

Economic and monetary Union EMU: convergence report 2002 for Sweden. Report

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PURPOSE : to adopt the 2002 Convergence Report on Sweden. **CONTENT** : in the 2000 convergence report the Commission assessment was that Sweden already fulfilled three of the convergence criteria (on price stability, the government budgetary position and the convergence of interest rates) but that it did not fulfil the exchange rate criterion. The assessment on legal convergence made in the 2000 convergence report concluded that legislation in Sweden was not compatible with the Treaty and the ESCB Statute. The relevant legislation in Sweden has remained unchanged since the last convergence report in May 2000. Developments in 2001 and 2002 have made evident the absence of detailed legislation on profit allocation and extraordinary payments of the Riksbank to the Treasury, safeguarding that the Riksbank retains the financial means necessary for implementing all ESCB-related tasks. In the view of the assessment in the 2000 convergence report and the new developments, the legislation in this field in Sweden is assessed not to be compatible with the Treaty and the ESCB Statute. - The average inflation rate in Sweden during the 12 months to April 2002 was 2.9%, below the reference value of 3.3%. The Swedish 12-month average inflation rate has been below the reference value throughout the period from December 1996. Sweden continues to fulfil the criterion on price stability. - The Council decision of 10 July 1995 on the existence of an excessive deficit in Sweden was abrogated in 1998 (Council decision of 1 May 1998). The government finances were turned around from a deficit of 1.6% of GDP in 1997 to a surplus of 1.9% in 1998 and have been in surplus each year since then. In 2001, a government surplus of 4.8% of GDP was achieved. The government debt ratio peaked in 1994 and it fell below the 60% of GDP reference value in 2000. It was 55.9% of GDP in 2001. Sweden continues to fulfil the criterion on the government budgetary position. - The Swedish krona has not participated in the ERM II during the review period and it has fluctuated quite markedly against the euro and the Danish krone. Hence, as was the case at the time of the 2000 assessment of convergence, Sweden does not fulfil the exchange rate criterion. - The average yield on ten-year Swedish benchmark bonds during the 12 months to April 2002 was 5.3%, below the reference value of 7.0%. The Swedish long-term interest rate has been below the reference value throughout the period from December 1996. Sweden continues to fulfil the criterion on long-term interest rate convergence. In the light of this assessment the Commission concludes that there should be no change in the status of Sweden as a Member State with a derogation.