



EUROPEAN COMMISSION  
EUROSTAT

Directorate C: National Accounts, Prices and Key Indicators

**Unit C-4: Price statistics. Purchasing Power Parities. Housing statistics**

# **HICP Compliance Monitoring Report**

**Slovenia**

**September 2016**

## **Introduction**

In autumn 2016 Eurostat reviewed the compilation of the harmonised index of consumer prices (HICP) for Slovenia. The review was done against the existing legal framework, established HICP methodological recommendations and other guidelines and good practices in the field of consumer price indices.

The current report is based on:

- The inventory of the sources and methods of the Slovenian HICP,
- The meta data of the Slovenian HICP in Eurostat's dissemination database,
- The discussion at the compliance monitoring visit on 20 September 2016 held at the Statistical Office of the Republic of Slovenia (SURs).

The production of the Slovenian HICP is described in detail in the inventory of sources and methods written by the SURs and provided to Eurostat in March 2016.

In this report for each methodological issue, first a brief summary of the Slovenian practice is given, followed by Eurostat's requirements or recommendations for improvement, if applicable. Finally, Eurostat's assessment of compliance is given.

## **1. Coverage and classification**

All monetary consumption expenditure by private households on the economic territory of Slovenia is covered, including expenditure incurred by individuals living in institutional households and tourists.

All categories of the Classification of Individual Consumption by Purpose (COICOP) covered by household final monetary consumption expenditure which account for more than one part in a thousand of the total expenditure are included in the HICP.

The ECOICOP, which is a European extension of the COICOP that includes one more hierarchical level (level 5) of the classification, is implemented as of 2015, in parallel to the regular Slovenian HICP production. As of 2017 SURs is planning to publish the Slovenian HICP with the new classification.

## **Compliance**

The coverage of household final monetary consumption expenditure and the classification used for the Slovenian HICP are in line with the legal requirements.

## **2. Sampling and representativity**

All parts of the country are included in the regional sample to ensure the geographic representativity of the index. There are four selected geographical locations, all cities, of which the most important one is Ljubljana. About 30% of the prices are collected in Ljubljana. The four selected locations are sufficient because for daily necessities retailers do not differentiate prices between different parts of the country. Moreover the envisaged use of scanner data in

2017 will ensure a national coverage. For several services, like municipal services and some recreation services, prices are collected centrally by the main office from service providers throughout the whole territory of Slovenia.

The total number of sampled outlets is determined by the central office based on retail trade statistics and other sources. The current sample contains approximately 1450 retail outlets. The breakdown of outlets by type and product range is based on regional weights and a point-of-purchase survey done within the household budget survey (HBS).

As of January 2017 for each sub-class of ECOICOP, with a weight above the threshold (1/1000), at least one product is specified. SURS uses relatively wide item descriptions and price collectors are instructed to select product offers that are most sold in the outlet. In 2016 the product sample consists of some 700 products.

The price collectors also record (on an electronic tablet) a pre-defined set of additional product characteristics to ensure that quality adjustments can be performed by the central office staff. The outlet and product samples are reviewed annually by the price collectors together with staff from the central office.

Consumption segments are used as needed, e.g. for motor cars.

Eurostat reviewed the product sample and questioned whether some products for the maintenance of dwellings (cement and plumbing materials e.g.) are appropriate for consumer expenditure. They seem more appropriate to the gross fixed capital formation.

The rental market in Slovenia is not large (0.74 % household consumption expenditure). The rental market is split between social and market rentals. For the social rentals new and existing rentals are recorded, whereas for the market rentals only new contracts (advertised prices) are taken for the calculation of the HICP. There are no sources available for monitoring existing contracts in the rental market.

## **Recommendations**

SURS should develop the explicit use of consumption segments especially in technologically fast moving markets as an aid to structure product selection and ensure the continued representativity of the HICP.

For the market rentals it is suggested to continue exploring the possibility of including existing contracts in the price collection and include these when feasible.

The products sampled for the maintenance and repair of dwellings should be reviewed and updated.

## **Compliance**

The sampling and representativity are in line with the legal requirements once the products sampled for the maintenance and repair of dwellings have been reviewed and amended as necessary.

### **3. Weights**

The main source for weights is the National Accounts from which the weights for the indices at 4 digit level of COICOP are derived. Below that, HBS data is used. Moreover, additional internal (statistical) data sources are used to check and, if needed, to adapt the weights for alcoholic beverages, tobacco, purchase of vehicles, fuel and energy.

Weights are reviewed and updated annually.

### **Compliance**

The compilation of weights in the Slovenian HICP is in line with the legal requirements.

### **4. Price collection**

Prices are collected by five full-time price collectors (of which two are in Ljubljana) and by staff in the central office. The price collectors visit some 1450 outlets monthly, while the staff at the central office does the central price collection using internet, telephone, telefax and paper questionnaires. Central price collection covers approximately 36 per cent of the products.

The price collection is done each working day of the month according to the following schedule:

- Fresh agricultural products are recorded in the first and third week of the month.
- Food products between the 16<sup>th</sup> and the 21<sup>st</sup> day of the month (this includes the third week for fresh products).
- Non-food products between the 1<sup>st</sup> and the 15<sup>th</sup> day of the month.
- Services between the 1<sup>st</sup> and the 25<sup>th</sup> day of the month.
- Fuels between the 1<sup>st</sup> and the 25<sup>th</sup> day of the month.

The price collection schedule is designed to ensure that the same products are collected in the same week of each month and make good use of the price collectors who are employed full-time.

