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Prices in Slovenia

Ljubljana, October 2012





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INTRODUCTION

Prices and money directly or indirectly affect almost all areas of society and thus shape our consumer habits and lives. How we will live, which products we will buy and how many of them is to a large extent determined by prices and market conditions. Because prices play such an important role, we prepared a special brochure on this topic; in addition to a variety of data on prices, the publication also brings a comprehensive overview of price movements and trends in Slovenia in recent years.

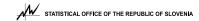
The publication attempts to draw as close as possible to an average user of statistical data and information. We strived to present as simply and clearly as possible the complex data and information on price trends in different stages of the economic cycle and in different periods. The publication also brings some international comparisons, as well as explanations about the possible causes of price changes and much basic information about the indicators. All this will help readers understand and use the presented statistical data on prices.

We invite you to see for yourself what statistical data on price trends and levels in Slovenia are telling and to use these data.

Irena Križman Director-General

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PRICES

The price is the amount of money a buyer pays to a seller for buying a certain good or service or the value of a good or service agreed at the transaction. Transactions can take place between various entities (e.g. consumers, households, enterprises, countries). In this way a system of prices – which has impact on almost all areas of the society, determines consumer habits, distribution of resources, financial and economic policy of a country, etc. – is formed.

Due to all these characteristics of prices, especially due to their very important impact, price statistics in Slovenia established various indicators for monitoring price movements, not only through time but also in space, both in absolute (average prices) and relative (purchasing power parity) sense.

First data on prices were collected in Slovenia already at the beginning of the 20th century, i.e. even before the first methodological material on price statistics was published, which happened in 1928. Then data on prices were not collected for several years; at that time the prices of consumer products were determined and controlled by the state. In 1951, monitoring of the prices of food products was set up. In subsequent years other prices of goods and services for final consumption as well as prices in different stages of sale started to be monitored.

ABROAD Price level comparisons between countries: SI OVENIA PURCHASING POWER PARITIES **MPORT** AND exports & imports EXPORT PRICE INDICES Producer Wholesaler Retailer Consumer PRODUCER PRICE CONSUMER INDICES FOR GOODS PRICE INDICES AND SERVICES PRODUCER PRICE HOUSE INDICES OF PRICE INDICES AGRICULTURAL PRODUCTS

Source: SURS

How the prices of selected goods and services in Slovenia moved in the past few years in different stages of the economic cycle will be presented in detail and broken down further on, including a comparison with other, especially neighbouring, countries.

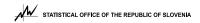


Chart 1: Prices in different stages of the economic cycle

MAIN FINDINGS:

In the 2006-2011 period the prices of industrial products produced and exported by Slovenian producers to foreign markets increased by 13%, while the prices of imported products increased by 22%.

Price level comparison for Slovenia shows that prices in 2010 were on average higher in Austria and Italy, but lower in Croatia and Hungary.

Producer prices and retail prices were increasing the most rapidly in the 1980s; in an individual year on average by just over 137% and 114%, respectively.

In the 2007-2011 period the prices of new flats increased on average by 3.2%, while the prices of existing flats decreased on average by 1.5%. In the last six years period the prices of products exported to/imported from the euro area showed higher growth rates than the prices of products exported to/imported from the non-euro area.

Agricultural input prices in Slovenia are rising faster than producer prices of agricultural products.

Every year higher prices of food and non-alcoholic beverages significantly increased total inflation.

In 2010, GDP per capita in PPS in Slovenia was 85% of the EU-27 average, while the price level in Slovenia was 83% of the EU-27 average. On average, services producer prices have been increasing constantly throughout the last five years; compared to 2006, in 2011 services producer prices were higher by 8%.

Agricultural output prices reach on average only about 30% of their retail prices.

Average floor space of an existing flat sold in 2011 was 51 square metres; the flat was constructed in 1975 and was sold at EUR,1,752 per square metre.

Prices in Slovenia

FINI LES ODEUR: VOYAGEZ TRANQUI

Demodez Votre Emballage Sous V

PRICES IN INTERNATIONAL TRADE IN GOODS

Vehixel

The most important single central fact about a free market is that no exchange takes place unless both parties benefit.

(Milton Friedman)

Photo: E. Mišič

1.1 Export and import price indices

Price movements in international trade in goods are measured with output price indices on non-domestic market (also called **export price indices**) and **import price indices**. Export price indices measure changes in the level of producer prices of industrial products that are produced in Slovenia and sold by producers on non-domestic market. Import price indices measure changes in the prices of imports where import is every product that was not produced in Slovenia but imported from a third country or supplied from another EU Member State.

Table 1: Trade in goods and price movements, Slovenia, 2011

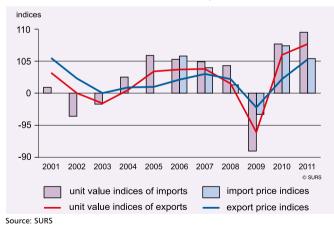
Exports		Imports	
Value of exports million EUR	20,461	Value of imports million EUR	22,110
Share of exports to EU Member States %	72	Share of imports from EU Member States %	78
Average annual growth of exports %	12.2	Average annual growth of imports %	11.2
Average annual growth of export prices %	5.3	Average annual growth of import prices %	5.4
Slovenia's most importar trading partner country	nt	Germany	
Trade balance %		92.5	
Source: SURS			

■ Slovenian exports of goods increased by 12.2% from 2010 to 2011, while imports of goods increased by 11.2% during the time considered. In 2011 the deficit in the trade in goods amounted to EUR 1,649 million; the trade balance in Slovenia was negative (92.5%).

• The average annual growth of export prices in 2011 was 5.3% and the average annual growth of import prices 5.4%.

■ In the past ten years export and import price indices tended to move similar to the other two related indicators: unit value indices of exports and unit value indices of imports (both indicators are calculated within external trade statistics).

Chart 2: Annual unit value indices and prices, Slovenia



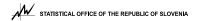
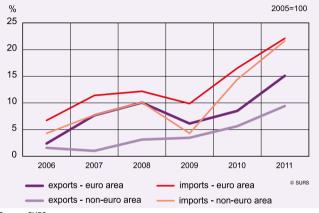


Chart 3: Price movements of industrial products exported to euro and non-euro area countries, and imported to Slovenia from them



Source: SURS

In the last six years the prices of products exported to/imported from the euro area showed higher growth rates than the prices of products exported to/imported from the non-euro area. ■ In the 2006-2011 period the prices of industrial products produced and exported by Slovenian producers to foreign markets (euro and non-euro area countries) increased by 13.0%, while the prices of imported products from these two markets grew by 22.0%.

■ At the annual level export and import prices of industrial products have not registered a major growth or fall since 2006. However, a stronger import and export price decrease was observed in 2009; the former decreased by 2.3% and the latter by 3.4%. In 2010 both prices started to grow again with import prices experiencing a 7.4% jump and export prices a moderate 2.2% price increase. Growth of both prices continued in 2011 when they increased by just over 5%.

■ In the 2006-2011 period the prices of Slovenian industrial products sold on the markets of euro area countries increased by 15.1%, while the prices of exported products sold on the markets of non-euro area countries increased by 9.4%. In the same period import prices from both markets also grew; import prices from the euro area grew by 22.1%, while import prices from the non-euro area grew by about half a per cent less.

■ The volatility for average annual prices of products exported to the euro area and imported from the non-euro area was somewhat stronger than for the average annual price of products imported from the euro-area and exported to the non-euro area; in 2009 the prices of industrial products exported to the euro area decreased by 3.5%, while the prices of imported products from non-euro area decreased even more (by 5.3%).

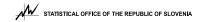
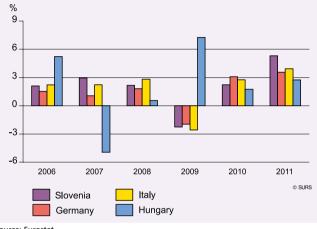


Chart 4: Average annual growth rates of export prices for industrial products, selected EU-27 Member States

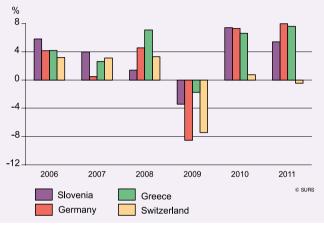


Source: Eurostat

■ The average annual price movement of exported Slovenian industrial products is similar to the price movement of the same products in Germany and Italy. With the exception of 2009, export prices were constantly growing in the 2006-2011 period.

■ Due to the financial and economic crisis, export prices of industrial products decreased in 2009; in the EU Member States the average price fall was 2.4%, while in Slovenia it was 2.3%. In 2010 and 2011 all countries returned to the positive growth rates; in 2011 export price increase for EU Member States was 4.6% and for Slovenia 5.3%.





Source: Eurostat

■ The prices of imported industrial products for selected European countries show growth in the 2006-2011 period, except in 2009, when import prices in Slovenia decreased by 3.4% and in Germany by 8.5%.

■ In the next two years import prices started to show positive rates again; on average, in Slovenia prices increased by 6.4%, while in Germany they increased by 7.6%.

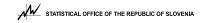
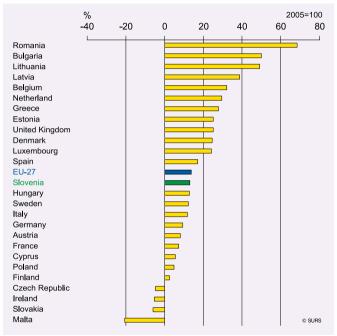


Chart 6: Export price movements of industrial products, EU Member States¹⁾, 2011



1) Data for Portugal not available. Source: Eurostat ■ Between 2006 and 2011, export prices of industrial products increased in most EU Member States. On average, export prices of industrial products in the EU Member States went up by 13.8% and in Slovenia by 13.0%.

