

Commission hails approval of the adoption of the euro in Cyprus and Malta

The European Commission welcomes the final and formal decision by the Ecofin Council today allowing Cyprus and Malta to adopt the euro as from 1 January 2008. On a proposal by the Commission, the Council also fixed at 0.585274 the rate at which the Cypriot pound will be converted into euro. The equivalent rate for the Maltese lira is 0.429300 for one euro. In the coming 5½ months, both countries will have to complete and finalise their crucial practical preparations to ensure that the changeover to the euro takes place smoothly, as was the case in Slovenia this year.

"I am happy that Cyprus and Malta will adopt the euro bringing to 15 countries and nearly 320 million the number of people who share the currency that has the vocation to be, one day, the sole currency of the European Union", said Joaquín Almunia, European Commissioner for Economic and Monetary Affairs. "Thanks to economic and monetary union, the euro area has now enjoyed an unprecedented period of price stability and low interest rates. But being part of a monetary union also implies an added responsibility vis à vis the other members; a responsibility to run sound public finances and to coordinate economic policies for the benefit of more growth and better jobs for all."

Today European Union finance ministers agreed the formal texts necessary for Cyprus and Malta to adopt the euro on the 1st of January 2008. Based on a Commission proposal, they also decided that the Cyprus pound will be replaced by the euro at the rate of 0.585274 to the euro, and that the Maltese lira will be replaced by the euro at 0.429300 to the euro.

Need to pursue stability-oriented policies

Inflation and interest rates have never been so low, in so many EU countries and for so long than since the introduction of the euro in 1999. Euro area average inflation has remained well-anchored around 2% since the mid 90s and mortgage rates have converged from double-digit levels in some countries in the early 90s to around 5%.

Cyprus and Malta will enjoy those same benefits provided that they continue to pursue sound public finances, stable macroeconomic policies and structural policies. This applies primarily to budgetary, wage and further reforms in the areas of pensions and health care in order to improve the long-term sustainability of their public finances as well as structural reforms to improve the functioning of product and labour markets.

Final practical preparations

Cyprus and Malta are also well advised to devote great attention to the practical preparations that need to be carried out in the next 5½ months to ensure a smooth changeover.

Production of the coins will start shortly after today's ECOFIN decision at the Mint of Finland, for the Cyprus coins, and the French Mint (Maltese coins) as a result of public tenders. Euro coins bear a common and national side. To see the side of the coins of Cyprus and Malta go to:

http://www.centralbank.gov.cy/nqcontent.cfm?a_id=4704

<http://www.centralbankmalta.com/site/coindesignlink.htm>

Next week the Commission is expected to update the state of state of the practical preparations for the euro in the EU countries that have not yet adopted it and do not have a legal opt-out. The Fifth report on the state of practical preparations for the enlargement of the euro area will focus on Cyprus and Malta given the proximity of the changeover date for the two countries.

The Commission on 16 May 2007 concluded that Cyprus and Malta met the convergence criteria to qualify for the introduction of the euro.

For the Convergence Reports see press releases [IP/07/674](#) (on Cyprus) and [IP/07/673](#) (Malta) as well as the full texts on:

http://ec.europa.eu/economy_finance/publications/convergencereports_en.htm

For the national changeover plans and further information on the national changeover preparations see:

Cyprus: http://www.euro.cy/euro/euro.nsf/dmlindex_en/dmlindex_en?opendocument

Malta: <http://mfin.gov.mt/page.aspx?site=NECC&page=default>