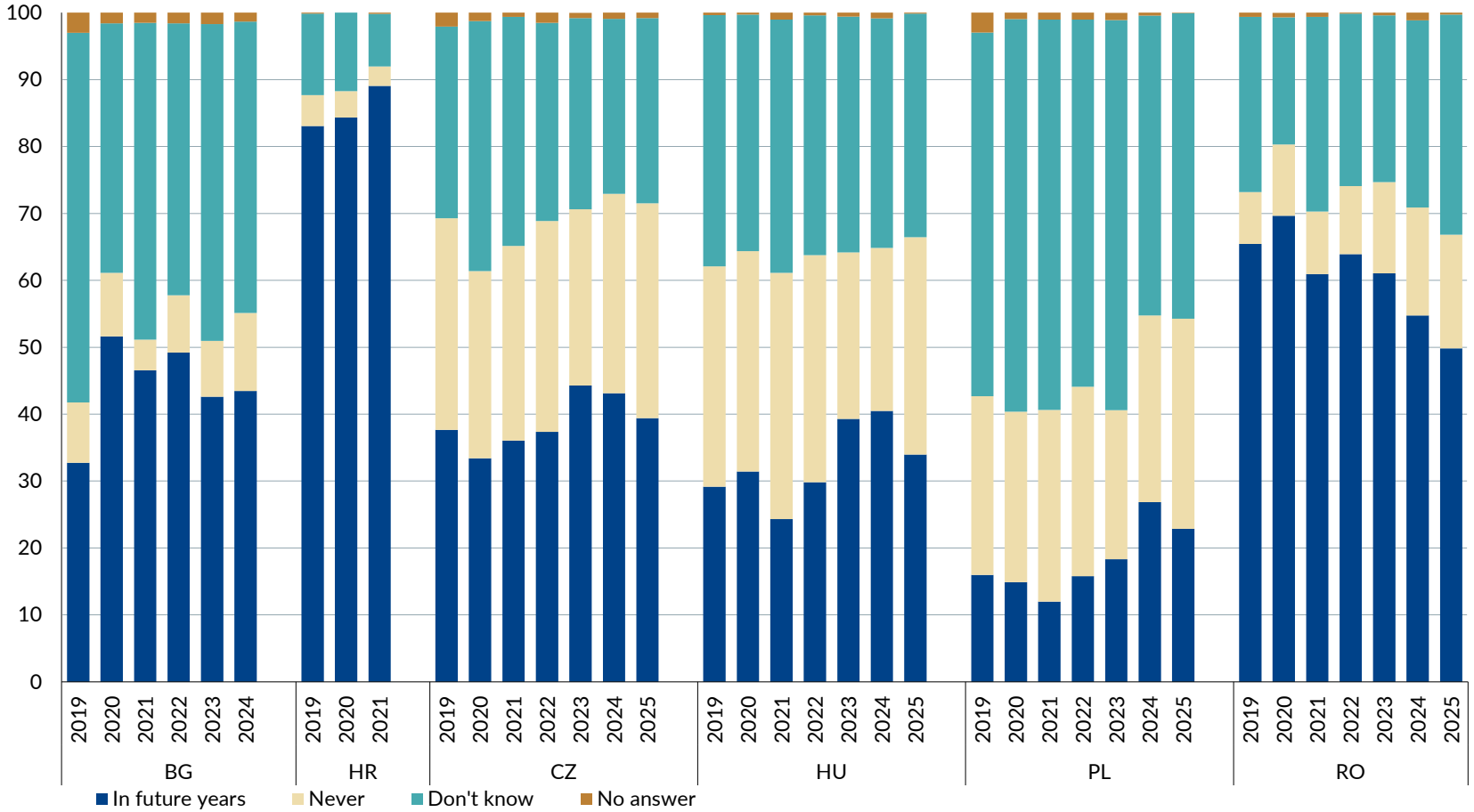
When, in which year, do you think the euro should be introduced in your country?