■ The highest export price increases of industrial products were experienced in Romania (almost 70% increase was recorded in the 2006-2011 period) and Bulgaria and Lithuania (by 50% in each). In Malta export prices of products decreased the most (by 20%), while in Slovakia, Ireland and the Czech Republic they decreased by less than 10%.



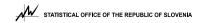
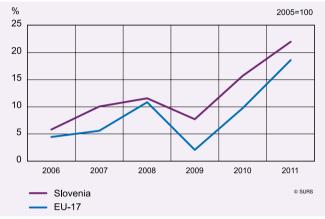


Chart 7: Import price movements of industrial products, Slovenia and EU-17



Source: Eurostat

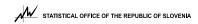
■ During the period considered import prices in Slovenia were increasing at higher rates than import prices of products in the EU-17. On average, import prices in Slovenia went up by 22.0% and in the EU-17 by 18.6%.

• The difference in the import price growth was most significant in the 2009-2011 period, when on average the price growth in Slovenia was about 5% higher than the price growth in the EU-17. ■ In the 2006-2011 period the highest increases in import prices were registered in Greece (by 29.1%) and Spain (by 25.1%). In Slovenia and the Netherlands prices went up by just over 20%, while the import price decrease was recorded only in Slovakia (by 3.1%).

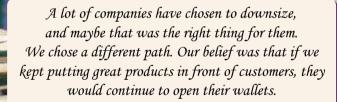
■ Slovenia exported most goods to and imported most goods from Germany; the export share to Germany was 19.8%, while the import share was 18.4%.



Source: EP (http://www.europarl.europa.eu/) Containers in the Port of Hamburg, Germany.



2 PRODUCED (AND SOLD) IN SLOVENIA



SLIC

(Steve Jobs)

WALL CLOCK

2.1 Producer prices

Price changes of industrial products are monitored with **producer price indices on the domestic market** (PPIs, also called, Output Price Indices), which measure the average monthly price development of all goods resulting from economic activity and sold on the domestic market. Changes in service producer prices are measured with **services producer price indices** (SPPI), which measure changes in the prices of selected services that enterprises as sellers of services provide to other enterprises as buyers of services.



Table 2: Producer price development of goods and services, Slovenia, 2010

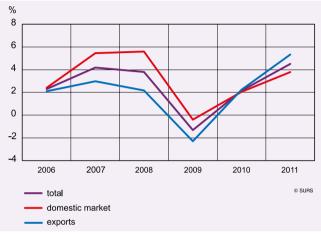
	Section NACE Rev. 2 2008	Price growth %
Producer prices of industrial products on the domestic market 2005 = 100	 B Mining and quarrying C Manufacturing D Electricity, gas, steam, air conditioning E Water supply; sewerage, waste management, remediation services 	15.9
Services producer prices 2006 = 100	 H Transportation and storage services J Information and communication services M Professional, scientific and technical activities N Administrative and support service activities 	7.6

Source: SURS

Table 3: Some characteristic of structural business statistics by sections of activity, Slovenia, 2010

Section NACE	Employ	yees	Turnover			
Rev. 2	number	%	million EUR	%		
B+C+D+E	217,245	-12.0	28,153	24.3		
H+J+M+N	151,241	23.7	12,580	39.6		
Source: SLIRS						

Chart 8: Average annual price growth of industrial products, Slovenia



Source: Eurostat

• On average, the prices of industrial products sold on the domestic (Slovenian) market were in the 2006-2008 period more than 2% higher than the prices of industrial products sold on foreign markets.

■ The turnabout in the movement of the prices of industrial products occurred in 2009 when these prices experienced a downfall; the prices of industrial products sold on the domestic market decreased by 0.4% and the prices of exported industrial products by 2.3%.

■ In the next two years the prices of industrial products produced in Slovenia started to increase again; in 2011 the price growth of industrial products sold on the domestic market was 3.8%, while export prices on the foreign markets grew by 5.3%.



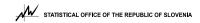
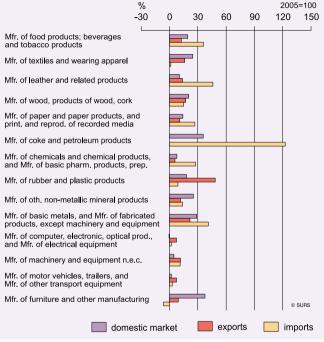


Chart 9: Price movement in the manufacture of industrial products, 2011



Source: SURS

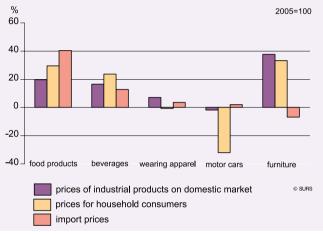
■ Between 2006 and 2011, the prices of the manufacture of industrial products sold on the domestic market grew in all manufacturing branches, except in the manufacture of computer, electronic and optical products, and in the manufacture of electrical equipment, where a 0.6% decrease was recorded. During the period considered the highest increase was registered in the manufacture of furniture and other manufacturing and in the manufacture of coke and petroleum products; in each the prices went up by almost 40%.

■ In the last six years positive growth rates were found also for the prices of exported industrial products. The highest increases were observed in the manufacture of rubber and plastic products (by almost 50%) and in the manufacture of basic metals, and the manufacture of fabricated products, except machinery and equipment (by over 20%).

■ An overview of import prices of industrial products shows that in the 2006-2011 period prices grew the most in the manufacture of coke and refined petroleum products (by 122.6%). High growth was also recorded in the manufacture of leather and related products and in the manufacture of basic metals, and the manufacture of fabricated products, except machinery and equipment (by over 40% in each). Rather high price growth (by 36.1%) was observed in the manufacture of food products; beverages and tobacco products. Only import prices in the manufacture of furniture, and other manufacturing decreased during the period considered (by 6.4%).



Chart 10: Development of producer prices of industrial products on the domestic market, import prices and prices for household consumers, selected groups of products, Slovenia, 2011



Source: SURS

■ Between 2006 and 2011, the prices of food products produced by Slovenian and foreign manufacturers and sold in Slovenia increased. The prices of imported food products grew by over 40% and the prices of Slovenian food products only by a half of the import price growth (by 19.7%). In the meantime the prices of food products for household consumers increased by about 30%.

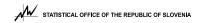
■ In the last six years the prices of beverages also increased; the prices of beverages produced in Slovenia by 16.5% and the prices of beverages produced by foreign producers by 12.7%. On average, the prices of beverages for household consumers grew at an even higher rate (by 23.0%).

■ In the 2006-2011 period the prices of wearing apparel produced by Slovenian and foreign producers increased by less than 10%, whereas the prices for household consumers slightly decreased (by 0.6%).

■ The highest negative price trend was shown in prices of motor cars for household consumers; namely, in 2011, compared to 2006, prices were lower by almost a third. The prices of motor vehicles, trailers and semi-trailers of Slovenian producers went down by almost 2%, while the prices of imported motor vehicles, trailers and semi-trailers went up by more than 2%.

■ The prices of Slovenian manufacturers of furniture for sale on the domestic market increased by almost 40% in the last six years, while the prices for household consumers increased by over 33%. During the time considered import prices of furniture decreased by almost 7%.

> In the past six years the prices of motor cars for household consumers decreased by 32%, mostly due to price decreases in second-hand motor cars.



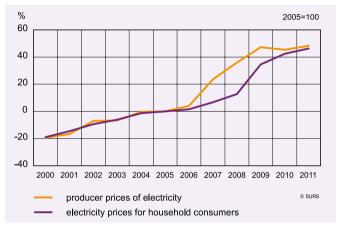


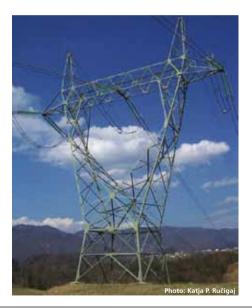
Chart 11: Development of electricity prices, Slovenia

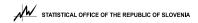
Source: SURS

- Producer prices of electricity and electricity prices for household consumers have been showing a relatively stable upward development since 2001.
- In the 2001-2005 period both prices experienced similar growth rates.

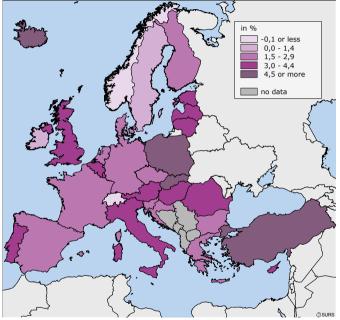
■ Differences in the growth rate pattern for producer prices of electricity and electricity prices for household consumers emerged in 2006 when producer prices started to increase at a steeper growth rate than prices for household consumers. It was not until 2010 that producer prices of electricity and electricity prices for household consumer showed similar growth rates again.

• On average, both prices increased the most in the 2006-2011 period – each by over 45%.





Map 1: Annual growth of producer prices of industrial products sold on the domestic market, European countries, December 2011



Source: Eurostat

■ In 2011 the annual growth of producer prices of industrial products sold on the domestic market in the EU-27 was 4.9%, while in Slovenia producer prices increased by 2.6%. This figure ranks Slovenia among European countries with lower producer prices growth rates.

■ In one year significant price increases of industrial products sold on the domestic market were found in the following European countries: Turkey (by 14%), Lithuania (by 10%), Latvia (by 9%), United Kingdom and Macedonia (in each by 8%). The prices of industrial products sold on the domestic market grew the least in Norway and in Malta (in each by less than 1%).

 In 2011 decreases in the prices of industrial products sold on the domestic market were recorded in two European countries, Sweden (by 3%) and Switzerland (by less than 1%).

■ Between 2006 and 2011, producer prices of industrial products sold on the domestic market increased in all EU Member States. On average, prices in the EU-27 went up by 23.3%, while Slovenia registered a slightly lower growth rate (by 20.3%). The highest price increases were experienced in Latvia and Malta (in each by 61%), while the lowest growth rates were found in Switzerland and Slovakia (in each by 8%).

