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**Symmetry of Macroeconomic Shocks: Is any of the Baltic States ready for the euro?**

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## **Abstract**

This paper addresses the issue of symmetry of macroeconomic shocks between the Baltic States and Germany/Russia. It focuses on the Optimum Currency Area (OCA) theory to determine the readiness of a country to participate in a monetary union. The main aim of the study is to identify whether the Baltic States are prepared to join the eurozone according to OCA theory. The study is based on a combination of a Structural Vector Autoregression (SVAR) approach and the Kalman filter procedure. As a result, the authors identify that none of the Baltic States are ready to adopt the euro. The Estonian convergence process is not yet stable enough, Latvia shows very idiosyncratic behaviour, and Lithuania still experiences a large Russian influence.