

Focus

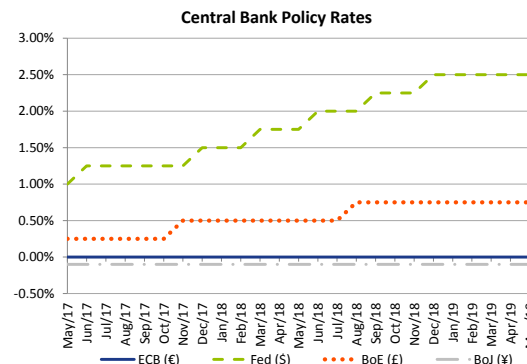
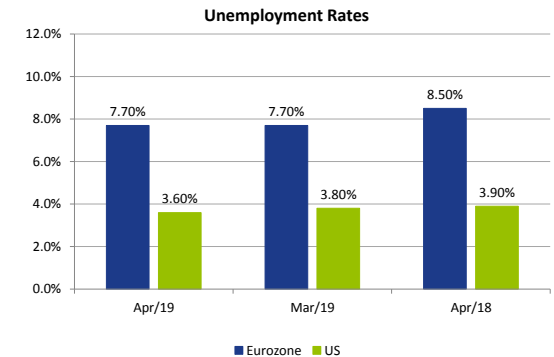
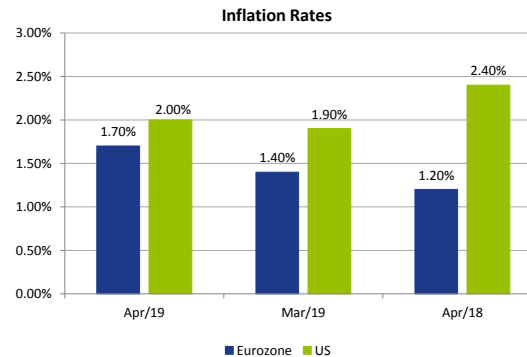
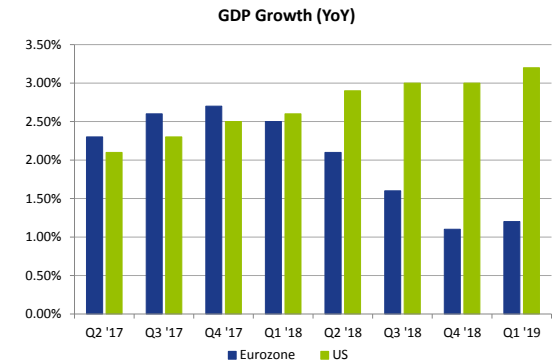
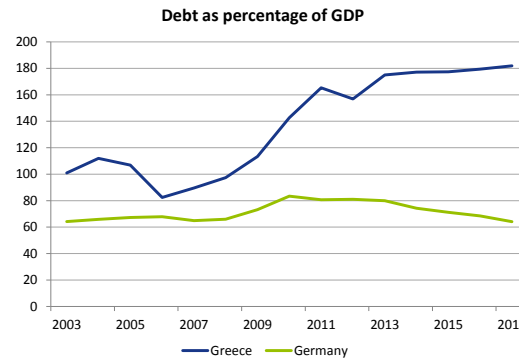
During the election campaigns for the European Parliament in May 2019, the euro came up frequently. For example, some political forces are questioning the usefulness of a European currency. But what are the advantages and disadvantages of introducing the euro for a country?

The euro was introduced in 2002. The introduction of the euro was intended to put an end to fluctuations in exchange rates, among other things. A common currency in the European Union would also result in a free trade zone, where companies would be able to trade internationally more easily and consumers would have more choice.

One of the advantages of the euro, therefore, is that it reduces the exchange rate risk due to strong fluctuations. The lower transaction costs within the euro zone is as well a benefit. With the introduction of the euro, goods and money can also circulate freely in the EU countries and prices can be compared better. This has made the international market more transparent.

A disadvantage of the euro is the loss of an instrument with which a country can influence economic growth, namely its own currency. The economic differences and the lack of 'monetary flexibility' between countries in the euro area create an imbalance. Certainly for the southern EU countries, their own currencies have always been an important tool in countering the economic downturn. Also, according to critics, the economies of the EU countries are too different for an overarching currency, see, for example, the difference in the debt position with Germany compared to Greece. The euro is too expensive for the southern euro countries and too cheap for strong economies like the Netherlands and Germany.