Year / Never / Don‘t know / No answer

Expected euro adoption – some stylized facts since 2019

When, in which year, do you think the euro will be introduced in your country?

% of individuals



Source: OeNB Euro Survey.

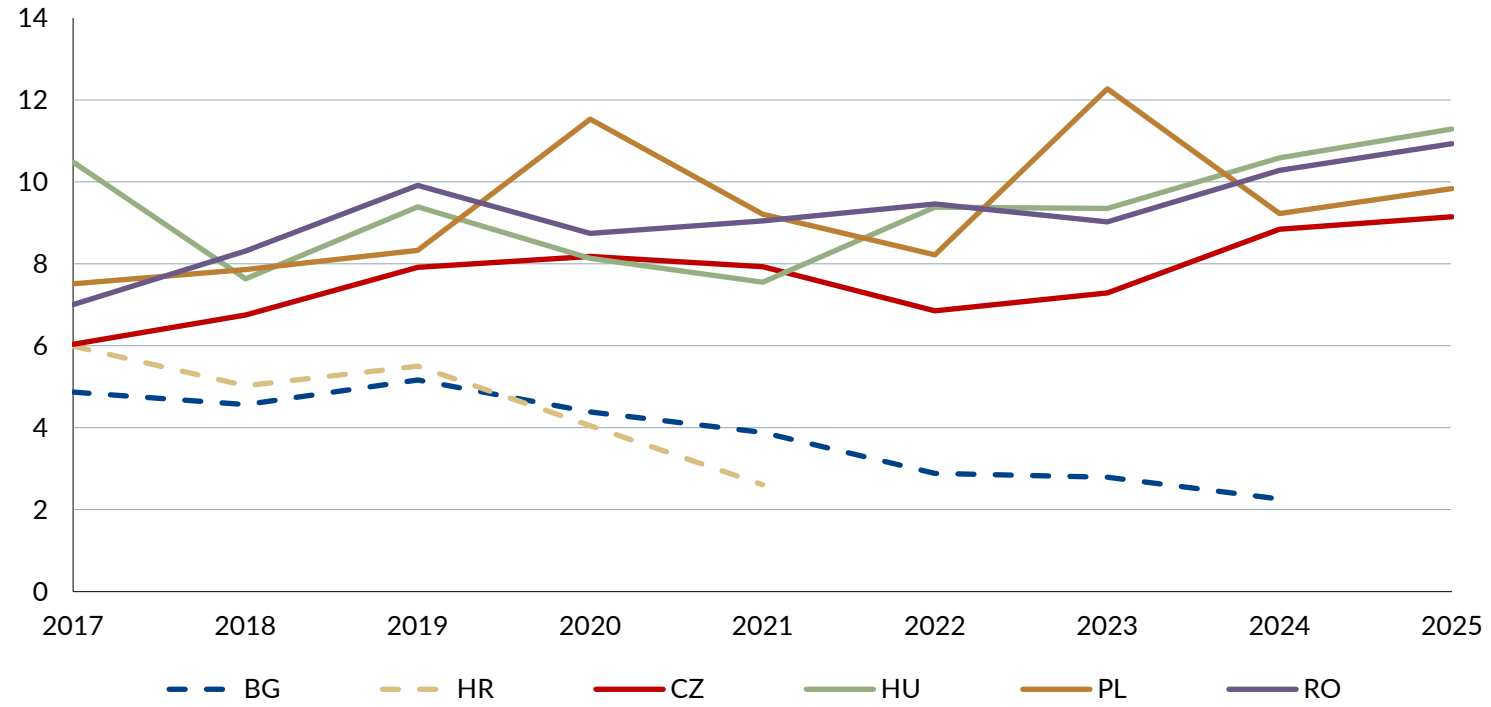
- **Uncertainty:** high share of **Don‘t know** reflect partly ambiguous gov‘t positions
- **Never:** constant share of about 25% reflecting partly pessimism and partly rejection of adoption
- **RO:** more optimistic to adopt the euro

- **Policy shifts** can reduce uncertainty
  - BG 2020 → ERM II
  - PL 2023 → pro EU gov‘t

Expectations became more pessimistic in CEE4 over the last decade

When, in which year, do you think the euro will be introduced in your country?

