

# Commission releases 2018 Convergence Report: Review of Member States' progress towards euro adoption

The report covers the seven non-euro area Member States that are legally committed to adopting the euro: Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania and Sweden. It finds that these Member States generally display considerable nominal convergence, but none of them currently meet all the formal conditions for joining the euro area. Two of these Member States, Bulgaria and Croatia, fulfil all of the convergence criteria, except for the exchange rate criterion as they are not members of the Exchange Rate Mechanism (ERM II).

Valdis **Dombrovskis**, Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union, said: *"The euro was created as the single currency for the whole EU. Therefore euro accession is open for any EU country working towards it. It is true that the road to the euro can appear long and sometimes difficult. The Commission is willing to work together with those Member States committed to getting ready for a successful euro area membership by strengthening their economic and financial systems. For example, our convergence report shows that Bulgaria already fulfils the nominal Maastricht criteria related to price stability, public finances and convergence of long-term interest rates. We welcome the Bulgarian authorities current work towards Exchange Rate Mechanism (ERM II) participation to meet also the exchange rate stability criteria."*

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: *"Today's report offers a snapshot of progress being made towards the convergence criteria – the entrance exam for joining the euro area. None of the seven Member States assessed currently meet all of the legal conditions to join. At the same time, one of the key lessons of the past two decades is that for countries to prosper inside the euro area, real economic convergence is as important as nominal convergence. That's why it is important that countries wishing to join the euro work hard to boost productivity, increase investment, improve the employment situation and tackle inequalities. The Commission stands ready to help, including through the new budgetary instrument we will be presenting next week."*

Euro area accession is an open and rules-based process. The report is based on the convergence criteria, sometimes referred to as the 'Maastricht criteria', set out in [article 140\(1\)](#) of the Treaty on the Functioning of the European Union (TFEU). The convergence criteria include price stability, sound public finances, exchange rate stability and convergence in long-term interest rates. The compatibility of national legislation with the rules of the Economic and Monetary Union is also assessed. The report concludes that:

- All of the concerned Member States fulfil the criterion on public

finances.

- Bulgaria, the Czech Republic, Croatia, Hungary and Sweden fulfil the long-term interest rate criterion.
- Bulgaria, Croatia, Poland and Sweden meet the price stability criterion.
- None of the Member State fulfils the exchange rate criterion, as none of them are a member of the Exchange Rate Mechanism (ERM II): at least two years of participation in the mechanism without severe tensions is required before joining the euro area.

In addition to assessing these formal conditions for joining the euro area, the report finds that legislation is not fully compatible with the rules of the Economic and Monetary Union in any of the Member States, except Croatia.

The Commission also looked at other factors referred to in the Treaty that should be taken into account in the assessment of the sustainability of convergence, and found that the non-euro area Member States are generally well integrated economically and financially in the EU. However, some of them still experience macroeconomic vulnerabilities and/or face challenges related to their business environment and institutional framework which may pose risks as to the sustainability of the convergence process.

Achieving convergence and building robust economic structures is crucial for the prosperity of the EU as a whole and the smooth functioning of the euro. The Commission is committed to supporting non-euro area Member States prepare for joining the euro. The [Structural Reform Support Service](#) (SRSS) assists in the design and implementation of specific reforms and in reinforcing Member States' overall reform capacity. As part of its proposals to deepen Europe's Economic and Monetary Union, the Commission has proposed to set up a dedicated work stream within the existing Structural Reform Support Programme (SRSP) to provide technical support upon request to Member States on their way to joining the euro. In its [Multiannual Financial Framework \(MFF\) proposal for the period post-2020](#), the Commission has announced its intention to propose a dedicated [Convergence Facility for non-euro area Member States](#) wishing to join the euro area. This Convergence Facility will be voluntary and will offer both technical and financial support.

According to a new [Eurobarometer survey](#), published today, support for joining the euro in the non-euro area Member States covered by the Convergence Report is up 4 percentage points to 51% on last year's figure. This follows the publication of a [Eurobarometer survey](#) in December 2017 which showed that support for the euro amongst citizens in the euro area is at its highest level since 2004.

## **Background**

The [Convergence Report](#) forms the basis for the Council of the EU's decision on whether a Member State fulfils the conditions for joining the euro area.

The Convergence Report by the European Commission is published in parallel with the [Convergence Report by the European Central Bank](#) (ECB).

Convergence Reports are issued every two years, or when there is a specific

request from a Member State to assess its readiness to join the euro area, e.g. Latvia in 2013.

All Member States, except the United Kingdom and Denmark, are required to join the euro area. The UK and Denmark are therefore not covered by the report.

### **For more information**

The 2018 Convergence Report: Assessment of Member States regarding the conditions for euro adoption – [Memo](#)

[Convergence Report 2018](#)

[ECB Convergence Report 2018](#)

[Flash Eurobarometer 465: Introduction of the euro in the Member States that have not yet adopted the common currency](#)

[Standard Eurobarometer 88: Public opinion in the European Union](#)

[Previous Convergence Reports](#)

[The Euro](#)

[Economic and Monetary Union](#)