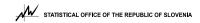
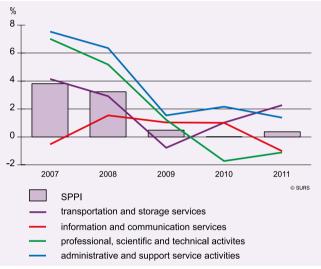


Chart 12: Average annual growth rates of services producer prices, Slovenia



Source: SURS

■ Services producer prices have been constantly growing in the last five years; however, the intensity of growth has decreased throughout the years. Namely, in 2007 the average price growth was 3.8%, while in 2010 it was close to zero. In 2011, service prices started to increase again (by 0.4%).

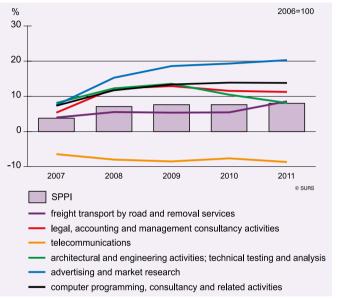
■ The increase in service prices in the activity of transportation and storage (section H) was slowing down by 2007 and in 2009 prices fell by 0.8%. In the following two years the prices of transportation and storage services registered a positive upturn with a 2.3% growth in 2011.

■ Of all observed activities in the service sector information and communication activities (section J) recorded the most stable prices. Negative price trends can be observed in 2007 (by 0.5%) and in 2011 (by 1.0%), while in the interim period services producer prices showed around 1% growth.

■ After high growth in services producer prices in professional, scientific and technical activities (section M) in 2007 (by 7.0%) and in 2008 (by 5.2%), prices started to stagnate. The first price fall was observed in 2010 (by almost 2%) and the second in 2011 (by 1.1%).

■ In the 2007-2008 period, services producer prices in employment activities, security and investigation activities and cleaning activities (section N) were increasing by around 7% per year. In the next three years lower service price growth was experienced – prices grew on by average by 1.7% per year.





Source: SURS

• On average, services producer prices have been increasing constantly throughout the last five years; compared to 2006, in 2011 services producer prices went up by 8.0%.

■ Compared to 2006, in 2011 the prices of advertising and market research increased on average by 20.3%, while the prices of telecommunications decreased by 8.7%.

■ In the last five years stable upward trend in prices was found in freight transport by road and removal services and also in computer programming, consultancy and related activities.

■ Between 2007 and 2011 service prices in legal, accounting and management consultancy activities grew by 11.3% and in architectural and engineering activities; technical testing and analysis by 8.1%. In the economically unstable 2009-2011 period the intensity of price growth in both service activities decreased, but architectural and engineering activities; technical testing and analysis appeared to be more sensitive to the overall economic climate than legal, accounting and management consultancy activities.



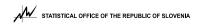
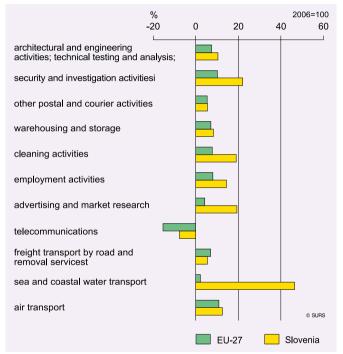


Chart 14: Development of services producer prices, selected activities, Slovenia and EU-27¹), 2010

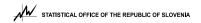


1) At the EU-27 level there are no data for other service activities. Source: Eurostat ■ Compared to EU Member States, services producer prices have been rising faster in Slovenia in the 2007-2011 period.

■ The difference in the price growth was the most noticeable in see and coastal water transport; in the EU-27 the prices went up by 2.1%, while in Slovenia they went up by as much as 46.5%. Compared to EU Member States, higher growth rates for Slovenian service prices were also experienced in advertising and market research, employment activities, security and investigation activities and cleaning activities.

• The only exception to the general positive service price growth in the observed period is the prices of telecommunications; the price decrease for this activity was twice as high in the EU-27 (by 15.4%) as in Slovenia (by 7.7%).





2.2 Producer prices of agricultural products

■ On producer's side we observe also prices of agricultural products at producers of these products, namely producer prices of agricultural products in the first marketing stage (»at the farm-gate«). Data collected in this way represent the basis for calculating average prices and producer price indices of agricultural products (PPIAP). With these data we observe price movement of crop products and of animals and animal products at agricultural producers in Slovenia.

• Observing producer prices of agricultural products is important to allow individual targets in the agricultural policy to be determined, the necessary measures to be taken and the effects of the policy to be monitored at the national level and at the level of the EU-27.



Table 4: Some characteristics of agriculture, Slovenia, 2010

Value of agricultural output (million EUR)	1,111
Number of agricultural holdings	74,646
Agricultural labour input (AWU)	77,012
Utilised agricultural area (ha)	474,432
Price of agricultural land (EUR/m2)	1.58
Average annual increase of agricultural land (%)	9.7
Average annual increase of producer prices of agricultural products (%)	2.1
Average annual increase of agricultural input prices (%)	1.5
Source: SURS	

■ Agricultural land prices were rising in 2010 faster than other prices in agriculture; but in 2011 the picture was reversed: compared to the year before producer prices of agricultural products increased by 9.0% and agricultural input prices by 11.1%, while agricultural land prices decreased by 5.6%.

In 2010, an average agricultural holding in Slovenia used 6.4 hectares of agricultural area and reared 5.6 LSU; on average 2.8 persons in employment worked on it.

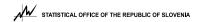
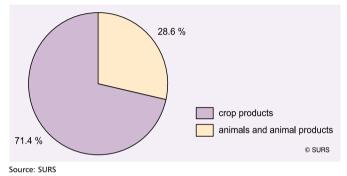


Chart 15: Agricultural products included in the calculation of the producer price index of agricultural products, Slovenia, 2011



■ In Slovenia we monthly observe producer prices of agricultural products for 160 different kinds of agricultural products, but in the calculation of the producer price index of agricultural products only those products with significant share in the total value of purchase/ sale at the first marketing stage in the base year (i.e. in 2005) are included (there are 70 such agricultural products).

■ In 2011 the share of crop products in the producer price index of agricultural products was just over 71%, while the share of animals and animal products was almost 29%.

■ As regards crop products, cereals, vegetables, fruits, horticultural products, potatoes, etc., were included in the calculation of this index and as regards animals and animal products, for example cattle, pigs, milk, eggs, honey.

■ The price level of a certain agricultural product at producers is influenced by the quantity of the product available (this depends on natural and economic conditions for its production, e.g. natural resources, weather conditions, extent of production, subsidy of a country, European Union) and by the demand for the agricultural product.

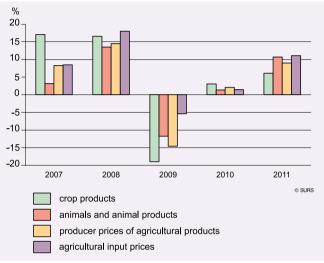
■ Another point of view of observing prices in agriculture is observing agricultural input prices. On the basis of these data **agricultural input price indices** are calculated. With them we observe the movement of prices of goods and services currently consumed in agriculture (e.g. prices of seeds of crops, of fertilizers, of plant protection products, of veterinary expenses, of animal feedingstuffs, etc.) and of goods and services contributing to agricultural investment (e.g. prices of agricultural machinery and other equipment, of transport equipment and of buildings).

■ In 2011 in the agricultural input price index the share of goods and services currently consumed in agriculture represented 67% and the share of goods and services contributing to agricultural investment 33%.





Chart 16: Average annual increase in producer prices of agricultural products and agricultural input prices, Slovenia



Source: SURS

■ Producer prices of agricultural products and also agricultural input prices had in the last five years the same movement as other prices. This means that they increased rather significantly in 2007 and 2008, after which they dropped in 2009, then increased slightly in 2010 and again increased significantly in 2011.

■ Agricultural input prices in Slovenia are rising on average faster than producer prices of agricultural products; in the 2006-2011 period the price increase of agricultural input prices was by almost 12% higher than the price increase of producer prices of agricultural products.

■ Prices of crop products increased in the last five years on average mostly faster than prices of animals and animal products. The exception were 2009 and 2011; in 2009 producer prices of agricultural products considerably decreased, while in 2011 the price increase of animals and animal products was higher than the price increase of crop products.

■ Among crop products in 2011 compared to 2010 the prices of fresh peas and oil turnip rape went up the most (by 57.5% and by 48.3%, respectively), while the following prices decreased the most: other fresh fruit (by 22.8%), early potatoes (by 21.6%) and tomato (by 18.5%).

■ In the group animals and animal products in 2011, in comparison with 2010, the prices of rawhide cattle and calf skin went up by 24.8% and of other animals-rabbits by 17.6%, while cow's milk was 13.8% more expensive than in 2010.

Agricultural input prices in Slovenia are rising faster than producer prices of agricultural products.

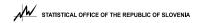
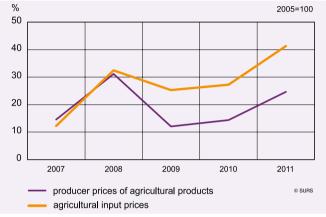


Chart 17: Movement of producer prices of agricultural products and agricultural input prices, Slovenia



Source: SURS

Table 5: Scissors of prices¹⁾ in agriculture, Slovenia

					2005=100
	2007	2008	2009	2010	2011
Scissors of prices (%)	2.1	-0.9	-10.5	-10.1	-11.7

 Scissors of prices are defined as the ratio between the producer price index of agricultural products and the agricultural input price index.
 Source: SURS • Differences between the producer price index of agricultural products and the agricultural input price index in the last three years significantly increased.

