

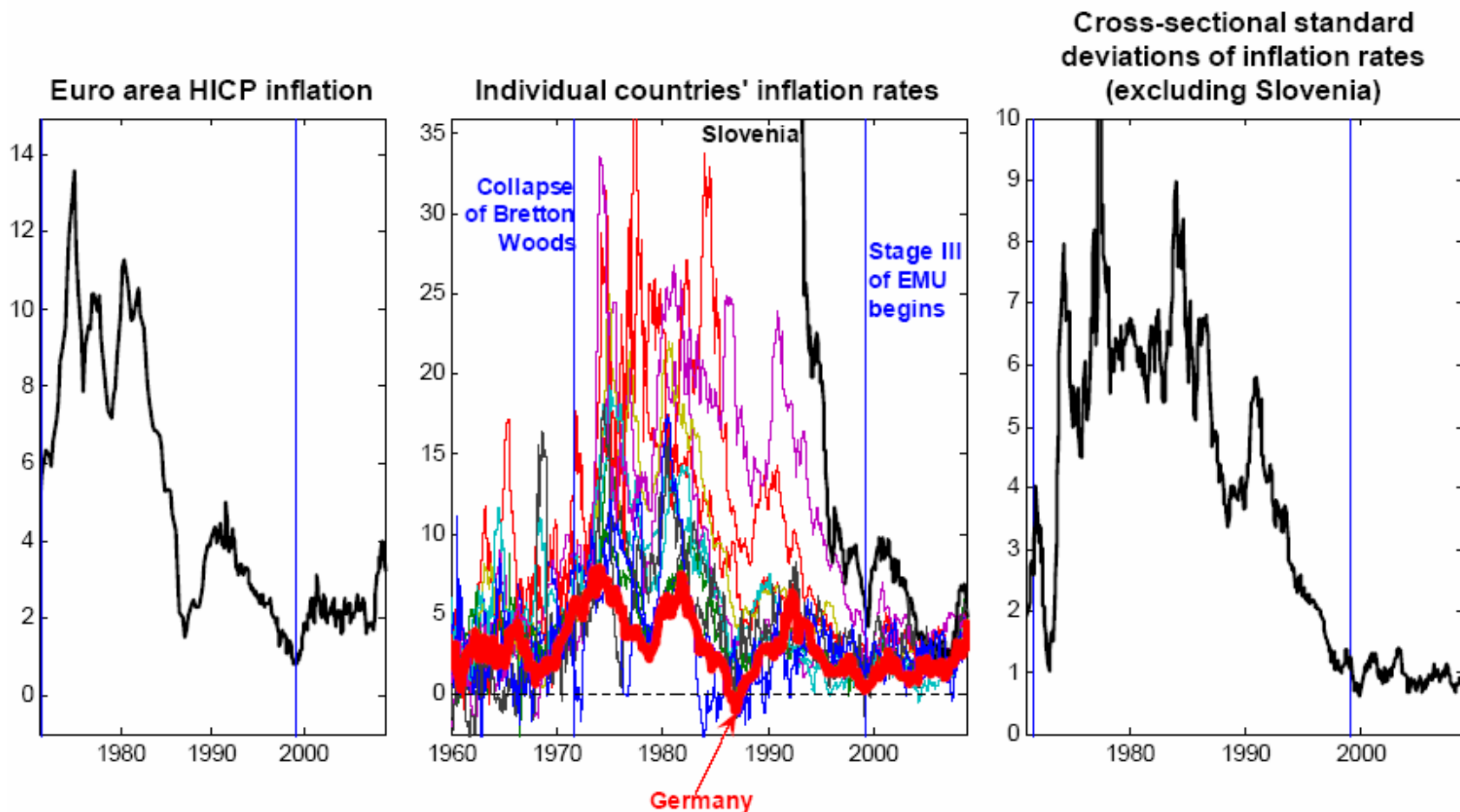
Challenges for the Euro at Ten

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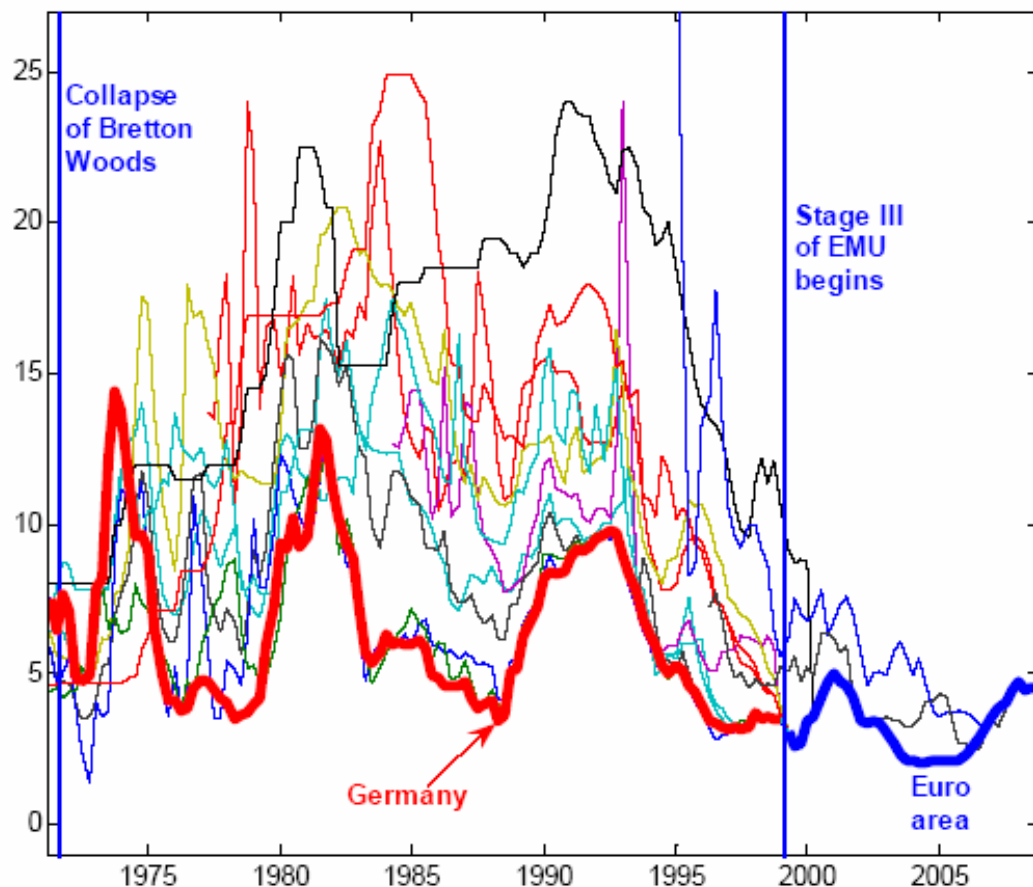
A historical perspective on EMU's inflation performance



Under EMU, low and stable inflation, and historically low heterogeneity of inflation developments across countries

A key benefit of inflation stabilisation: low and stable interest rates

Short-term nominal interest rates in the Euro area and in individual member countries



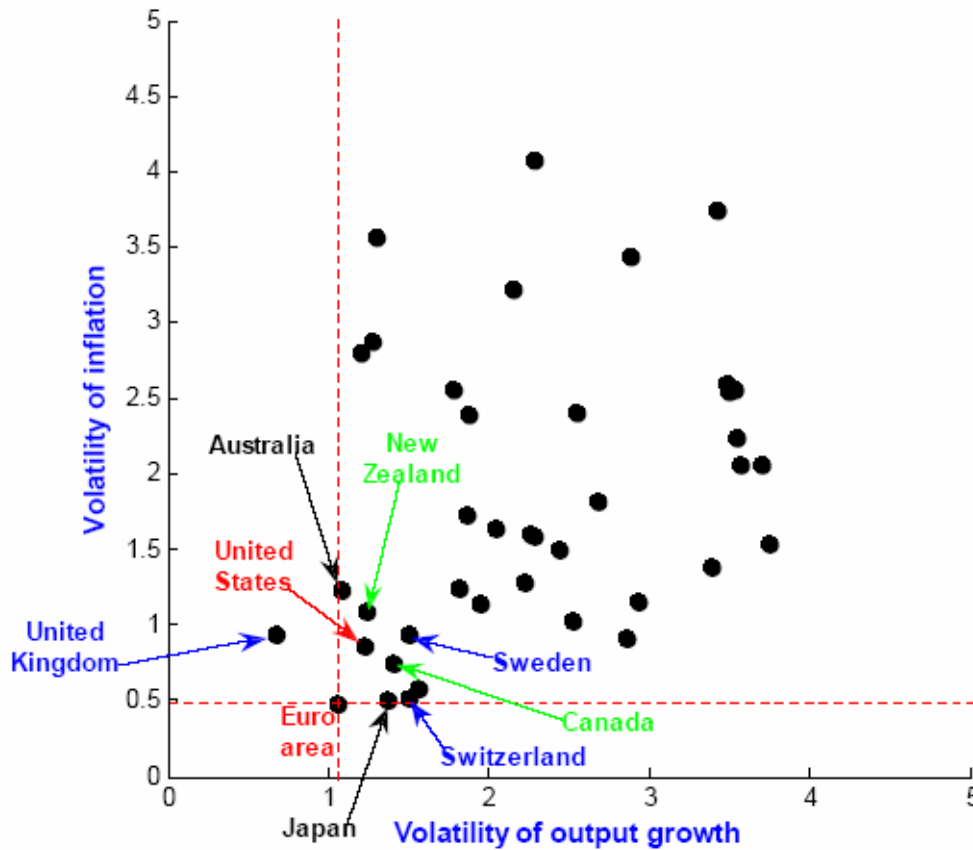
Following collapse of Bretton Woods, **high and highly volatile** interest rates

Under EMU, **low and stable** interest rates

→ Under EMU, cost of borrowing for firms and households **lower and significantly more predictable** than in the past

An international perspective on the stability of the Euro area economy under EMU

Standard deviations of annual CPI inflation and real GDP growth since January 1999



Under EMU, the euro area economy experienced **very low volatility of inflation and real GDP growth** in an international comparison

The **United States**—the natural benchmark, being a monetary union of roughly comparable size—has had higher volatilities for both variables