EGE SCHOLAR JOURNAL

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Ege Scholar Journal, Year: 2025, Volume: 2, Issue: 1, Pages : 68-74 ***Research Article***

DOI: 10.5281/zenodo.18525274

Publication Date: 30.01.2025

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Inflation and the Erosion of Purchasing Power in Kosovo: The Real Value of EUR 100 (Base Year 2019) from 2010 to 2025

Abstract

Inflation changes the real value of money, meaning that an unchanged nominal amount buys different quantities of goods and services over time. This study quantifies the erosion of purchasing power in Kosovo by translating EUR 100 in the base year 2019 into its real value across 2010–2024, and for October 2025. The analysis relies on the Harmonized Index of Consumer Prices (HICP) published by the Kosovo Agency of Statistics (KAS) for annual averages through 2024, and Eurostat HICP data (via FRED) for October 2025. Real values are computed using standard deflation, setting 2019 as the purchasing power benchmark. Results show that EUR 100 in 2019 corresponds to roughly EUR 105 in 2014 prices, but only about EUR 77 in October 2025 prices, implying that the 2019 consumption basket costing EUR 100 would require roughly EUR 129–130 by October 2025. The findings align with public economic commentary in Kosovo that emphasizes the growing gap between nominal incomes and real living standards. The paper concludes with policy-relevant implications related to euroization constraints, imported inflation exposure, and the need for targeted social and productivity policies that protect household welfare during persistent price shocks.

Keywords: inflation; purchasing power; real income; HICP; Kosovo; euroization; cost of living

How to cite: Xhafa H. (2025). Inflation and the Erosion of Purchasing Power in Kosovo: The Real Value of EUR 100 (Base Year 2019) from 2010 to 2025. *Ege Scholar Journal, 2*(1), 68-74

1. Introduction

Inflation is not just "higher prices." It is a gradual (and sometimes abrupt) re-scaling of what money can do in daily life. When nominal income does not keep pace with inflation, households experience a decline in real income and real consumption possibilities. This distinction between nominal value (the number written on a banknote) and real value (its purchasing power) is central to welfare analysis, especially in small and import-dependent economies.Kosovo offers a useful case for studying purchasing power dynamics because the euro is used as legal tender, limiting domestic monetary policy instruments while exposing households to external price shocks transmitted through trade and energy markets. Research on euroization highlights stability benefits but also stresses policy constraints and the importance of fiscal and structural buffers.Recent public commentary in Kosovo has emphasized that inflation has materially reduced household purchasing power and that price pressures may increasingly reflect domestic factors rather than only imported costs.This paper formalizes the purchasing power claim using HICP data, answering a simple but economically meaningful question: How much is EUR 100 of 2019 worth in later years in real terms?

Aim of the study. The study (i) constructs a real-value series for EUR 100 (base year 2019), (ii) documents the magnitude of purchasing-power loss by 2024–2025, and (iii) interprets results in light of Kosovo's inflation environment and euroized monetary setting.

2. Materials and Methods

2.1. Data sources

Kosovo Agency of Statistics (KAS): HICP publication providing annual average indices (2015=100) through 2024 and methodological notes on HICP compilation (price collection, weighting, COICOP classification, and coverage).

Eurostat HICP (via FRED): Monthly HICP series for Kosovo used to obtain the October 2025 index value.

Methodological alignment: Interpretation of HICP follows Eurostat's conceptual framework for harmonized inflation measurement.

2.2. Conceptual definition: "Real value of EUR 100, base year 2019"

Let:

- H_t be the HICP index level in year (or month) t, with HICP base 2015=100.
- H_{2019} be the HICP annual average in 2019.

The **real value** in period t of **EUR 100 in 2019** is computed as:

$$RV_t = 100 \times \frac{H_{2019}}{H_t}$$

Interpretation: RV_t is the number of euros in period t that would have the same purchasing power as EUR 100 in 2019 (under the HICP consumption basket).

The **euros required** in period t to buy the **2019 basket** are:

$$Cost_t = 100 \times \frac{H_t}{H_{2019}}$$

2.3. Implementation choices

Base year: 2019 is used as the benchmark, consistent with the practical policy discussion that compares pre-shock conditions to the post-2021 inflation episode. KAS annual average for 2019 is 105.6 (2015=100).2025 value: since KAS publication covers through 2024, the October 2025 HICP level (136.73) is taken from the Eurostat series to provide an up-to-date reference point.