■ In 2007 the price increase of agricultural products was a little higher than the price increase of agricultural inputs, but in the following years the picture reversed. In 2011 the price increase of agricultural products lagged behind the cost increase by more than 11% (this was the greatest difference in the last five years).



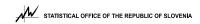
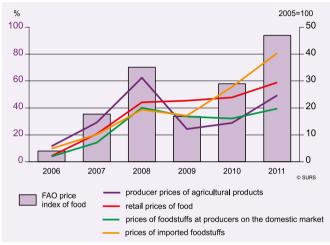


Chart 18: Movement of food prices, Slovenia and global markets



Sources: FAO, SURS

■ For many years the Food and Agriculture Organisation of the United Nations (FAO) has been observing the movement of the prices of five of the most important groups of goods on global markets (meat, milk and milk products, cereals, sugar, and oils and fats) and it calculates on this basis a special food price index.

■ A comparison of the price increase of food and foodstuffs, respectively, measured by different price indices, shows that in Slovenia in the 2006-2011 period prices of imported foodstuffs increased the most (by 40.4%), followed by retail prices of food (by 29.5%), producer prices of agricultural products (by 24.7%) and prices of foodstuffs at producers on the domestic market (by 19.7%).

■ Although the prices of food and foodstuffs, respectively, in this period already considerably increased in Slovenia, these prices increased even more on global markets.

• The price increase of food, measured by the FAO food price index, was in 2011, compared to 2005, as high as 94.0%.



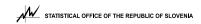


Table 6: Average annual prices of selected agricultural products at producers (PP) and at final consumer (RP), Slovenia

							EUR
		2006	2007	2008	2009	2010	2011
Cabbage (kg)	PP	0.17	0.20	0.23	0.20	0.22	0.24
	RP	0.70	0.70	0.80	0.69	0.78	0.79
Potatoes for consumption (kg)	PP	0.21	0.18	0.19	0.12	0.16	0.15
	RP	0.53	0.71	0.60	0.54	0.60	0.64
Apples (kg)	PP	0.32	0.42	0.59	0.43	0.41	0.45
	RP	0.82	0.99	1.38	1.12	1.01	1.19
Cow's milk (l)	PP	0.27	0.29	0.34	0.27	0.27	0.31
	RP	0.56	0.60	0.77	0.79	0.74	0.82

Source: SURS

■ The price obtained by Slovenian producers at the first marketing stage for a certain agricultural product (also called agricultural output price) is considerably lower than the average retail price of this product in Slovenia. This is obvious from the price comparison of selected agricultural products.

Agricultural output prices reach on average only about 30% of their retail prices.

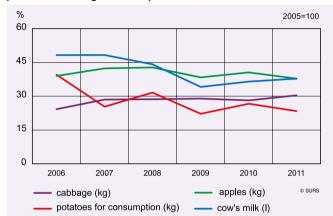
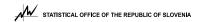
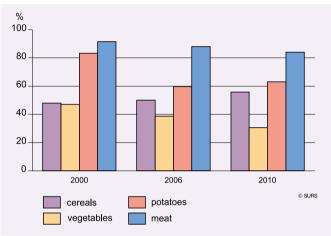


Chart 19: Share of the agricultural output price in the retail price, selected agricultural products, Slovenia

Source: SURS

■ Differences between the agricultural output price and the final selling price of agricultural products continued to increase in recent years, except for cabbage. The greatest differences were observed in potatoes, and the smallest in apples and cow's milk. The agricultural output price of potatoes reached in 2011 only about 23% of its retail price, while the agricultural output price of apples and milk reached almost 38% of their retail price.





 The self-sufficiency rate shows to what extent domestic production satisfies domestic consumption (for fodder, for food and for industrial consumption). In Slovenia it is much higher for animal products than for crop products.
 Source: SURS

Typical of Slovenia are a high self-sufficiency rate of meat (84.0% in 2010) and a low self-sufficiency rate of vegetables. In 2010 the

self-sufficiency rate of vegetables was only 30.6%, in 2000 it was 47.1%, but before Slovenia's accession to the European Union it was 38.6%.

■ The self-sufficiency rate was very low particularly between 2000 and 2010. The self-sufficiency rate was very low particularly for vegetables (in 2010 31%) and for cereals (in 2010 56%). Rather low was also the self-sufficiency rate of potato (in 2010 63%).

• The decrease in self-sufficiency was influenced by the decrease in utilised agricultural area.

■ Namely, according to agricultural census data, the area of land used for agriculture decreased in 2010 compared to 2000 by 2.4% or by 11,447 hectares. The area of land under permanent crops decreased the most (by 10.4%).

Self-sufficiency rate = domestic production / domestic consumption * 100

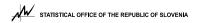
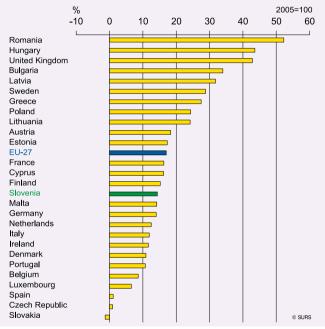
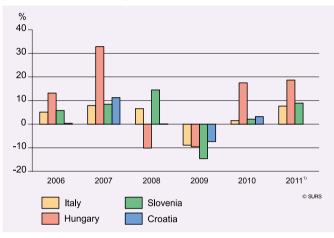


Chart 21: Movement of producer prices of agricultural products, EU-27, 2010



Source: Eurostat

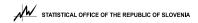
Chart 22: Annual growth of producer prices of agricultural products, selected European countries



1) No data for Croatia for 2011. Source: Eurostat

■ In comparison with 2005, in 2010 producer prices of agricultural products increased in all EU Member States, except in Slovakia, where they slightly decreased. At the EU-27 level they were higher on average by 17% and in Slovenia by just over 14%.

• Producer prices of agricultural products increased in the observed years also in our neighbouring countries, namely on average the most in Hungary and the least in Croatia and in Italy.



3 FINAL CONSUMPTION

Inflation is the one form of taxation that can be imposed without legislation.

(Milton Friedman)

■ Allocated assets of households can be divided into three main groups: in the first group there is consumption expenditure (84.6%), in the second group expenditure for a dwelling or a house (10.9%) and in the third group other expenditure (4.5%). Consumption expenditure in 2009 amounted to an average of EUR 6,902 per household member; most of these expenses were allocated for food and non-alcoholic beverages, followed by expenditure on transport, housing and other.

■ Data on allocated assets are, together with collected prices of selected products, the basis for calculating **consumer price indices** (CPI). They are used to measure changes in prices of goods and services that the resident population intends for final consumption in Slovenia or abroad.



• Consumer habits of households have changed significantly and these changes have reflected in the structure of the basket used for calculating consumer price indices.

Table 7: Products in the basket for CPI calculation, Slovenia

		1995	2011
0	TOTAL	444	669
1	Food and non-alcoholic beverages	127	160
2	Alcoholic beverages and tobacco	12	17
3	Clothing and footwear	78	64
4	Housing, water, electricity, gas and other	27	35
5	Furnishing, household equipment and maintenance	73	76
6	Health	10	49
7	Transport	30	60
8	Communication	9	17
9	Recreation and culture	39	85
10	Education	1	7
11	Restaurant and hotels	12	39
12	Miscellaneous goods and services	26	60
Sour	ce: SURS		

In 2009 a household member consumed on average 65 l of milk, 38 kg of bread and pastry, 19 kg of apples, 31 kg of potato and 29 kg of meat.

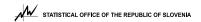
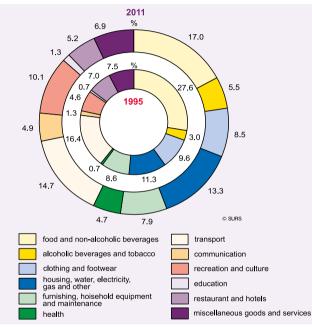


Chart 23: Main groups of CPI, Slovenia



Source: SURS

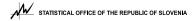
Changes in consumer habits of households clearly reflect in the decreasing expenditure on goods and increasing expenditure on services. This is certainly the result of strengthening of service activities and decline in industrial production and manufacturing.

■ The share of expenditure on goods was in 1995 almost 80%, and the share of expenditure on services just over 20%. By 2011 the share of expenditure on goods has dropped to just below 70%. while the share of expenditure on services has increased to 30%.

 The highest share in the basket for CPI calculation is still that of expenditure on food and non-alcoholic beverages (in 2011 17%). followed by transport expenditure (15%) and housing expenditure (13%).







3.1 Inflation and inflation expectations

■ Inflation is permanent growth of all or a large number of prices of goods and services over a longer period, which decreases the value of money or its purchasing power. Since 1998 inflation in Slovenia has been measured with the consumer price index.

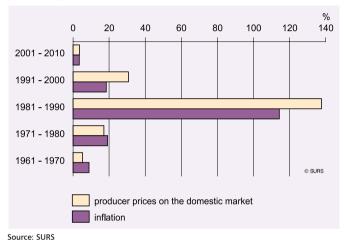
Table 8: Inflation in Slovenia, 1953-2011

Highest (in 1989)	2,818.1%
Lowest (in 2009)	1.8%
Annual (in 2011)	2.0%
Source: SORS	

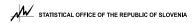
Producer prices and retail prices were increasing the most rapidly in the 1980s; in an individual year on average by just over 137% and by 114%, respectively. Such high growth rates already indicate a hyperinflation.

■ In 2011, the annual price growth, measured with the consumer price index, was 2.0%; the 12-month average price growth was 1.8%.

