Adoption by Slovakia of the single currency on 1 January 2009

2008/0092(CNS) - 07/05/2008 - Legislative proposal

PURPOSE: adoption by Slovakia of the single currency on 1 January 2009.

PROPOSED ACT: Council Decision.

CONTENT: the European Commission considers that Slovakia has achieved a high degree of sustainable economic convergence with the other Member States and that it fulfils the necessary conditions to adopt the Euro. On the basis of its periodic Convergence Report adopted on 7 May 2008, the Commission proposes to the Council that Slovakia adopt the Euro on 1 January 2009, assuming that the Council will follow the Commission's recommendation for the abrogation of the excessive deficit procedure. The final decision will be taken by EU finance ministers in July 2008 after consultation of the European Parliament, and following a discussion by the Heads of State or Government at their summit in June 2008.

The convergence report adopted by the Commission responds to a request for an assessment submitted by the Slovak authorities on 4 April 2008 to the Commission and the ECB. The main results of the Convergence report are as follows:

1. In Slovakia, national legislation, including the Statute of the national central bank, is compatible with Articles 108 and 109 of the Treaty and the Statute of the ESCB/ECB.

2. Concerning the fulfilment by Slovakia of the convergence criteria mentioned in the EU Treaty:

- the average inflation rate in Slovakia in the year ending March 2008 stood at 2.2%, which is well below the reference value, and it is likely to remain below the reference value in the months ahead, albeit with a narrowing margin;
- the budget deficit in Slovakia has seen a credible and sustainable reduction to below 3% of GDP. The Commission therefore recommends to the Council to abrogate the decision on the existence of an excessive deficit for Slovakia;
- Slovakia has been a member of ERM II since 28 November 2005. In the two-year period ending 18 April 2008, the Slovak koruna (SKK) has not been subject to severe tensions and Slovakia has not devalued, on its own initiative, the SKK bilateral central rate against the Euro;
- in the year ending March 2008, the long term interest rate in Slovakia was on average 4.5%, which is below the reference value.

The Council, acting on a recommendation from the Commission, abrogated the Council decision on the existence of an excessive deficit in Slovakia on 3 June 20 08.

In the light of the assessment of the legal compatibility of its national legislation and of the fulfilment of the convergence criteria, the Commission proposes that Slovakia adopt the Euro in 2009.