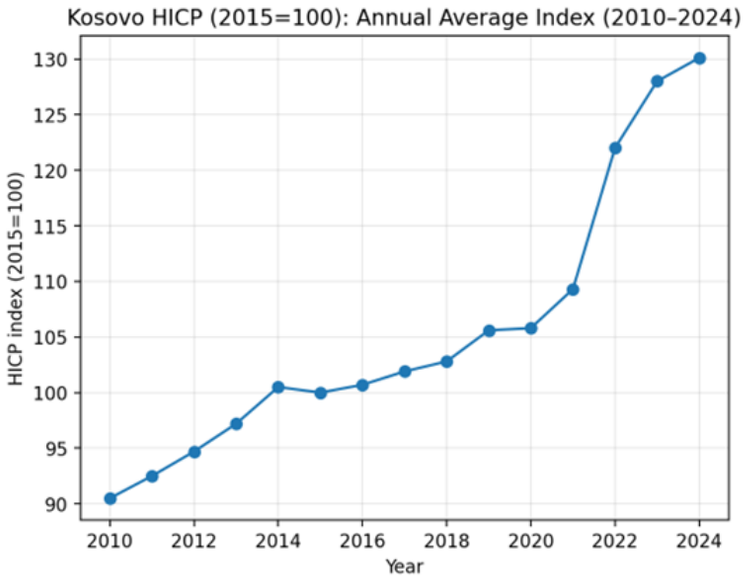
3. Results

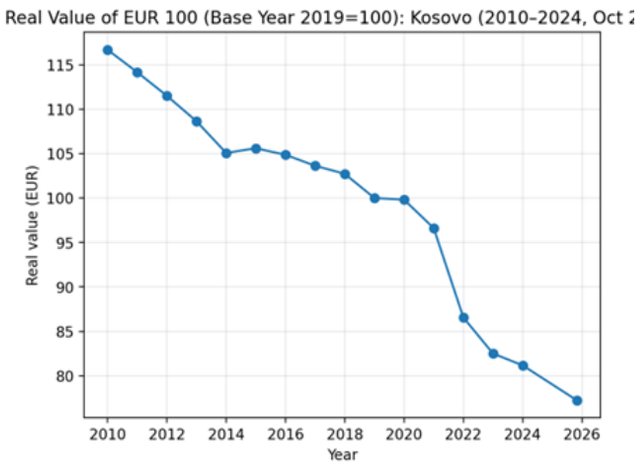
3.1. Price level dynamics in Kosovo (2010–2024, with 2025 reference)

KAS annual-average HICP rises from 90.5 (2010) to 130.1 (2024), reflecting a higher overall price level relative to 2015.

For October 2025, the Eurostat monthly series reports HICP at 136.73.

Figure 1 (HICP annual averages) and Figure 2 (real value series) are provided as downloadable images below.





3.2. Real value of EUR 100 (Base year 2019)

Using the deflation formula, the real value pattern is unambiguous: purchasing power improves when going back to earlier years (lower prices) and deteriorates sharply after the 2021–2022 inflation surge.

Table 1. Real value of EUR 100 (2019 base) and implied cost of the 2019 basket(Indices: HICP, 2015=100)

Period	HICP (2015=100)	Real value of EUR 100 (2019 base)	EUR needed in period to buy 2019 basket
2014 (annual avg.)	100.5	105.1	95.2
2019 (annual avg.)	105.6	100.0	100.0
2022 (annual avg.)	122.0	86.6	115.5
2024 (annual avg.)	130.1	81.2	123.2
2025 (Oct.)	136.73	77.2	129.5

KAS provides the annual averages for 2014, 2019, 2022–2024, while the October 2025 index comes from the Eurostat series.

Key quantitative finding:

- EUR 100 in 2019 is worth about EUR 77 in October 2025 (real terms).
- The 2019 basket costing EUR 100 would cost about EUR 129–130 by October 2025.

3.3. Macro context indicator: the 2022 inflation spike

A major structural break in household cost pressure appears around 2022. The World Bank's Macro Poverty Outlook notes inflation reaching 14.2% (y/y) in July 2022 in Kosovo, largely associated with international food and energy price pressures.

4. Discussion

4.1. Interpreting the magnitude: why "77 euros" matters

A shift from 100 to about 77 is not a small statistical movement. It implies that households need roughly 30% more euros in 2025 than in 2019 to maintain the same HICP-representative consumption basket. In distributional terms, this type of shock tends to hurt lower-income households disproportionately because essential categories (food, energy, transport) typically form a larger share of their budgets, so effective inflation can exceed the headline rate.The welfare literature shows that inflation can generate real losses beyond price increases by distorting planning, savings behavior, and the real value of fixed nominal contracts.

4.2. Imported inflation, domestic propagation, and euroization constraints

Kosovo's euroized setting removes exchange-rate adjustment and limits the standard monetary toolbox, shifting the burden toward fiscal policy, competition policy, energy strategy, and productivity improvements. Analyses of euroization emphasize that stability gains come with trade-offs, including reduced lender-of-last-resort capacity and the need for stronger buffers and institutions.At the same time, recent commentary suggests that when import prices stabilize or decline while overall prices continue rising, domestic factors such as market structure, markups, and internal cost dynamics may play a larger role.