Chart 24: Average annual inflation rate and the growth rate of producer prices on the domestic market, Slovenia



INFLATION = paying next year with last year's salary



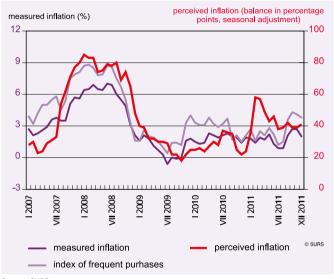
Final consumption

■ Perceived inflation frequently differs a lot from officially calculated inflation. There are several reasons for this: price rises attract more media attention than price falls, frequent purchases, i.e. out-of-pocket purchases, are more visible than less frequent purchases and direct debits; also, a person's consumption structure can greatly differ from the consumption structure of the average consumer.

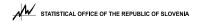
Official calculations of the inflation rate can be explained to users in several ways. One of these is the index of frequent purchases, which measures changes in the prices of goods and services that are frequently bought and paid out-of-pocket. Changes in the prices of these goods and services are perceived the most by the consumers.

• Chart 25 shows that the index of frequent purchases is usually higher than the total CPI, which is composed of both frequent and less frequent purchases.

■ The movement of perceived inflation shows that people often feel that prices increased much more than they actually did; this most frequently happens at forecasted price increases or during the time of the economic crisis and different changes such as the euro changeover. Chart 25: Development of the officially calculated inflation, the index of frequent purchases and the perceived inflation, Slovenia, 2007-2011



Source: SURS



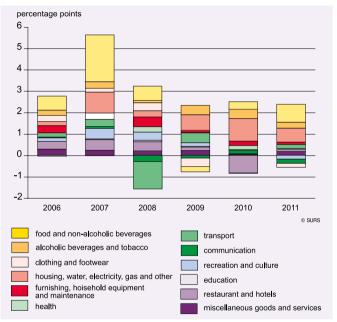


Chart 26: Contribution of individual groups of the CPI to the

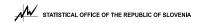
■ In different years individual groups of the CPI contribute differently to the total inflation rate, depending on what weight they have and to what extent the prices change. Weights, which are changed every year, are to a large extent based on Household Budget Survey data; these data are supplemented and checked with other statistical and non-statistical sources.

• Every year inflation is largely influenced by price changes in the groups food and non-alcoholic beverages, housing and transport, since these are the groups that have the most important shares in total household consumption.

• Chart 26 shows that every year higher prices of food and nonalcoholic beverages pushed the inflation rate up, the most in the year of the euro changeover; the only exception was 2009, when prices on average decreased.

■ Price trends in the groups housing and transport are significantly influenced by prices of petroleum products, i.e. liquid and motor fuels. Chart 26 shows that their impact on the inflation rate was negative only in 2008; at that time motor fuel prices dropped more significantly.

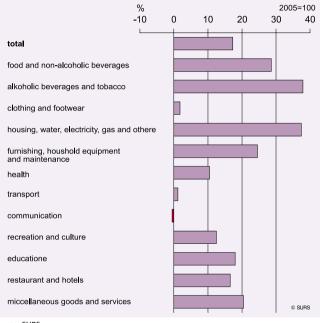
Every year higher prices of food and non-alcoholic beverages significantly increased total inflation.



total inflation rate. Slovenia

Source: SURS

Chart 27: Development of retail prices by the main groups of CPI, Slovenia, 2011



Source: SURS

■ In the 2006-2011 period, retail prices increased on average by more than 17%.

■ The prices of alcoholic beverages and tobacco and of goods and services in the group housing increased the most (each by almost 38%), while prices in the group communication decreased (by almost 1%).

■ In the group housing, in the past six years the prices of electricity, gas and other fuels increased the most (by just over 52%); the prices of heat energy and gas went up by around 65%, of liquid fuels by 61% and of electricity by more than 46%.

■ In the group food and non-alcoholic beverages, in the past six years the prices increased by almost 29%: the prices of oils and fats went up by 58% and of milk, cheese and eggs by just over 42%.

■ In the past six years the prices of goods in the group furnishing also increased a lot (by almost 25%). The prices of furniture and furnishings and the prices of goods for routine household maintenance increased by around 33%.

• Even though motor fuel prices increased by 38% since 2005, the prices in the group transport increased by only 1% because on the other hand the prices of motor cars (new and second-hand) went down on average by 32%.



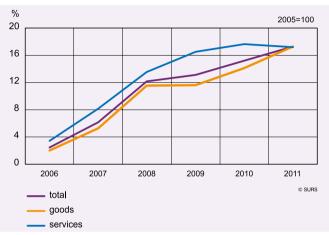


Chart 28: Development of retail prices of goods and services, Slovenia

Source: SURS

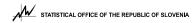
Compared to 2005, the growth of service prices was constantly higher than the growth of goods prices; however, in the past two years goods prices increased more than service prices, so that in 2011 total growth of both goods and service prices was almost the same. ■ There is a large difference in the price growth between the first and the second part of this six-year period. In the 2006-2008 period prices grew much more than in the 2009-2011 period. In the first three years, service prices went up by 13.5% and goods prices by 11.5%, while in the second three years, goods prices went up by just over 5% and service prices by just over 3%.

• The largest differences between the price growth in the first three years and the price growth in the last three years were recorded in services.

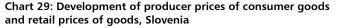
■ In the first three years the prices of catering services, package holidays, recreational and sport services, services for the maintenance and repair of the dwelling, pre-primary education, financial services, rents, insurance connected with health, and personal services increased much more than in the last three years.

• On the other hand, in the second period between 2009 and 2011 the prices of municipal services, insurance connected with the dwelling, electricity, and alcoholic beverages increased much more than in the first period.

In the 2006–2008 period, the prices of goods and services were increasing twice as fast as in the 2009–2011 period.



Source: SURS



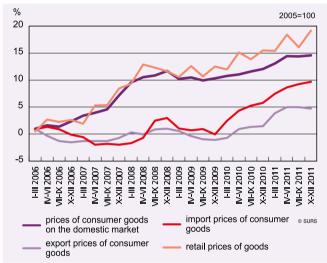
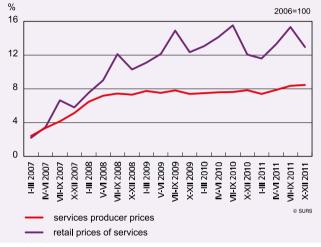


Chart 30: Development of service prices, Slovenia



Source: SURS

The prices of services used by households (retail prices) and the prices of services used by business entities (producer prices) were moving very differently, especially since 2008.

■ In the 2007-2011 period, the services producer prices increased on average by 8%, while retail prices of services went up by 13%.

■ In the past six years retail prices of goods increased the most (by 17.3%), followed by producer prices of products sold on the domestic market (by 14.4%), the prices of imported products (by 8.8%) and the prices of exported products (by 4.6%).

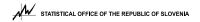


Table 9: Average annual retail prices of selected goods and services, Slovenia

EUI						
	1991	2001	2006	2007	2011	
Long-grain rice, 1 kg	0.19	1.56	1.77	1.84	2.23	
Weat flour, 1 kg	0.06	0.54	0.61	0.71	0.88	
Loaf of white bread, 1 kg	0.12	1.41	1.90	1.93	1.78	
Pasta, 1 kg	0.18	1.53	1.66	1.79	2.06	
Pork coutlet, 1 kg	0.82	6.20	4.83	5.19	5.60	
Whole chicken, 1 kg	0.35	2.95	2.87	3.11	3.65	
Fresh milk, unskimmed, 1 l	0.06	0.54	0.56	0.60	0.82	
10 chichen eggs, class A	0.18	1.01	1.30	1.46	1.59	
Butter, 250 g	0.18	1.20	1.42	1.53	1.91	
Olive oil, extra virgin, 1 l	0.18	1.00	1.43	1.49	2.30	
Apples, 1 kg	0.15	0.74	0.82	0.99	1.19	
Potato, 1 kg	0.05	0.32	0.53	0.71	0.64	
White sugar, 1 kg	0.11	0.75	0.82	0.82	1.00	
Milk chocolate, 1 kg	0.99	6.77	7.88	8.30	8.60	
Beer, lager, 1 l	0.14	1.34	1.39	1.43	1.81	
Cigarettes, imported, 1 pack	0.05	1.56	2.32	2.53	3.20	
Urban bus transport, single ticket	0.05	0.75	0.97	0.93	0.84	
Daily newspaper	0.07	0.57	0.79	0.82	1.20	
Cup of coffe	0.05	0.59	0.81	0.93	1.16	
Ladies haircut	1.14	18.29	23.79	25.25	30.83	
lowest price medium price						
low price high price highest price						

■ In the past twenty years the price of a pack of cigarettes jumped the most. For the amount of money spent on a pack of cigarettes in 2011, in 1991 one could buy as many as 64 packs of cigarettes.

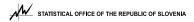
■ In the past twenty years the price of a visit in a hair salon also increased a lot. For the average amount of money spent by a woman in a hair salon in 2011, in 1991 she could visit a hair salon twice a month the whole year round.

■ In 1991, as many as 23 cups of coffee could be bought in a restaurant for the price of a cup of coffee in 2011. However, a person with average monthly net salary was able to buy 861 cups of coffee in 1991 and 851 cups of coffee in 2011.

■ In the 2006-2008 period alone the prices of a cup of coffee increased by more than 40%, especially due to the changeover to the common European currency.



Source: SURS



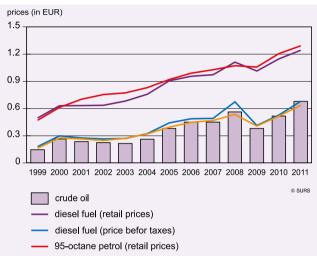


Chart 31: Average annual prices of crude oil and motor fuels, Slovenia and global markets

Sources: ECB, SURS

■ In Slovenia the prices of petroleum products are formed on the basis of a 14-day model, which is stipulated in a special regulation. The bases for price formation are trends in the prices of petroleum products on the CIF Mediterranean quotation and trends in the USD/ EUR exchange rate. To the base price are added the contribution for compulsory reserves, margins of distributors and fiscal burden (excise duty, contribution for energy efficiency, for fuel oil also the environmental tax, and VAT). Table 10: Average retail prices of petroleum products, Slovenia

				EUR/I
	1999	2003	2007	2011
Extra light fuel oil	0.237	0.385	0.618	0.911
95-octane petrol	0.454	0.772	1.030	1.290
Diesel fuel	0.466	0.682	0.974	1.243
c cupc				

Source: SURS

■ In Slovenia too the trends in the prices of petroleum products mostly depend on the trends in crude oil prices on the global market; and in recent years ever more also on changes in fiscal burden determined by the government.

