



EUROPEAN COMMISSION

Directorate D: Economic and Regional Statistics
Unit D-4: Price statistics



HICP COMPLIANCE MONITORING

INFORMATION NOTE ON THE HARMONIZED INDICES OF CONSUMER PRICES FOR SLOVENIA

NOVEMBER 2006

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Slovenia in spring 2006 in view of the accession of Slovenia to the euro-zone. The statistical practices used to compile the HICP for Slovenia were reviewed against HICP methodology and other guidelines and good practices in the field of consumer price indices.

This report takes account of publicly available information on the CPI and HICP for Slovenia, and additional information collected by Eurostat during and following a mission to the Statistical Office of the Republic of Slovenia on 3 April 2006.

I. OVERALL ASSESSMENT

Eurostat considers that in general the methods used for producing the Slovenian HICP are of a good standard. The methodological basis for compiling the Slovenian HICP conforms to HICP requirements. The quality of the consumer price statistics for Slovenia has improved significantly in recent years. In close collaboration with Eurostat and other international experts, the statistical office successfully completed the necessary actions in order to set-up the Slovenian HICP before accession to the European Union (European Union).

There were no apparent instances of non-compliance with the HICP methodology. The Slovenian data passes all standard HICP validation tests – it is internally consistent and aggregates correctly. It should be considered broadly comparable to the HICPs of other EU countries.

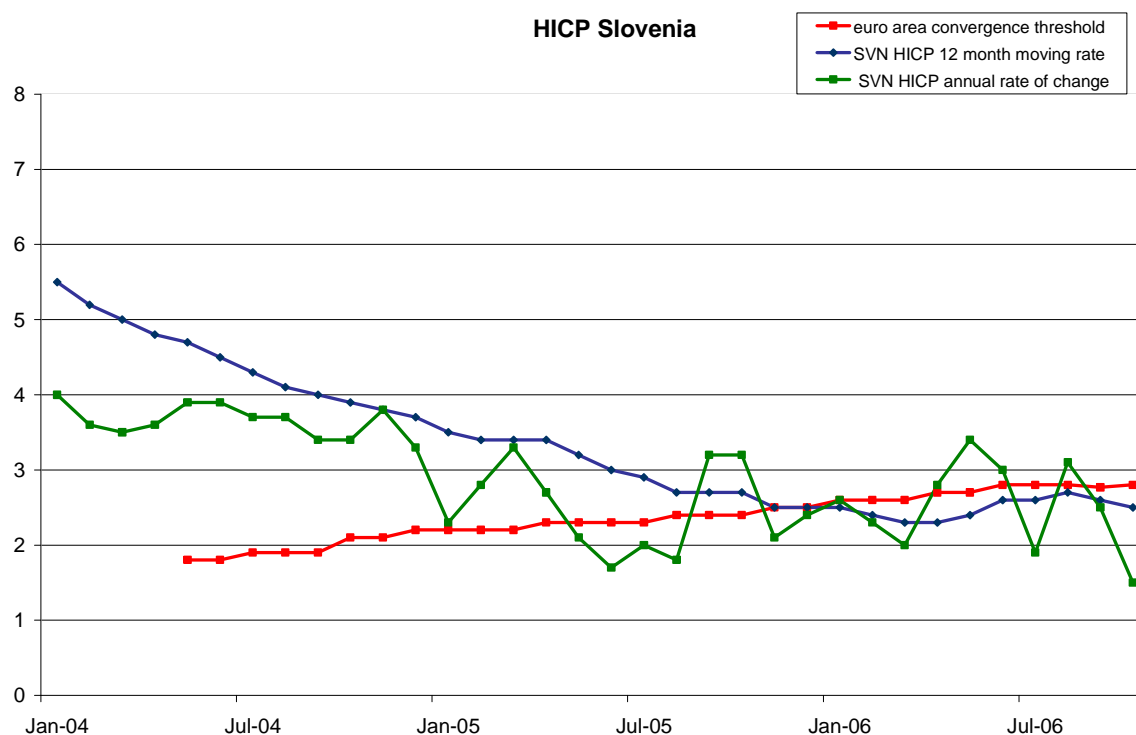
The accuracy and reliability of the HICP are adequate. The Slovenian HICP would benefit from the continued close monitoring by the statistical office of certain economic developments, so as to ensure that the HICP accurately measures consumer price inflation, in particular changes in taxation and excise duties and changes to the provision of medical products and services.

II. RECENT PRICE DEVELOPMENTS

HICP compliance for Slovenia was assessed positively by Eurostat in 2004 before accession to the EU. The focus of Eurostat's review of spring 2006 was on administered prices and on those prices which were having the most important impacts on the Slovenian HICP, in particular energy prices and those for cars, clothing, telecommunications and some food items.

Since late 2005 the average annual inflation rate for Slovenia has been below the euro area convergence threshold. The chart below shows the recent development in the 12 months moving rate and the annual rate of change for Slovenia together with the convergence threshold for inflation. The annual inflation rate for Slovenia was 1.5% in October 2006.

On average the most significant impacts on the HICP in the year to October 2006 came from fuels for transport, heating oil and restaurants and cafes. Energy price increases in the last year have been partly offset by lower inflation for some other products, such as cars, clothing and hospital services.



Note: The euro area inflation convergence threshold is based on a 12-month moving average calculation.

III. FINDINGS AND RECOMMENDATIONS

For the headings with the most significant impacts on the HICP, and in particular for energy-related headings, both the methodology and data seem to be of good quality. The movements in both prices and weights in recent periods correctly reflect economic determinants.

Prices for gas, liquid fuels and heat energy all increased substantially in 2005-2006. Electricity prices increased by much less over the same period – the energy sources for generating electrical power are domestic nuclear production, coal and hydro-electricity. Slovenia is self-sufficient for electricity generation. For gasoline, the Slovenian government adjusted excise taxes to offset some of the changes in oil prices.

Important reductions have been achieved in the prices negotiated by the Health Insurance Institute of Slovenia with suppliers of medical products, aimed at eliminating health service budgetary deficits. This has resulted in low HICP inflation rates since 2004. Reforms have also been made to the delivery of medical services since 2005 to hold down costs and lower costs per treatment delivered.

Given their potential importance for the HICP in future years, Eurostat recommends that:

- The statistical office should continue to monitor closely changes in administered prices, changes in taxation and excise duties given the changes that may take place in the coming years.
- The statistical office should continue to analyse medical products and services in the HICP to ensure that both the price indices and weights remain representative, given the ongoing reforms in the health sector.