Euro area accession countries in the context of the pandemic

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Background and questions

- Seven of the eight non-euro EU member states are obliged to join the euro area (Denmark has an opt-out)
- Bulgaria and Croatia joined the exchange rate mechanism (ERM-II) and

Main aspects of euro adoption decision remain unchanged after the pandemic

- Maastricht criteria are inadequate for successful euro adoption
- In my research I found that euro membership was not a factor in explaining

[illegible]

How will the instruments of the Recovery Package help the euro area accession countries?

- Most euro-outs have low public debts, lessened macroeconomic imbalances and benefitted from continued robust growth before the pandemic – EU recovery spending is less needed in these countries
- Except Sweden, extra EU recovery funds amount to 4-7% of GNI of most outs, even 11-13% for Croatia and Bulgaria – massive spending boost
- Additionally, countries can take 6.8% of GNI loans from the Recovery and Resilience Facility
- Will these countries be able to spend so much EU money, on top of the remaining sums from the 2014-2020 budget and the new amounts from the 2021-2027 budget?
- The EU budget veto of Hungary and Poland raises the possibility of an intergovernmental recovery fund without these two countries. If so, the two countries might face market pressure, with adverse economic impacts.