• The average price of fuel oil in 2011 was EUR 0.293 higher than in 2007, which is an increase of more than 47%; compared to 1999 the price increased by EUR 0.674 or by more than 284%.

■ The average price of unleaded 95-octane petrol in 2011 was EUR 0.260 higher than in 2007, which is an increase of more than 25%; compared to 1999 the price increased by EUR 0.836 or by more than 184%. In this period the diesel fuel price increased the least; in 2011 the average price was EUR 0.269 or almost 28% higher than in 2007 and EUR 0.777 or almost 167% higher than in 1999.

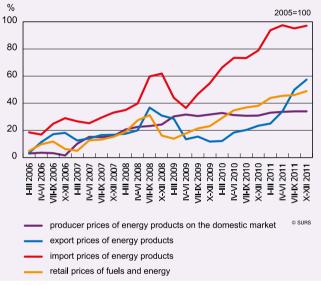


In all price indices calculated by SURS, energy products play a very important role. In the past six years energy prices increased significantly, partly due to increasing consumption.



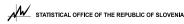
Since mid-2009 especially import prices of energy products have been rising at very high rates.





Source: SURS

■ In the 2006-2011 period, import prices of energy products increased the most (by 95.9%), followed by retail prices of fuels and energy (by 46.1%), export prices of energy products (by 41.6%) and producer prices of energy products sold on the domestic market (by 33.7%).

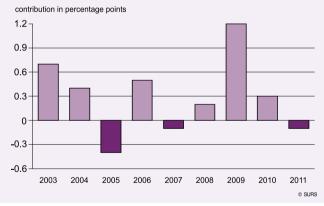


PRICES IN SLOVENIA

3.2 The impact of taxation on prices

The movement of prices to a large extent depends on changes in taxes and excise duties. The Government the most frequently changes the excise duties on petroleum products and less frequently the excise duties on alcoholic beverages and tobacco. In the past few years tax rates for specific goods and services have also been changed a few times.

Chart 33: The impact of taxes and excise duties on inflation, Slovenia

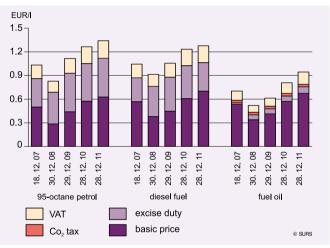


Source: SURS

■ The impact of changed taxes and excise duties on inflation was very different in individual years. Higher taxation to the largest extent influenced the total inflation rate in 2009 and 2003; at that time

the excise duties on petroleum products and on alcoholic beverages and tobacco increased the most. Particularly by reducing the excise duties on petroleum products, in three years the government reduced the inflation rate.

Chart 34: Structure of petroleum products prices, Slovenia



Source: Ministry of Economic Development and Technology

■ Excise duties represent an important part in the structure of petroleum products prices. When prices change the share of the excise duty also changes; on average, it represents around 40% of the final price of unleaded 95-octane petrol, around 30% of the final price of diesel fuel and around 10% of the final price of fuel oil.



3.3 Real estate prices

■ For humans the provision of adequate housing has always been one of the primary needs. Construction costs, real estate prices, especially dwelling prices and rents, are very important not only for the country but also for each individual. Prices and real estate market developments have been monitored with **house price indices (HPI)** since 2007 (when they were set up); with them we monitor the changes in prices of newly built and existing flats and family houses.



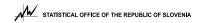
Average floor space of an existing flat sold in 2011 was 51 square metres; the flat was constructed in 1975 and was sold at EUR 1,752 per square metre.

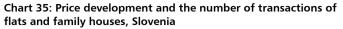
Table 11: Housing market characteristics, Slovenia, 2010

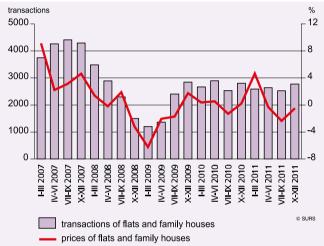
Number of dwellings	844,349	
Average floor space of a dwelling (m ²)	77.7	
Average number of persons in a dwelling	2.4	
Number of dwellings per 1000 population	412	
Number of dwellings completed	6,352	
Source: SURS		

Table 12: Prices of selected real estate and their development, Slovenia, 2011

Average price	EUR		
Existing flats (per m²)	1,752		
Family houses – land included	118,606		
Construction land (per m ²) 62			
Price development	%		
Dwellings, total	2.7		
Newly built flats	7.6		
Newly built family houses	-1.8		
Existing flats	1.0		
Existing family houses	-0.3		
Source: SURS			







■ As did the number of transactions, the prices of flats and family houses increased the most in 2007 and in the first half of 2008; this was followed by a period of strong decline in both prices and the number of transactions. The lowest level was achieved in the first quarter of 2009. In the past two years the number of transactions again slightly increased, which reflected in the rise in prices.

• More than in the prices of flats and family houses, the decline in construction activity reflected in the number of issued building permits and the number of completed dwellings.

■ Between 2007 and 2011 the prices of newly built flats went up on average by 3.2%, while the prices of existing flats went down on average by 1.5%.

In 2011 a person in Slovenia was able to buy 0.6 m² of floor area of an existing dwelling with average net salary and in 2007 0.5 m² of floor area of an existing dwelling.

Table 13: Building permits issued, dwellings completed and transactions of flats and family houses, Slovenia

							Number
	2005	2006	2007	2008	2009	2010	2011
Building permits issued	7,235	8,463	10,204	8,376	5,914	4,808	3,732
Dwellings completed	7,516	7,538	8,357	9,971	8,561	6,352	
Transactions of flats and family houses	8,270	9,507	16,729	10,179	7,828	10,911	10,533
data not available Sources: SURS, GURS							

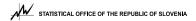
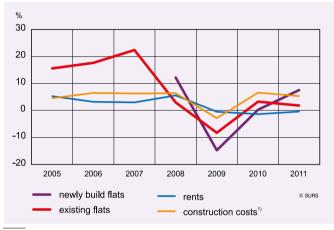


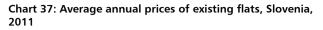
Chart 36: Average annual house price growth, average annual growth of rents and construction costs, Slovenia

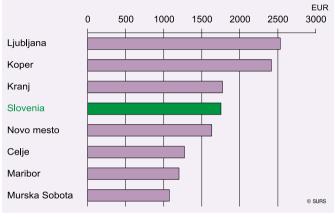


¹⁾ Data by the end of the third quarter of 2011. Source: SURS

■ The prices of flats and family houses were rapidly growing until mid-2007, when growth of prices reached the peak; after that they were growing more slowly and in early 2009 they fell dramatically. In the past two years the prices of flats (especially of newly built flats) have been gradually growing, whereas the prices of family houses are still falling.

■ In the past few years rents have not changed much. The dynamics of changing flat prices is closely followed by the dynamics of construction activity and construction costs.





Source: GURS

• A square metre of an existing flat was in 2011 the most expensive in Ljubljana and the cheapest in Murska Sobota; in Ljubljana the price was 2.4-times higher than in Murska Sobota.

■ The average price per square metre of an existing flat was in 2007 23-times higher than the price per square metre of building land; in 2011 the ratio was 28 to 1.

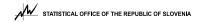
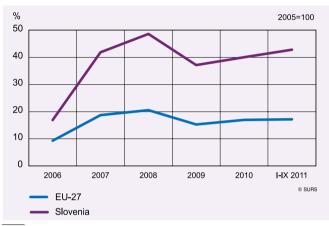


Chart 38: House price development, Slovenia $\!\!^{\scriptscriptstyle (1)}$ and EU Member States

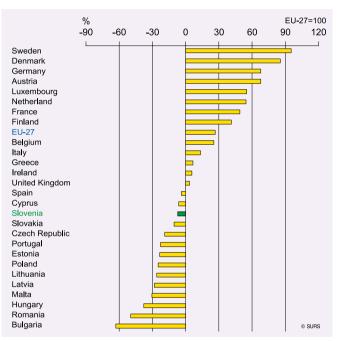


1) Only existing flats are included in the data. Source: Eurostat

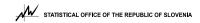
■ In the past six years the prices of existing flats in Slovenia increased much more than house prices in the EU-27.

■ In 2010 the price level of housing in Slovenia was more than 7% higher than the EU-27 average; it was the highest in Sweden (95% above the EU-27 average) and the lowest in Bulgaria (63% below the EU-27 average).

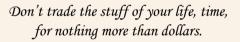
Chart 39: Price level of housing, EU Member States, 2010



Source: Eurostat



4 INTERNATIONAL PRICE COMPARISONS



(Rita Mae Brown)

4.1 Harmonised index of consumer prices

Monitoring price trends and providing price stability not only in one country but also wider has become so important that the EU stated this in the Maastricht Treaty. To achieve this objective, a **new indicator** had to be developed, which would be based on comparable and reliable data. The result of several years of efforts is the **harmonised index of consumer prices (HICP)**.

The basic purpose of the HICP is to measure inflation and compare inflation rates among countries with a price index that shows differences in price changes or in the consumption structure among countries. This indicator measures changes in retail prices of goods and services that consumers buy on the territory of an individual country.