Despite the lack of monetary flexibility, the size of the eurozone economy, according to the European Central Bank (ECB), has grown by 72% since 1998 to EUR 11.2 trillion. In addition, the euro area is the world's second largest economies in terms of GDP per capita and the second most widely used currency in the world for borrowing and lending. It is therefore not easy to determine whether the advantages of the euro outweigh its disadvantages. The euro will therefore continue to be a recurring topic in (inter)national political debates.



Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa2	AA
Russia	BBB-	Baa3	BBB-
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

May in Review

On the 10th of May, the United States (US) increased import tariffs from 10% to 25% on USD 200 billion of Chinese goods. The US accused China of reneging on earlier commitments made during trade negotiations. In response, China has increased tariffs on USD 60 billion of American goods from 10% to 25%, effective per the 1st of June. President Trump warned China that American consumers would not be willing to pay the increased prices.

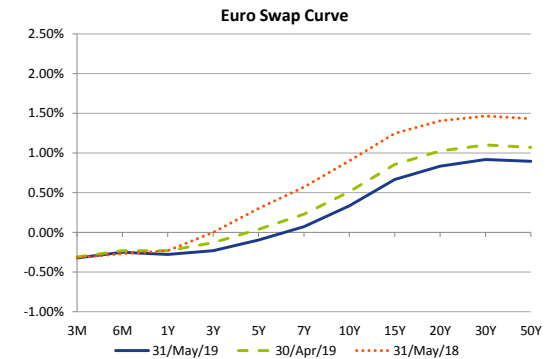
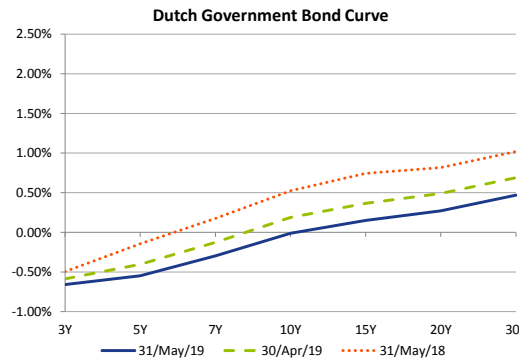
According to the IMD World Competitiveness Index, the Netherlands' international competitive position has weakened over the past year. The Netherlands dropped from fourth to sixth place, being surpassed by Switzerland and the United Arab Emirates. The economic uncertainty, due to the international political landscape and the trade war, impacted the competitive position of countries in Europe and elsewhere.

Outlook of June

A spokesperson of President of the European Commission, Jean-Claude Juncker, said that the resignation of British Prime Minister Theresa May will not lead to a new Brexit deal. According to Juncker, there will be no change in the divorce agreement as agreed with the government of May. However, Juncker is "willing to work with the new British Prime Minister on an orderly departure of the British from the EU, as previously agreed". The two major candidates to succeed May are Boris Johnson and Dominic Raab, both Conservative party members. Both Johnson and Raab are openly against the current Brexit deal and would like to maintain a much firmer stance towards the EU. If no deal is reached, the United Kingdom will leave the European Union on 31 October 2019. May is expected to resign as Prime Minister by the end of July.

Upcoming publications of macroeconomic indicators:

- 06 June 2019: Interest rate decision ECB
- 06 June 2019: Gross Domestic Product EU
- 07 June 2019: Unemployment figures US
- 10 June 2019: Gross Domestic Product Japan
- 10 June 2019: Industrial production UK
- 11 June 2019: Producers Price Index US
- 19 June 2019: Interest rate decision US



Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa3	AA-
ING Bank	A+	Aa3	AA-
ABN AMRO	A	A1	A+
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	BBB+	A3	BBB+
BNP Paribas	A+	Aa3	A+
Barclays Bank	A	A2	A+
Credit Suisse Int.	A+	A1	A-

Currencies	31/May/19	30/Apr/19	31/May/18
EUR/USD	1.117	1.122	1.169
EUR/GBP	0.884	0.860	0.879
EUR/CHF	1.118	1.143	1.153
EUR/JPY	120.955	125.020	127.230
EUR/DKK	7.468	7.466	7.443
EUR/SEK	10.606	10.641	10.305
EUR/CAD	1.509	1.501	1.515
EUR/AUD	1.610	1.591	1.545
EUR/CNY	7.713	7.553	7.496