Expected number of years until euro adoption

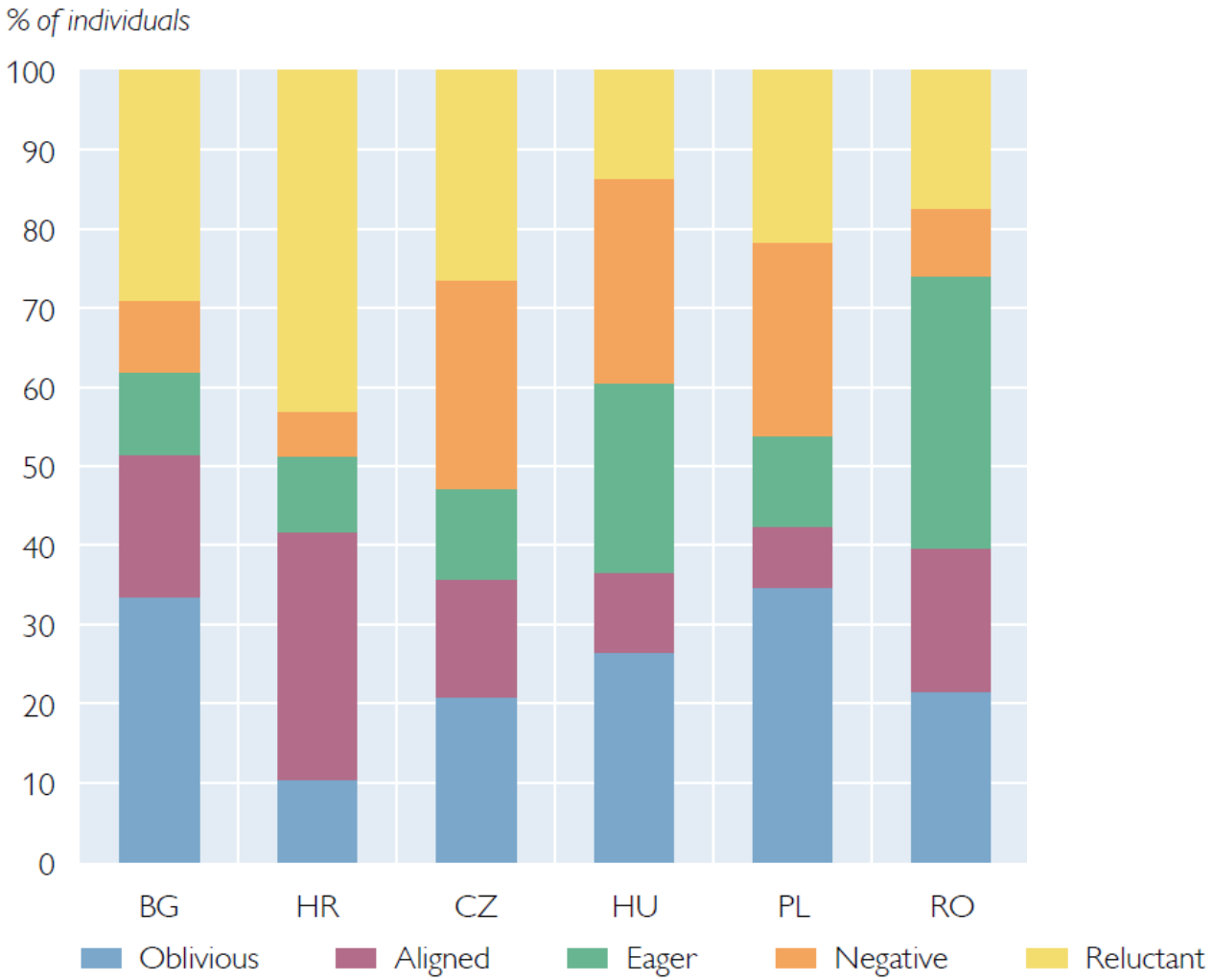


Source: OeNB Euro Survey.