Table 14: HICP, EU Member States, 2011

	Annual growth
EU-27	3.0
The highest HICP (Slovakia)	4.6
The lowest HICP (Sweden)	0.4
Slovenia	2.1
Colored Eleverated	

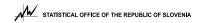
Source: Eurostat

■ In Slovenia the HICP has been calculated as an independent indicator since 2001; before that there was a time series of data (since 1996) at the level of 12 main groups.

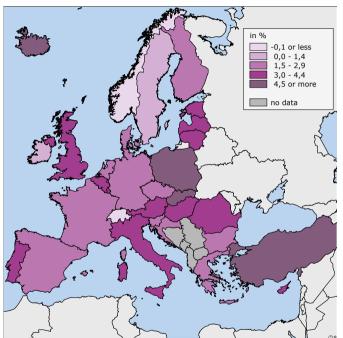
■ In 2011, the annual growth of prices in Slovenia, measured with the HICP, was 2.1%; it was lower than the price growth in both the EMU (2.7%) and the EU-27 (3.0%).

■ The total price growth in the European Monetary Union was in 2011 mostly the result of higher prices of motor fuels and liquid fuels (0.45 p.p.), gas (0.12 p.p.) and electricity (also 0.12 p.p.); the price growth was lowered by lower prices of telecommunications (by 0.15 p.p.) and vegetables (by 0.12 p.p.).





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Map 2: Annual price growth for HICP, European countries, December 2011

Source: Eurostat

■ In 2011, prices in Slovenia and in the neighbouring Croatia increased by 2.1%; in other neighbouring countries they increased much more: in Austria by 3.4%, in Italy by 3.7% and in Hungary by 4.1%.

■ In 2011, in Slovenia retail prices of milk, cheese and eggs, bread and cereals, and meat increased more than in the neighbouring countries, while retail prices of pharmaceutical products and municipal services increased less.

■ In Italy retail prices of electricity, gas and other fuels, tobacco, outpatient services and transport services increased much more than in Slovenia.

■ In Austria retail prices of services, especially catering and accommodation services, education services and package holidays increased more than in Slovenia. The same is true for the prices of non-alcoholic beverages, wine, oils and fats, and motor fuels.

■ In Croatia retail prices of postal services, financial services, and social protection services increased more than in Slovenia as did the prices of fish and beer in stores.

■ In Hungary retail prices of dental services increased much more than in Slovenia. The same is true for the prices of spirits, non-alcoholic beverages, sugar, jam, chocolate and confectionery, and motor fuels.

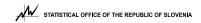
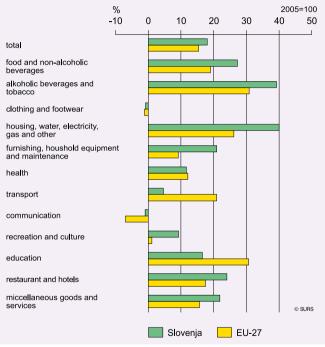


Chart 40: Prices by main groups of HICP, Slovenia and EU Member States, 2011



Source: Eurostat

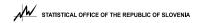
■ In the 2006-2011 period, prices measured with the HICP increased on average in Slovenia by 18% and in the EU-27 slightly less, by just over 15%.

■ In the EU-27, in the past six years the prices of alcoholic beverages and tobacco increased the most (on average by almost 31%); these prices also increased a lot in Slovenia (by just over 39%). In Slovenia prices in the group housing, water, electricity, gas and other increased even more (by 40%).

■ Distinctly different price trends between Slovenia and the EU-27 average were observed in the groups transport, education, housing, water, electricity, gas and other, and furnishing, household equipment and maintenance. In the first two groups the prices in Slovenia increased much less than the EU-27 average, while in the other two groups they increased much more than the EU-27 average.

■ The price trends of motor cars in Slovenia also differed from the trends in the EU-27; especially on account of second-hand motor cars, the prices in Slovenia on average decreased by more than 32%, while the prices in the EU-27 increased on average by 2%.

■ In the past six years gas prices and heat energy prices in Slovenia increased much more than in the EU-27. In the EU-27 gas prices went up on average by 48% and in Slovenia by 68%, while heat energy prices in the EU-27 went up by 40% and in Slovenia by 66%.



Purchasing Power Parities (PPP) are generally defined as spatial deflators and currency converters, which eliminate the effects of the differences in price levels between countries. Data are provided jointly by the statistical institutions of the EU Member States and participating countries. Annually they have to provide to Eurostat prices for more than a thousand different kinds of products and services.

The most often used indicator that represents economic potential, development and living standard of residents of a given country is **Gross Domestic Product per capita (GDP per capita)**, expressed as volume indices.

Table 15: GDP per capita and price levels, European countries,2010

GDP per capita in PPS	
EU-27=100	
highest: Luxemburg	271%
lowest: Albania	28%
Slovenia	85% of EU-27 average
Price level:	
EU-27	
Difference between price levels across EU-27	1:3
Slovenia	83% of EU-27 average
Source: Eurostat	

■ GDP per capita in PPS is GDP in national currency, converted into common currency with PPP, expressed as the number of national currency units per 1 PPS.

Purchasing parity for Slovenia in 2010 was 0.83 EUR/1 PPS.

PPS = an artificial, fictive currency which at the level of the EU-27 equals 1 EUR

■ Slovenia achieved 85% of the EU-27 average in 2010 and was the closest to the EU-27 average in 2008, when GDP per capita amounted to PPS 22,700, which represented 91% of the EU-27 average.

■ The price level in Slovenia was in 2010 83% of the EU-27 average.



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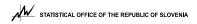
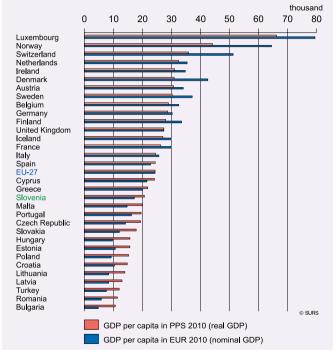


Chart 41: Real GDP and nominal GDP per capita, European countries, 2010



Source: Eurostat, SURS (calculations)

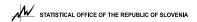
■ Real GDP per capita in PPS was in 2010 in Slovenia PPS 20,700 and nominal GDP per capita EUR 17,262.

■ The highest GDP per capita in PPS was in 2010 recorded in Luxembourg (PPS 66,300), Norway (PPS 44,200) and Switzerland (PPS 35,900) and the lowest in Bulgaria (PPS 10,700), Romania (PPS 11,400) and Turkey (PPS 12,000).

• Real and nominal GDP are equalized at the EU-27 average, which in 2010 the amounted PPS 24,400.

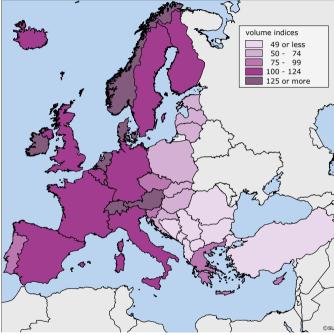
■ GDP per capita in PPS is called real GDP; GDP converted with exchange rate is the so called nominal GDP.

GDP converted with PPPs is also called real GDP, GDP in PPP or comparable GDP.



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Map 3: GDP per capita in PPS, volume indices, European countries, 2010



Source: SURS, Eurostat

■ In the 2008-2010 period GDP per capita in Slovenia gradually decreased; nevertheless, we remain placed in the middle, behind Italy (which in 2010 reached 101% of the EU-27 average), Spain (100%), Cyprus (99%) and Greece (90%), and before Malta (which in 2010 reached 83% of the EU-27 average), the Czech Republic (80%), Portugal (80%) and Slovakia (74%).

■ The highest GDP per capita in PPS in 2010 was recorded in Luxembourg (271% of the EU-27 average), Norway (181%), Switzerland (147%), the Netherlands (133%), Ireland (128%), Denmark (127%), Austria (126%), Sweden (123%), Belgium (119%) and Germany (118%).

■ The lowest GDP per capita regarding the EU-27 average was recorded in Albania (28%), Bosnia and Herzegovina (31%), Serbia (35%), Macedonia (36%) and Montenegro (41%).

• A comparison with neighbouring countries shows that GDP per capita for Slovenia is higher than in Croatia (by 28%) and Hungary (by 24%), but lower than in Italy (by 19%) and Austria (by 48%).

GDP per capita in PPS in Slovenia was in 2010 85% of the EU-27 average.

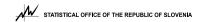


Chart 42: PPP, price levels for selected groups of products and services, Slovenia and neighbouring countries, 2010

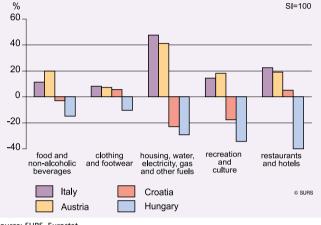
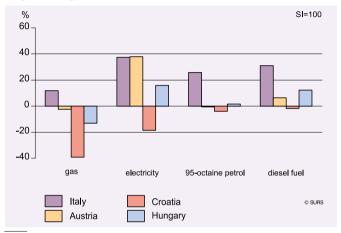


Chart 43: PPP, price levels for energy products, Slovenia and neighbouring countries, 2010 and 2012¹⁾



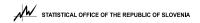
Price level comparison for Slovenia shows that prices in 2010 were on average higher in Austria and Italy, but lower in Croatia and Hungary.

- In Austria and Italy prices were much higher than in Slovenia at housing, water, electricity, gas and other fuels.
- In Hungary prices were much lower for services such as restaurants and hotels and also recreation and culture.

1) Prices for 95-octane petrol and diesel fuel were collected in February 2012. Source: SURS, Eurostat, AMZS

■ Price comparison for some of the energy products shows that in Italy electricity, diesel fuel, 95-octaine petrol and gas prices were higher than in Slovenia; in Austria electricity prices were significantly higher than in Slovenia.