4.3. Regional evidence: Western Balkans inflation drivers

IMF research on the Western Balkans emphasizes the central role of global commodity and energy shocks in the surge, alongside second-round effects and domestic propagation mechanisms.Kosovo-specific IMF surveillance similarly places the 2022–2023 period in the context of energy and food price shocks and highlights vulnerabilities typical of small open economies.

4.4. Policy implications

Targeted protection of real incomes: well-designed, means-tested transfers are typically more efficient than broad price controls, especially under euroization constraints.Energy efficiency and diversification: reducing exposure to energy price spikes reduces the volatility of household inflation.Competition and market monitoring: where domestic "made-at-home" inflation emerges, oversight of market concentration and pricing behavior becomes more important.Productivity-oriented wage growth: nominal wage increases that exceed productivity growth can fuel persistent inflation, but wage stagnation under high inflation accelerates real-income erosion. The policy goal is real-wage stability through productivity and investment.

5. Conclusions

This paper quantified a widely felt reality: inflation has materially reduced purchasing power in Kosovo. Based on official HICP indices, EUR 100 in 2019 corresponds to about EUR 77 in October 2025 in real terms, implying a required cost of roughly EUR 129–130 in 2025 to purchase what EUR 100 bought in 2019.The findings are consistent with the broader regional inflation experience after 2021 and with Kosovo's exposure to imported price shocks under euroization. Going forward, the best protection of household welfare lies in strengthening fiscal targeting, supporting competitive markets, investing in energy resilience, and raising productivity so that nominal income growth translates into real gains rather than being absorbed by prices.

Supplementary Materials

Figure 1 and Figure 2 (PNG) are attached as downloadable files:

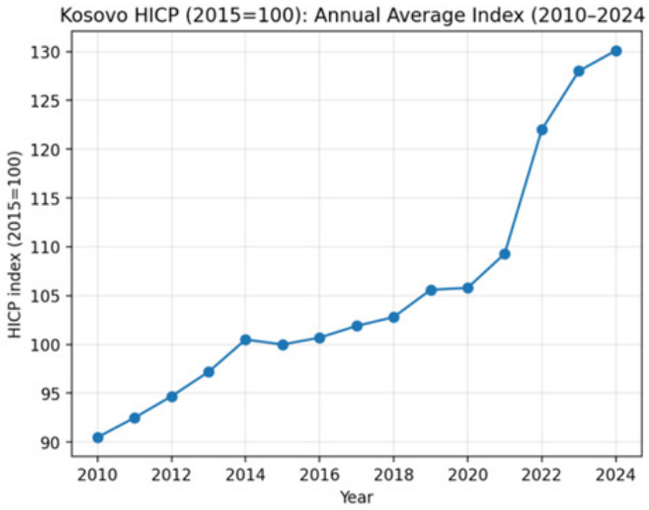
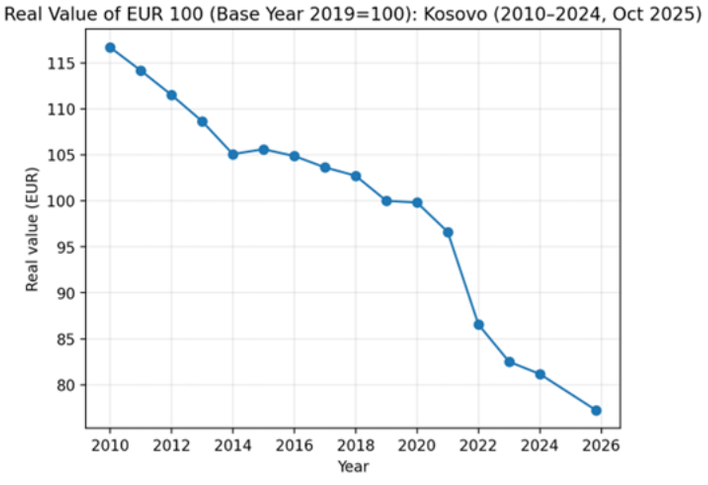


Figure 2



Author Contributions

Conceptualization, H.X.; methodology, H.X.; formal analysis, H.X.; writing—original draft preparation, H.X.; writing—review and editing, H.X.; visualization, H.X. The author has read and agreed to the published version of the manuscript.

Funding

This research received no external funding.

Institutional Review Board Statement

Not applicable.

Informed Consent Statement

Not applicable.

Conflicts of Interest

The author declares no conflicts of interest.

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