

The single currency, the euro, was introduced on 1 January 1999, and since then, countries in the EU have been obliged to avoid disproportionately large government budget deficits.

In order to qualify for participation in the euro, a country must fulfil certain criteria, particularly financial key figures – the so-called convergence criteria.

At the summit meeting 1-3 May 1998, the heads of state and government in the EU countries decided that 11 Member States were to introduce the euro on 1 January 1999. On 19 June 2000, it was decided that Greece participates in the euro from 1 January 2001, as Greece meets the economic admission requirements (the convergence criteria). After the referendum on 28 September 2000, Denmark decided not to participate in the euro, while Sweden and the United Kingdom have not yet decided whether to participate in the euro.

When assessing whether a country has a disproportionately large government-budget deficit, the following is considered:

- whether the total government budget deficit exceeds 3 per cent of the gross domestic product. However, this figure is not absolute; it is considered acceptable if the percentage is either falling or close to 3 per cent, or if the deviance is temporary.
- whether the total gross public sector debt exceeds 60 per cent of the gross domestic product. However, this figure is not absolute either, as it is sufficient that the percentage is falling and approaching 60 per cent with sufficient speed.

On the basis of the general government sector, the budget concepts in the treaty depend on how each Member State has divided its general government sector, e.g. state, regional, and local authorities or specific social security schemes.

In addition to the budget criteria regarding disproportionately large government-budget deficits, the convergence criteria comprise:

- stable price developments, implying that the rate of price increases is no more than 1.5 percentage points higher than the rate of price increases in the three Member States with the lowest increases.
- stable interest rates on long-term bonds, implying that interest rates do not diverge too greatly from interest rates in the Member States with the lowest inflation. Long-term bond interest rates may be no more than 2 percentage points higher than the average rate in the three Member States with the lowest rate of price increases.
- participation in the foreign exchange-rate system, implying that the Member State has participated in the usual band of this system for at least two years without any serious fluctuations and without devaluating its currency vis-à-vis the currency of another Member State on its own initiative.

### Key figures for EU countries

	Inflation			Long-term interest rate			General government balance			General government debt		
	1999	2000	2001	1999	2000	2001	1999	2000	2001	1999	2000	2001
	Per cent			Per cent p.a.			Per cent of GDP <sup>a</sup>			Per cent of GDP <sup>a</sup>		
Denmark .....	2.1	2.7	2.3	4.9	5.6	5.1	3.1	2.5	3.1	52.7	46.8	44.7
Austria .....	0.5	2.0	2.3	4.7	5.6	5.1	-2.2	-1.5	0.1	64.9	63.6	61.8
Belgium .....	1.1	2.7	2.4	4.8	5.6	5.1	-0.6	0.1	0.2	115.0	109.3	107.0
Finland .....	1.3	3.0	2.7	4.7	5.5	5.0	1.9	7.0	4.9	46.8	44.0	43.6
France .....	0.6	1.8	1.8	4.6	5.4	5.0	-1.6	-1.3	-1.4	58.5	57.4	57.2
Germany .....	0.6	2.1	2.4	4.5	5.3	4.8	-1.6	1.2	-2.7	61.3	60.3	59.8
Greece .....	2.1	2.9	3.7	6.5	6.5	5.3	-1.7	-0.8	0.1	103.8	102.8	99.7
Ireland .....	2.5	5.3	4.0	4.6	5.4	4.9	2.3	4.5	1.7	49.6	39.0	36.3
Italy .....	1.7	2.6	2.3	4.8	5.6	5.2	-1.8	-0.5	-1.4	114.5	110.6	109.4
Luxembourg .....	1.0	3.8	2.4	4.6	5.4	5.0	3.8	5.8	5.0	6.0	5.6	5.5
Netherlands .....	2.0	2.3	5.1	4.6	5.4	5.0	0.4	2.2	0.2	63.1	56.0	52.9
Portugal .....	2.2	2.8	4.4	4.8	5.6	5.2	-2.2	-1.5	-2.7	54.2	53.4	55.4
Spain .....	2.2	3.5	3.2	4.7	5.5	5.1	-1.1	-0.3	0.0	63.1	60.4	57.2
Sweden .....	0.6	1.3	2.7	5.0	5.4	5.1	1.5	3.7	4.8	65.0	55.3	55.9
United Kingdom .....	1.3	0.8	1.2	5.0	5.3	4.9	1.1	4.1	0.9	45.2	42.4	39.0
EU-15 total .....	1.2	2.1	2.3	4.7	5.3	4.9	-0.7	1.1	-0.6	67.3	64.2	62.8
Euro countries .....	1.1	2.4	2.5	4.6	5.4	4.9	-1.3	0.2	-1.3	72.6	70.2	69.1
Convergence criteria .....	2.1	2.8	3.3	6.8	7.4	7.0	-3.0	-3.0	-3.0	60.0	60.0	60.0