Note: The average is based on respondents who mentioned a specific year; excluding those who mentioned never, don't know or who refused to answer. HR introduced the euro in 2023 and BG in 2026, respectively.

Attitudes on euro adoption vary widely across and within countries

Euro introduction expectations and preferences



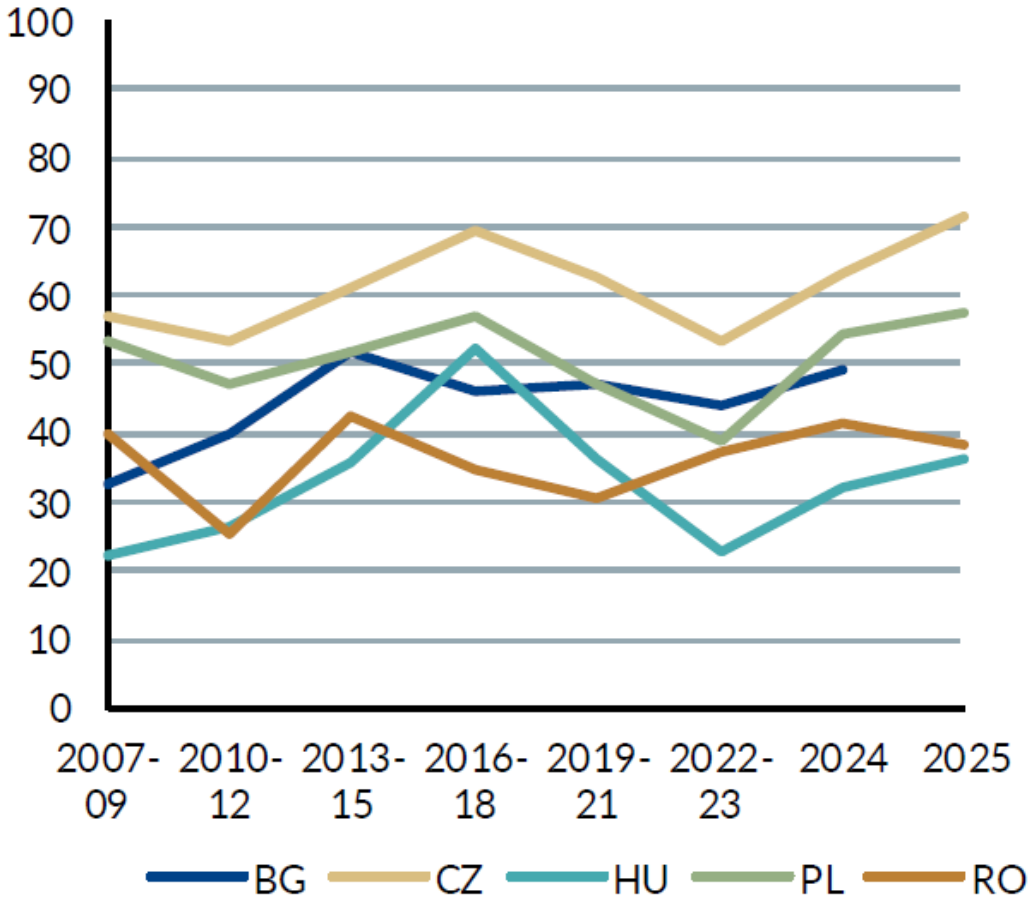
Source: OeNB Euro Survey, 2017, 2018, 2020.

