

THE FOUR CONVERGENCE CRITERIA

Before recommending that a country be admitted to the monetary union, the Commission and ECB must determine whether the country has achieved a high degree of sustainable convergence@ by applying four criteria. They are paraphrased below:

Price Stability:

In the year before the assessment, the country=s inflation rate must not have exceeded by more than 12 percentage points that of the three EU countries with the lowest inflation rates.

Fiscal Sustainability:

The Council of Ministers has not decided that the country=s budget deficit is excessive @ a decision that may be taken if the country=s deficit exceeds 3 percent of GDP or its government debt exceeds 60 percent of GDP.

Exchange Rate Stability

In the two years before the assessment, the country must have kept its currency within the normal margins prescribed by the exchange rate mechanism of the European Monetary System, without having devalued its currency during those two years.

A Supplementary Measure of Durable Convergence:

The country=s long-term interest rate must not exceed by more than 2 percentage points that of the three EU countries with the lowest inflation rates.

**CONVERGENCE INDICATORS FOR EIGHT
ACCESSION COUNTRIES, 2003**

Country	Inflation Rate (HICP Basis)	Fiscal Indicators As Percent of GDP		Long Term Interest Rate ^a
		Deficit	Debt	
Czech Republic	- 0.1	- 6.6 ^b	37.6	4.82
Estonia	1.4	2.6	5.8	na
Hungary	4.7	- 5.9	59.0	8.24
Latvia	2.9	- 1.8	15.6	5.07
Lithuania	- 1.1	- 1.7	21.9	4.81
Poland	0.7	- 4.1	45.4	6.76
Slovakia	8.5	- 3.6	42.8	5.42
Slovenia	5.7	- 1.8	27.1	5.27
Euro Area Comparator	3.6 ^c	- 3.0 ^d	60.0 ^d	6.36 ^e

Sources: Eurostat, European Central Bank, and European Commission *Spring 2004 Forecasts*.

na Not available.

a. Data for December 2003.

b. Excludes non-recurring item estimated at 6.3 percent of GDP.

c. Average for euro area countries plus 1.5 percent.

d. Reference values from Protocol on Excessive Deficit Procedure.

e. Average for euro area countries plus 2 percent.