Report on price convergence according to the Maastricht criteria

July 2014 – June 2015

The average annual inflation measured by the harmonized index of consumer prices, which measures inflation in the European Union on a comparable basis, in the period July 2014 – June 2015 in Montenegro was 0.1%, while in European Union and euro area during the same period also was 0.1%.

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. According to these defined conditions Montenegrin inflation, measured by the HICP in the period July 2014 – June 2015, in average was at the same level as the Maastricht criteria of price convergence1. The highest differences in observed period between the Montenegrin inflation and Maastricht criteria of price stability were recorded in August 2014 and June 2015, while the lowest differences were recorded in December 2014 and February 2015.

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

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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.