Interest rates on ten-year government bonds (%)	Φ (Jan 00-Dec 00)	Φ (Jan 01-Dec 01)	Φ (Jan 02-Dec 02)	Φ (Jan 03-Dec 03)	Φ (Apr 03-Mar 04)
Maastricht criterion	**7.4**	**6.9**	**6.9**	**6.1**	**6.1**
Germany	5.3	4.8	4.8	4.1	4.1
Ireland	5.5	5.0	5.0	4.1	4.1
Spain	5.5	5.1	5.0	4.1	4.1
France	5.4	4.9	4.9	4.1	4.1
EU-12	5.4	5.0	4.9	4.2	4.2
Austria	5.6	5.1	5.0	4.2	4.2
Portugal	5.6	5.2	5.0	4.2	4.2
Italy	5.6	5.2	5.0	4.2	4.3
Greece	6.1	5.3	5.1	4.3	4.3
Czech Republic	6.9	6.3	4.9	4.1	4.3
Slovakia	n/a	8.0	6.9	5.0	5.0
Slovenia	**n/a**	**n/a**	**n/a**	**6.4**	**6.0**
Poland	n/a	10.7	7.4	5.8	6.1
Hungary	n/a	7.9	7.1	6.8	7.3

Source of data: New Cronos, calculations by the IMAD. n/a – not available.

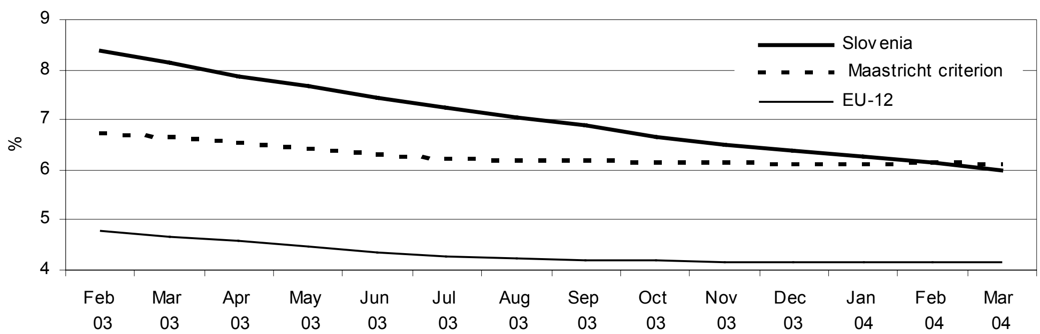
Article 121 of the **Treaty on European Union** from 1992 lays down the criteria EU member-states must fulfil before entering the Economic and Monetary Union (EMU).Formally speaking, there are four criteria (in fact there are five because the government's financial position contains two criteria), which are divided into two parts: the monetary part, which includes requirements related to the inflation rate, interest rates and exchange rate stability; and the fiscal part, which includes criteria related to the government deficit and government debt.

The criteria are described in detail in the protocols annexed to the Treaty. Article 4 of the **Protocol on the convergence criteria** stipulates that the average long-term interest rate observed over a period of one year before the examination does not exceed by more than two percentage points the reference interest rate, which is the average of the three best performing member-states in terms of price stability. In practice, the yield to maturity of ten-year government bonds that have an important share of capital market trading is taken as the long-term interest rate. The exceptions are Estonia and Luxembourg, which have no government bonds of this maturity because of their low levels of government debt (just 5.8% and 4.9% of GDP in 2003). Hence, the interest rate on household loans with a maturity of over five years is taken as the long-term interest rate in Estonia and a bond with residual maturity of about three years in Luxembourg.

In **Slovenia**, the yield to maturity of the ten-year government bond RS54 (whose rate of interest is 5.75%) has been taken as a measure of meeting the interest rate criterion since October 2003. Unlike the preceding ten-year bond (RS44), the RS54 is more liquid because its trading represented 14.6% of the total turnover in bonds in the first four months of this year (among 76 bonds listed in the official market on the stock exchange on 31 March 2004). Following the fall in inflation, interest rates have dropped markedly over the last year, which has contributed to the fall in the rate of interest on RS bonds.

The yield to maturity of ten-year government bonds of EMU members is one of the lowest seen in the last ten years, ranging between 4% and 5% annually. The **calculation of the Maastricht criterion** takes into account three members with the lowest inflation rate (excluding Luxembourg); in the case of several countries recording the same value, those with the lowest long-term interest rates are included. The twelve-month average of interest rates in these three countries was 4.1% in March, so the Maastricht criterion was 6.1%. Hungary was the only country to exceed this level among all EU members.

Graph: **Meeting of the Maastricht criterion on interest rates**



Source of data: New Cronos, calculations by the IMAD.