



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 SLOVAKIA

MARCH 2008

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Slovakia in autumn 2007 in view of the possible future accession of Slovakia to the euro area. The statistical practices used to compile the HICP for Slovakia have been 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 Slovakia, and additional information collected by Eurostat prior to and during a mission to the Statistical Office of the Slovak Republic held on 15 November 2007.

I. OVERALL ASSESSMENT

Eurostat considers that in general the methods used for producing the Slovakian HICP are satisfactory. The quality of the consumer price statistics for Slovakia has improved significantly in recent years. In close collaboration with Eurostat and other international experts, the Statistical Office of the Slovak Republic (SO SR) successfully completed many necessary pieces of work in order to set-up the Slovakian HICP before accession to the EU.

There were no apparent instances of non-compliance with the HICP methodology. The Slovakian data pass all standard HICP validation tests – they are internally consistent and aggregate correctly. It should be considered broadly comparable to the HICPs of other EU countries.

While the representativity of the HICP, in terms of accuracy and reliability, seems generally adequate, in some cases the methodology or data used need improvement and/or further analysis (see Section III). A targeted follow up of these cases will be carried out by SO SR and Eurostat. In the opinion of Eurostat, the Slovakian statistical office would benefit from increased human resources capacity for carrying out HICP work.

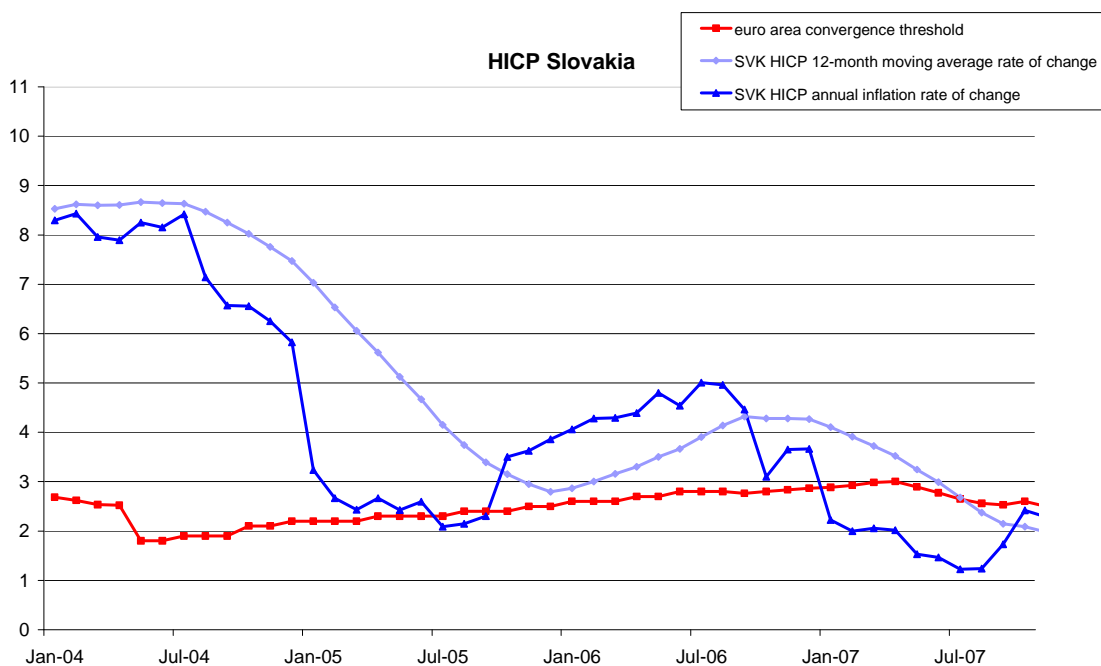
II. RECENT PRICE DEVELOPMENTS

HICP compliance for Slovakia was assessed positively by Eurostat in 2004 before accession to the EU. The focus of Eurostat's current assessment has been on those headings which show a significant impact on the 12-month moving average rate of change, such as district heating, vegetables, tobacco, fuels for transport, cars and telecommunications.

On average, the most significant upward impacts on the HICP in the twelve months to November 2007 came from district heating, vegetables, bread & cereals, and tobacco.

In November 2007 the annual inflation rate of change for Slovakia was below the euro area average. The chart below shows the recent development in the 12-month moving average rate of change and the annual rate of change for Slovakia together with the euro area convergence threshold for inflation. The annual inflation rate of change for Slovakia was 2.3 % in November 2007.

In November 2007 there was a slight decrease of the annual inflation rate in Slovakia. The most significant downward impacts on the HICP in November 2007 came from gas, cars, pharmaceutical products and electricity. The most significant upward impacts came mainly from bread & cereals, milk, cheese & eggs, restaurants & cafes, and fruit.



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

III. FINDINGS AND RECOMMENDATIONS

For most headings both the methodology and data seem to be satisfactory, and the movements in both prices and weights in recent periods correctly reflect economic determinants. The item weights for 2007 refer to the year 2005 and are price-updated up to December 2006.

The main difference between the HICP and the national consumer price index concerns the coverage of owner-occupied housing, in particular imputed rents and expenditure on major maintenance and repair which are excluded from HICP.

According to the SO SR, no major methodological changes are currently planned for 2008. Slovakia is already compliant with HICP standards related to the temporal coverage of price collection, which in some other Member States will take effect with the index for January 2008 in accordance with Council Regulation (EC) No. 701/2006.

Nevertheless, for some headings with significant impacts on the HICP, the methodology or data used show some need for further analysis or improvement.

Eurostat recommends that:

- As regards newly significant outlets and internet shopping, further analysis should be carried out in order to provide evidence that both of them are correctly represented in the HICP.
- Explicit regional weights should be used if possible.
- The samples and the structure of elementary aggregates for package holidays need to be improved.

- Movements in volumes should be studied in more detail in order to amend or to support current weights, as some quantities seem volatile. This applies in particular to telecommunications and financial services.
- The samples and the elementary aggregation structure for telecommunications need be improved. Eurostat supports the plans of SO SR to introduce a new sample for mobile phones in the first quarter 2008, and SMS prices from 2009.
- Passenger transport by air, cars, PCs, car insurance, and rents in particular, the samples and the number of elementary aggregates should be reviewed and the number of prices collected in each case should be improved without unnecessary delay.
- For used cars and car insurance, prices should be collected monthly. As for car insurance, Eurostat welcomes the SO SR plans to introduce a monthly price collection for the mandatory contractual insurance.
- Close systematic monitoring should be put in place for pharmaceutical products, medical and health insurance in order to ensure the representativeness of the sample.
- Further analysis should be carried out for distinguishing business expenditures from private expenditures, in particular foreign business expenditures from foreign tourist expenditures.