- **Oblivious**: have not formed attitudes
- **Aligned**: expectation match preferences
- **Eager**: prefer a faster accession to the euro area than they expect
- **Reluctant**: prefer a later euro introduction than they expect
- **Negative**: do not expect or wish euro area accession to take place at all

Monetary expectations: Trust in currencies

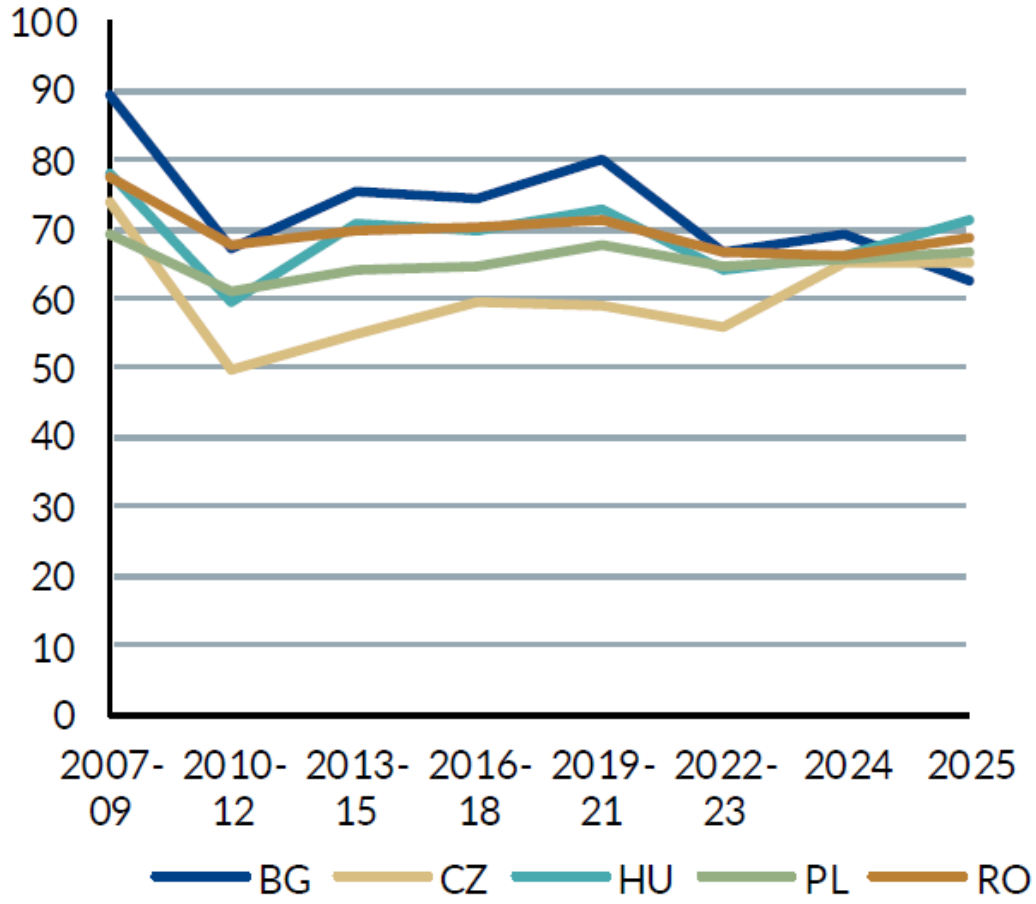
Local currency (LC)

% of individuals who expect the LC to be stable over the next 5 years



Euro

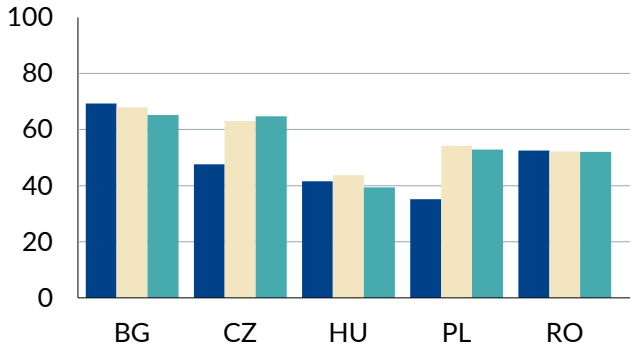
% of individuals who expect the euro to be stable over the next 5 years



