



EURO CHANGEOVER AND INFLATION IN SLOVENIA

Taking account of the fall in the all-items annual HICP inflation rate to 2.8% in January 2007, and the further fall to 2.3% in February 2007 (down from 3.0% in December 2006), and against a background of widespread expectations of increases of consumer prices, combined with strong media attention to price hikes, the euro changeover effects seem to have been noticeable but not to have been of a magnitude that could drive headline inflation. Approximate calculations show that the likely total (one-off) impact of the changeover on headline inflation during and after the changeover period could reach the order of 0.3 percentage points.

The annual HICP rate for January 2007 in Slovenia was 2.8%, down from 3.0% in December 2006. It showed a declining month-on-month rate (-0.5%), as has been the case for the last few years in January, due to the impact of seasonal sales. The decline in January 2007 was slightly larger than the one observed in the same month of previous years, mainly as a result of changes in energy prices, the Statistical Office of the Republic of Slovenia (SORS) reported. The annual HICP inflation rate fell further to 2.3% in February 2007.

Eurostat considers that in general the methods used for producing the Slovenian HICP are of a good standard. The methodological basis conforms to HICP requirements and the accuracy and reliability of the Slovenian HICP are adequate ⁽¹⁾.

In January 2007 SORS released its first analysis of the impact of the changeover on prices in December 2006 ⁽²⁾. Some unusual price rises in restaurants, bars and coffee shops have been observed, as were price increases in some other expenditure groups (personal services, footwear services, repair of household appliances, repair services, and transport services). In December, the impact of unusual price increases in restaurants, bars and coffee shops was estimated at up to 0.12 percentage points, with an additional impact of 0.12 percentage points from the other expenditure groups. For January 2007, SORS has highlighted some further unusual price increases for the same purchases and additionally for recreational and sports services.

Based on the preliminary information reported by SORS, Eurostat considers that the likely total impact of the changeover on consumer price inflation during and after the changeover period could reach the order of 0.3 percentage points. Taking account of the fall in the all-items annual HICP inflation rate in January 2007 to 2.8%, and the further

⁽¹⁾ ['HICP Compliance Monitoring Information Note for Slovenia'](#), Eurostat, November 2006.

⁽²⁾ ['Analysis of the impact of euro adoption on changes in prices in December 2006'](#), SORS, January 2007.

fall in February 2007, this result also shows that the changeover effects, although noticeable, do not seem to be of such a magnitude as to drive consumer price inflation as measured by the all-items HICP. These observations seem very much in line with the experience of the first-wave changeover ⁽³⁾.

The Institute of Macroeconomic Analysis and Development of Slovenia has also carried out an analysis of the effect of the changeover on inflation. Its preliminary conclusion is that the total effect on the CPI amounted to 0.24 percentage points.

Eurostat will update its conclusions concerning the impact of the changeover if necessary, as further information becomes available.

⁽³⁾ ['News Release 69/2003'](#), Eurostat, June 2003.