



Euro changeover and inflation in Slovakia

Taking account of the developments in the Harmonized Indices of Consumer Prices (HICP) inflation rates for Slovakia in December 2008 and January and February 2009, Eurostat has assessed the impact of the changeover on the HICP. Provisional calculations show that in Slovakia the total (one-off) impact of the changeover on headlines inflation, during and immediately after the changeover, is likely to be within the range of up to 0.3 percentage points. This estimate is in line with the experience of the first-wave changeover in 2002 and those of Slovenia in 2007 as well as Cyprus and Malta in 2008. Eurostat considers therefore that the euro changeover effects in Slovakia were not of a magnitude to determine the development of headline inflation, which decreased substantially during the changeover period.

The annual HICP rate for February 2009 in Slovakia was 2.4%, down from 2.7% in January 2009 and 3.5% in December 2008. Month-on-month inflation rates were also low in the three months (0.0% in February, 0.3% in January and -0.1% in December).

Harmonized Indices of Consumer Prices

Month	Slovakia		EU		Euro Area	
	Annual rate of change (%)	Monthly rate of change (%)	Annual rate of change (%)	Monthly rate of change (%)	Annual rate of change (%)	Monthly rate of change (%)
Sep-08	4.5	0.4	4.2	0.3	3.6	0.2
Oct-08	4.2	0.3	3.7	0	3.2	0
Nov-08	3.9	0.1	2.8	-0.4	2.1	-0.5
Dec-08	3.5	-0.1	2.2	-0.2	1.6	-0.1
Jan-09	2.7	0.3	1.7	-0.6	1.1	-0.8
Feb-09	2.4	0.0	1.7	0.4	1.2	0.4

Source: Eurostat

Eurostat considers that in general the methods used for producing the Slovak HICP are satisfactory. The methodological basis conforms to HICP requirements and the accuracy and reliability of the Slovak HICP are generally adequate ⁽¹⁾.

⁽¹⁾ Compliance Monitoring information note for Slovakia, Eurostat, March 2008. Available at: http://epp.eurostat.ec.europa.eu/pls/portal/url/page/PGP_DS_HICP (under 'Methodology').

Eurostat visited the Statistical Office of the Slovak Republic (SO SR) on 9 February 2009. It was confirmed that the Slovakian HICP continued to correctly measure inflation during the period of the switch from pricing in the former national currency to pricing in euro. During and following the visit, information was provided by the SO SR and other stakeholders on price changes at the time of the changeover and on possible reasons for those price changes. Eurostat and the SO SR also met with other national stakeholders, to collect their views on the possible impact of the changeover on prices.

The National Bank of Slovakia published an analysis on the impact of euro adoption on inflation in the Slovak Republic on 17 March 2009. The all-over effect on inflation was estimated by the National Bank to reach the level of under 0.2 of a percentage point in January 2009. Eurostat's findings for January are consistent with that estimate.

In Eurostat's view, in Slovakia some unusual price rises were seen in December 2008 and January 2009, in particular such as for some foods and beverages, some transport services, household and domestic services, healthcare products, restaurants and some services related to the dwelling.

Based on the preliminary information available, Eurostat considers that the likely total impact of the changeover on consumer price inflation during the period December 2008 to February 2009 as a whole is likely to be within the range of up to 0.3 percentage points. Taking account of the fall in the all-items annual HICP inflation rate in January 2009 to 2.7%, and the further fall to 2.4% in February 2009, Eurostat considers therefore that the euro changeover effects in Slovakia were not of a magnitude to determine the development of headline inflation as measured by the all-items HICP. These observations are in line with the experience of the first-wave changeover in 2002 ⁽²⁾ and of Slovenia in 2007 as well as Cyprus and Malta in 2008 ⁽³⁾.

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

Estimating the impact of the euro changeover

Eurostat has used statistical techniques to identify those HICP sub-indices for Slovakia which showed price changes in December 2008, January 2009 or February 2009 which were outside what the past data and data for other EU countries would predict. This gives an "expected price development". The difference between the expected and the actual price developments is regarded as an unusual price change. The unusual price changes which could not be plausibly attributed to other factors were attributed to the euro changeover. In practice there is no way to estimate precisely what inflation would have been if the euro changeover in Slovakia had not taken place. Even at the lowest level of detail, there are many factors which overlap with potential changeover effects, and there are a multitude of potential changeover effects which may amplify each other or cancel out.

⁽²⁾ ['News Release 69/2003'](#), Eurostat, June 2003.

⁽³⁾ Available at: http://epp.eurostat.ec.europa.eu/pls/portal/url/page/PGP_DS_HICP (under 'Publications').