

## **FOREWORD**

The crisis that hit the global financial system last autumn brought about a recession in Europe and also elsewhere in the world, including Estonia. Among other things, the recession caused a decline in consumer prices, which started in the final months of 2008 and has lasted to this date.

The adjustment of the Estonian economy is under way but first the confidence of investors should be recovered in order to restore growth. Therefore Estonia has set itself the objective to adopt the euro as soon as possible. To this end, Estonia has to meet the so-called Maastricht criteria, including the criterion of price stability, which is based on the inflation rate.

Thus, the present issue of the “Kroon & Economy” gives an overview of the inflation developments in the three Baltic States. The overview is based on a joint research on inflation determinants, conducted by the central banks of Estonia and Latvia.