

NUMBER 838, NOVEMBER 13, 2023

The digital euro – preparation phase initiated

- Last month, the Governing Council of the ECB, after finishing the investigation phase initiated two years ago, decided to initiate the next, preparation phase of the digital euro project that was initially planned for a two-year period. In the preparation phase, it is planned to select service providers that could develop the platform and infrastructure and to conduct further analyses and testing of the digital euro design and functionality.
- Why does the eurozone need a digital euro at all is the question that Mr Panetta, a member of the ECB's Executive Board, and Mr Dombrovskis, Executive Vice-President of the EC are dealing with¹. In a world of growing digitalisation, the ECB and the EC see development of the digital euro as a logical step because it would provide all cash advantages (anonymity, availability) by upgrading them with digital payment benefits (security, simplicity, comfort). It could be used for payments not only at the point of sale, but also among citizens and online, it would provide options that were unavailable in existing digital payment instruments, and it would create a possibility of reducing retail transaction fees and of cheaper services. It would be available both online and offline, free, convertible into cash at the ATM, and distributed by supervised intermediaries, e.g., banks. And it would co-exist with cash. The amount of the digital euro that could be held would most likely be limited to avoid stronger deposit outflows from banks and an adverse impact on financial stability and monetary policy transmission, but a digital wallet could be linked to a bank account.
- One of its key advantages is that, by introducing the digital euro, the eurozone would distance itself from dependence on private corporations – 2/3 of European digital retail payments are processed by a few global companies which creates a possibility of a monopoly. Mr Panetta especially referred to the status of legal tender and availability:” We should not leave it to the private sector alone, including big techs, to provide such services”². Essentially, the ECB wants to retain its money issuer function in the digital era by adapting money to citizens' needs and mitigate the possibility of private money replacing state-issued money³.

The digital euro would provide all the advantages of cash by upgrading them with digital payment benefits

¹ [Why Europe needs a digital euro \(europa.eu\)](#)

² [Shaping Europe's digital future: the path towards a digital euro \(europa.eu\)](#)

³ [A digital euro: widely available and easy to use \(europa.eu\)](#)

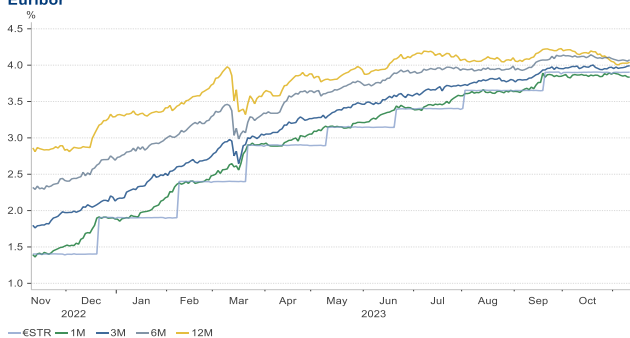
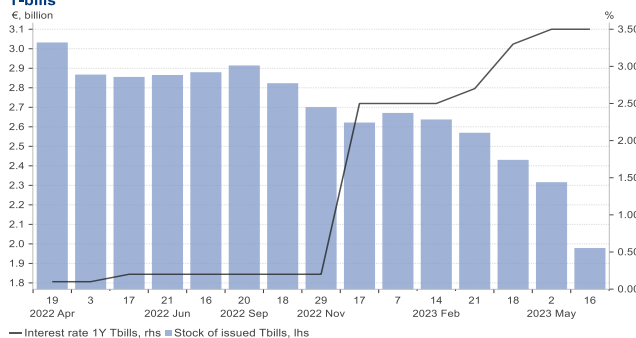
- However, after the preparation phase is done, it is uncertain whether the digital euro will ever be introduced. Cash is extremely popular in many eurozone member countries (2022, cash payments as % of the total no. of POS transactions: Austria 70%, Italy 69%, Germany 63%, EZ19 average 59%). Therefore, the question is how accepted it would be because, despite the assurances from the leaders of the ECB and politicians, there is a fear from loss of privacy, along with the habit of using existing payment systems. A good example is Sweden, a country of declining cash usage whose Riksbank is significantly more advanced than the ECB in central bank digital currency testing; an analysis presented in March this year has established that (so far) there is no sufficient social need for issuing e-krona. Therefore, the official webpage of the e-krona project states that the issue of (not) introducing a digital currency is ultimately a political decision.

In 2022, 59% of the total number of POS transactions in the eurozone were cash payments



Source: [Report on a digital euro \(europa.eu\)](https://european-council.europa.eu/media/e300042c-323d-4761-9917-3f3823438900/asset/document/20220323_report_on_a_digital_euro_en.pdf)

- The dollar strengthened slightly against the euro, following the movement of U.S. yields. On Friday, the exchange rate reached \$1.0683 to the euro, down by 0.2% w-o-w.
- Euribor posted minor shifts in the week behind us, so on Friday 3M was 4.0% and 6M was 4.1%.
- The positive trend on the ZSE continued, with Crobex up by 0.5% w-o-w, to 2,400 points due to the growth of all the most significant sectoral indices (CROBEXindustry +2.6% to 1,607, CROBEXnutris +1.2% to 863, CROBEXtourist +2.8% to 4,034). Crobis was down by 0.2% to 93.6 points).

EUR/ USD**Euribor****T-bills****Crobex/Crobis****LEGAL DISCLAIMER**

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO, Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.

ECONOMIC RESEARCH

Ivana Jović
Ana Lokin

TRANSLATION

Ana Biloš
Jelena Marinović

www.pbz.hr