Adoption by Malta of the single currency on 1 January 2008

2007/0092(CNS) - 16/05/2007 - Legislative proposal

PURPOSE: to abrogate the derogation of Malta to join the single currency with effect from 1 January 2008.

PROPOSED ACT: Council Decision.

CONTENT: on 27 February 2007, Malta submitted a request for a new convergence assessment with a view to introduce the euro on 1 January 2008 in case the derogation were to be abrogated. As a response to this request, the Commission and the ECB prepared Convergence Reports for Malta.

On the basis of reports presented by the Commission and the ECB on the progress made in the fulfilment by Malta of its obligations regarding the achievement of economic and monetary union, the Commission concludes that:

In Malta, 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.

Regarding the fulfilment by Malta of the convergence criteria mentioned in the four indents of Article 121 (1) of the Treaty:

- the average inflation rate in Malta in the year ending March 2007 stood at 2.2 %, which is below the reference value and is likely to remain below the reference value in the months ahead;
- the budget deficit in Malta has seen a credible and sustainable reduction to below 3 % of GDP and the debt-to-GDP ratio has been diminishing towards the reference value of 60 %; the Commission therefore recommends to the Council to abrogate the decision on the existence of an excessive deficit for Malta;
- Malta has been a member of ERM II since 2 May 2005; in the two-year period ending 26 April 2007, the Maltese lira (MTL) has not been subject to severe tensions and Malta has not devalued, on its own initiative, the MTL bilateral central rate against the euro;
- in the year ending March 2007, the long-term interest rate in Malta was, on average, 4.3 % which is below the reference value.

Malta has achieved a high degree of sustainable convergence by reference to these criteria and fulfils the necessary conditions for the adoption of the euro, provided that the decision on the existence of an excessive deficit procedure is abrogated by the Council.