Trust in national and international institutions

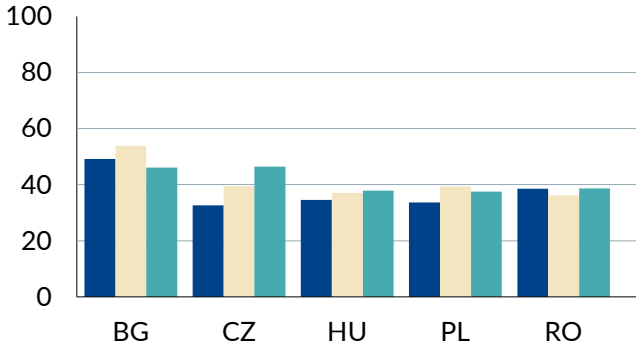
National central bank

% of individuals



European Central Bank

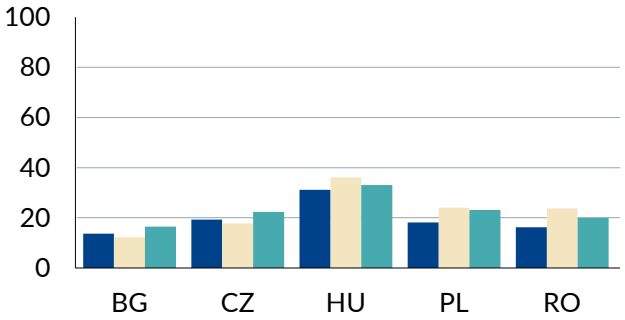
% of individuals



National government

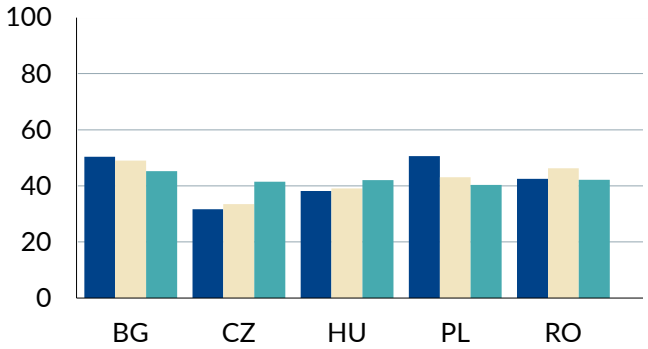
2023 2024 2025

% of individuals



European Union

% of individuals



Source: OeNB Euro Survey.
Note: Data are weighted. "Don't know" and "no answer" responses are set to missing.

Policy recommendations I

- **Improving the knowledge** about the euro adoption process, the conditions and timelines.
  - Supporting people in forming expectations → would allow people to make better-informed financial decisions
  - A deeper discussion about the euro and the costs and benefits of a prospective euro area participation → could have a favorable impact on the formation of preferences, too.

- **Financial literacy and trust** are important in aligning expectations and preferences, but also for promoting more supportive attitudes toward euro adoption.
  - It takes time to build a track record and thus trust in national institutions (and trust in EU institutions is partly beyond the influence of national policymakers)
  - Advancing financial literacy is clearly better suited for more immediate policy action in individual countries.

Policy recommendations II

- **Communication is key,** especially for authorities that target euro adoption over the near to medium term – the objective being twofold:
  - **Announcing a clear and comprehensive strategy** and involving all parts of society before and during its implementation is paramount for aligning people's expectations with the plans of the authorities.
  - At the same time, **laying out the rationale for the chosen strategy –** including paying genuine attention to reservations and worries – in an open and nuanced way should help to win over those people, or at least many of them, who are not yet (fully) convinced of the path the authorities are embarking upon and thus may still hold preferences that diverge from policymakers' plans.

- Given the substantial heterogeneity across countries Backé and Beckmann (2020, 2022) highlighted: **"What works in one country, may not necessarily work in another."**

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