Report on price convergence according to the Maastricht criteria

July 2013 – June 2014

The average rate of inflation measured by the harmonized index of consumer prices which measures inflation in the European Union on a comparable basis, in the period July 2013 - June 2014 in Montenegro was 0.4%, while in the European Union during the same period was 1.0% and in the euro area was 0.8%.

According to the first Maastricht convergence criteria which represents price stability, the average inflation rate of the country concerned should be no more than 1.5 percentage points above the rate for the three EU countries with the lowest HICP inflation over the previous year. Under such defined conditions Montenegrin inflation, measured by the HICP in the period July 2013 - June 2014, in average was at the same level as the Maastricht criteria of price convergence. The highest differences in observed period between the Montenegrin inflation and Maastricht criteria of price stability was recorded in September 2013 and April 2014, while the lowest difference was recorded in October 2013 when the Montenegrin inflation coincided with the Maastricht criteria of price stability.

Chart 1. Trend of annual rates of inflation (in %) measured by the HICP according to the Maastricht criteria

1 The Maastricht criteria of price convergence = average inflation rate of the three EU countries with the lowest inflation + 1.5 percentage points
METHODOLOGICAL NOTES

Maastricht criteria's are established by the Treaty of Maastricht, on the basis of a comprehensive macroeconomic analysis of the euro zone. The fulfillment of these criteria is required from those member states that want to become part of a single monetary area with a common currency - the euro. The fulfillment of the "convergence criteria" and the permanent maintenance of macroeconomic parameters on specified level represent basic prerequisite for permanent stability and sustainable economic development within the euro-zone. The obligation to fulfill these criteria's applies to all potential members of the euro-zone, in addition to those which, on the basis of the achieved criteria, are already in the single currency area.

The aim of the report is to present the fulfillment of the first Maastricht criterion of price stability. Specifically, the average inflation rate of the country concerned shall, as an upper limit, be no more than 1.5 percentage points compared to the average rate of inflation in the three EU countries with the lowest inflation. Inflation is measured by the harmonized consumer price index on a comparable basis. Data from all European Union members are taken into account as the reference amounts, not only from the euro-zone.