Fuel prices are collected weekly and fruit and vegetables twice a month. Rentals are surveyed monthly and services related to education as well as school books annually due to pricing policy for such products.

Airfares to specified destinations are collected in the month of departure. In 2017 this system will be replaced and prices will be collected in months prior to departure in a way that reflects consumer behaviour. When the airfares will be recorded sufficiently in advance of traveling dates (like package holidays booked online) to ensure that they are representative of consumers' booking and purchasing behaviour, SURS will be following the Eurostat recommendations for airfares.

The destinations covered by the airfares for regular airlines are all direct flights, including two hubs (Frankfurt and Zurich). These destinations (and the prices and their development) may not be representative as final destinations for consumers. Final destinations may include flights with a connection, through e.g. Frankfurt or Zurich.

The tariff method is used for electricity, water, gas, kindergartens and health, insurance and bus services. For telecommunication services consumer profiles are mainly used, but for some items, e.g. phone call abroad, elements of the tariff structure are sampled.

Scanner data is being introduced to the Slovenian HICP: for two retailers prices are taken from scanner data sets, mimicking traditional price collection.

### **Recommendations**

Concerning the flights it is recommended to review the current destinations from the perspective of consumer behaviour and update the destinations.

### **Compliance**

The price collection is in line with the legal requirements set out in Regulation (EC) No 701/2006.

Once the prices for airfares are collected in advance, SURS will be following the recommendations on airfares and package holidays.

## **5. Discounts**

The legal requirements for price reductions are applied in the Slovenian HICP. Discounts available to all consumers with no special conditions attached (non-discriminatory) are taken into account.

### **Compliance**

The treatment of discounts is in line with the legal requirements.

## **6. Quality adjustment**

All quality adjustments are performed by the central office staff. For the quality adjustment a case by case approach is adopted, i.e. there are no automatic procedures. The quality adjustment method chosen depends on the specific replacement situation.

Bridged overlap is the most commonly used method e.g. for technical products, computers and household appliances.

Both option pricing and supported expert judgment are used for cars.

In rare cases, if there is a significant quality change in assortment of clothing, only 50% of the price change is shown in the index.

## **Recommendation**

In case of a significant quality change in assortment of clothing, a judgement should be made on the comparability of the quality between the brands and either direct comparison or bridged overlap should be used.

## **Compliance**

The methods used for quality adjustment correspond to the good practice established for the HICP.

## **7. Treatment of seasonal products**

Regulation (EC) No 330/2009 is applied to seasonal products for fruits, vegetables, clothing, footwear, heaters and air conditioners, equipment for sport and, finally recreational and sporting services – participation. In all cases the all-seasonal estimation approach is applied together with class-confined weights. Package holidays are treated as seasonal, but the rules of Regulation (EC) No 330/2009 are not applied. Prices for out-of-season items are carried forward several months. The price index is determined using actual prices and those that are carried forward.

## **Compliance**

The methods used for treating products that are normally considered seasonal are in line with the legal requirements.

The treatment of package holidays is not compliant as prices are carried forward for periods longer than two months. It is recommended is to treat package holidays according to Regulation (EC) No 330/2009.

## **8. Index calculation**

The elementary aggregates (EA) are compiled as the ratio of the geometric mean of prices (Jevons index) for the whole country, there are no regional EAs.

One EA is an exception: fuel prices, which are calculated as arithmetic means, which gives all prices an equal weight as opposed to the geometric mean that would give a greater weight to the lower prices. Moreover this gives consistency with the average price supplied to the Commission Directorate-general for Energy.

The aggregated short-term indices with December of the previous year as price reference month are chained and expressed in terms of the index reference period (2015=100) for all levels of ECOICOP.

## **Compliance**

The index calculation is in line with the legal requirements.

## **9. Administered prices and constant tax rates**

SURS provides the HICP-CT data to Eurostat following the methodology defined by Eurostat.

An updated table D21 (taxes on products) with the Slovenian values for 2014 was checked and it is confirmed that all appropriate taxes are included in the Slovenian HICP-CT.

The list of administered prices for the compilation of the HICP-AP is transmitted to Eurostat.

Prices for two types of fuel, Euro 95 and diesel, are set by the government every two weeks, following trends of petroleum prices on the CIF Mediterranean quotation. Because the prices follow market prices for petroleum products the prices are not treated as AP.

### **Compliance**

The SURS treatment of HICP-CT is in line with legal requirements for the HICP.

The SURS treatment of HICP-AP is in line the good practice established for the HICP.

## **10. Follow-up from previous compliance report**

The previous compliance report dates from November 2006.

The relevant recommendation from that report proposed a continued analysis of medical products and services in the Slovenian HICP to ensure that both the price indices and weights remain representative, given the – then – ongoing reforms in the Slovenian health sector. SURS presented the current (2016) health care system in Slovenia and its implementation in the HICP, from which the conclusion followed that health care has been correctly included.

## **11. Overall assessment**

Eurostat considers that the methods used for producing the Slovenian HICP are of a good standard and to a large extent in line with the legal requirements. The practice of carrying forward prices for package holidays for longer than two months should be discontinued and it is recommended to apply Regulation (EC) No 330/2009 to package holidays. The sample of items for the maintenance of dwellings and flights needs to be reviewed and updated. Nevertheless comparability to the HICP of other countries seems assured. A number of recommendations are made above, which, if implemented, will increase the quality and comparability of the Slovenian HICP further.