 Prices were lower than in Slovenia in Croatia, especially gas and electricity prices.



Source: SURS, Eurostat

Table 16: Prices for selected main goods and services, Slovenia and neighbouring countries, June 2010

	-				EUR
	Slovenia	Austria	Italy	Hungary	Croatia
Long-grain rice, 1 kg	2,23	2.08	2.42	1.08	2.56
Weat flour, 1 kg	0.85	0.94	0.72	0.39	0.63
Loaf of white bread, 1 kg	1.79		2.68	0.83	1.58
Pasta, 1 kg	2.08	2.89	1.55		2.43
Pork coutlet, 1 kg	5.45	9.49	8.39	3.82	5.53
Whole chicken, 1 kg	3.33	4.38	4.39	2.59	3.01
Fresh milk, unskimmed, 1 l	0.74	0.86	1.39	0.69	0.71
10 chicken eggs, class A	1.52	2.73	2.12	1.12	1.87
Butter 250 g	1.83	1.40	2.00	1.75	1.67
Olive oil, extra virgin, 1 l	9.48	7.78	5.12	9.04	9.50
Apples, 1 kg	1.00	1.75	1.79	0.78	0.99
Potatoes, 1 kg	0.65	1.13	0.95	0.66	0.76
White sugar, 1 kg	0.79	0.88	0.96	0.65	0.89
Milk chocolate, 1 kg	8.38	8.59	11.70	8.35	10.83
lce cream, 1 l	3.63	4.20	3.27	3.79	3.98
Beer, lager, 1 l	1.72	1.58	3.25	1.23	1.50
Cigarettes, imported, 1 pack	3.00	3.95		2.64	2.42
Urban bus transport, single ticket	0.89	1.61	1.00	0.87	1.18
Daily newspaper	1.10	1.00	1.16	0.52	0.95
Cup of coffee	1.12	2.40	0.86	0.77	0.95
Ladies haircut	29.26	43.29	17.29	8.93	11.66
lowest price medium price					
low price high price highest price					

... data not available

1) Price in supermarket.

Sources: SURS, Eurostat, Croatian Statistical Office

 Price comparison for selected goods and services among Slovenia and neighbouring countries shows that differences are quite large.
 Prices are on average lower in Hungary and higher in Austria.

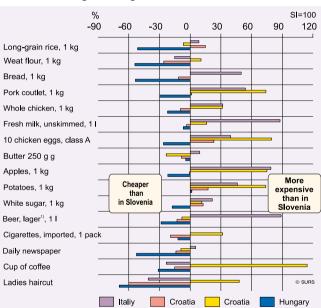
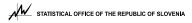


Chart 44: Price levels for selected main goods and services, Slovenia and neighbouring countries, June 2010

1) Price in supermarket.

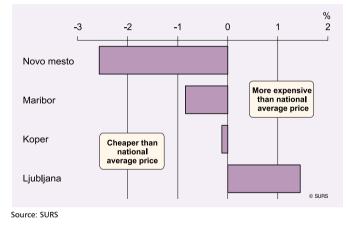
Sources: SURS, Eurostat



4.3 Regional price differences

The majority of European countries, including Slovenia, collect prices for PPP purposes only in the capital city. To obtain price differences among cities and to calculate national average prices, spatial adjustment factors are calculated. With this methodology prices for each city are converted into the national average.

Chart 45: Price levels in each city compared with the national average price level in Slovenia, 2010

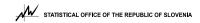


Price comparison with the national average shows in which city the price level is higher or lower.

• In 2010 the price level in Ljubljana was higher than the average price level for the whole country. The price level in Novo mesto, Maribor and Koper was lower than the national average price level.

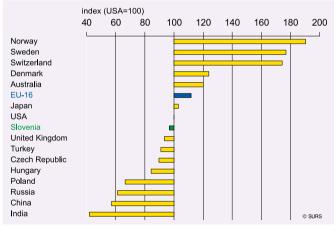
■ Differences among cities are even more significant when we compare average prices divided into goods and services. In Ljubljana, the prices of goods and services are (as expected) above the national average, but at goods a lot more than at services. In Novo mesto, the prices of goods and services are below the national average.

■ At the level of the main groups of goods and services, the biggest differences among cities in 2010 were observed at restaurants and hotels, education, housing, water, electricity, gas and other fuels, and clothing and footwear. The lowest differences among the cities were observed at groups that contain products the prices of which are the same in the entire country. Those groups are transport, communication, alcoholic beverages and tobacco, and miscellaneous goods and services.



The »Big Mac« index was published for the first time 25 years ago by the British magazine The Economist as a simple indicator of market movement. The index shows relative overvaluation or undervaluation of global currencies. It bases on the principles of purchasing power parities, but instead of exchange rates, we compare prices of the popular McDonald's hamburger. If world's currencies were in balance, the hamburger would cost in all countries as much as in the USA.

Chart 46: The »Big Mac« index, selected countries, June 2011



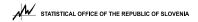
Source: The Economist (The Economist's Big Mac Index (July 28th, 2011 Big Mac prices) valued at today's exchange rates, 3. 3. 2012)

Table 17: The »Big	Mac« index,	Slovenia, 2010
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	Koper	Ljubljana	Maribor	Novo mesto
Big Mac (EUR)	2.50	2.50	2.50	2.50
Average monthly net salary (EUR)	994.80	1,097.62	937.78	1,025.79
Average net salary per hour (EUR)	5.92	6.53	5.58	6.11
Time of work (min.)	25	23	27	24.5
Big Macs (number per net salary)	397	439	375	410
Source: SURS				

■ In 2010 the price of one Big Mac was the same in all observed cities in Slovenia (EUR 2.50), but the average net salary differed among cities. The calculation shows how many Big Macs an average citizen of each city can afford.

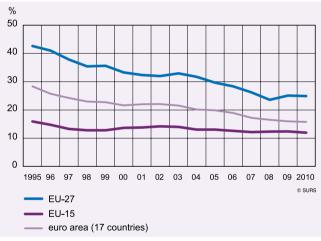
■ In view of the average monthly net salary in 2010, the highest number of Big Macs could be bought by a citizen of Ljubljana (439) and the lowest by a citizen of Maribor (375).



4.4 Price convergence

■ When countries are arranged into groups, we can observe how price levels differ among them. Differences are measured with the coefficient of variation (CV) of price levels, which shows relative dispersion of price levels spread around its mean value.

Chart 47: Coefficient of variation of price levels, selected groups of countries



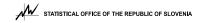
Source: Eurostat

• The highest CV has the group of EU-27; which shows that prices are significantly different in those 27 countries.

• The smaller the sample of observed countries and the more the countries are comparable with each other in terms of development, the smaller is the CV. The smallest CV has the group of EU-15, which have similar levels of development.

■ It is also important to mention the time component, which shows that the CV of price levels has fallen in all groups during the 1995-2010 period. Basically, this means that the differences in price levels have decreased among countries. This is a result of a successful convergence strategy of the European Union, which strives to reduce price differences and development differences among Member States.





5 METHODOLOGICAL EXPLANATIONDS AND DEFINITIONS

Output (producer) prices of manufactured goods of the domestic market are prices at which producers sell their products in largest quantities on the domestic market - ex works. The price does not include VAT (value added tax) and similar deductible taxes and duties directly linked to turnover. The price includes rebates and discounts which the producer approves to the buyer.

Output (producer) prices of manufactured goods of the nondomestic market are prices at which producers sell their products in largest quantities on foreign markets. The price does not include VAT (value added tax) but includes rebates and discounts which the producer approves to the buyer.

Agricultural input price in Slovenia is a retail price of a good/ service, without VAT.

Producer price of an agricultural product is a price per unit of agricultural product received by a producer of an agricultural product at sale at the first marketing stage. These prices do not include VAT and additions (subsidies and compensations), which can be received by producers for certain agricultural products.

Prices of dwellings are contractually agreed sales prices. In existing flats all taxes and contributions are excluded, while transaction prices of new housing include the value added tax. Transaction prices of family houses normally include the value of land that belongs to the house. Transaction prices of newly built flats normally include the value of a garage and parking places that belong to the flat if they are subject of a single sales contract.

Import prices are prices at which importers buy products in largest quantities. Prices do not include duties and taxes on imports but they include discounts and rebates which suppliers approve to buyers.

Retail price is the final retail price paid by consumers when buying products and services. The price includes VAT and other taxes.

Within producer prices the group of **energy products** refers to: mining of coal and lignite, extraction of crude petroleum and natural gas, manufacture of coke and petroleum products, electricity, gas, steam and air conditioning supply, water collection, treatment and supply.

FAO food price index (FFPI) is calculated as a weighted average of five commodity group products: meat, dairy products, cereal, sugar and oils/fats. Weights are provided according to the average export shares of selected 55 quotations for 2002-2004.

Fuel and energy is one of the special groups within the CPI, which is composed of items for heating and lighting (045 Electricity, gas and other fuels) and motor fuels (0722 Fuels and lubricants).

The construction costs index is intended for reviewing or monitoring costs incurred by a construction company in the execution of the construction process of building new residential buildings.



Volume indices show GDP in PPS of each individual country relative to a chosen comparison base. Volume indices are most commonly expressed with EU-27 as the base.

External trade unit value indices measure the dynamics of export and import prices. These indices are measured within external trade statistics.

Within producer prices the group of **consumer goods** refers to manufacture of food, beverages, tobacco products, clothing apparel, electronic and other housekeeping devices, motor cars, furniture, sports goods, etc.

Livestock size unit (LSU). Livestock size unit is a criterion for determination of the extent of livestock breeding. For calculating LSU we applied coefficients which are used by the Ministry of Agriculture and the Environment for implementation of the common agricultural policy. The starting point for the calculation of coefficients was 500 kg of live weight of animals (1 LSU).

Utilised agricultural area (UAA) is total agricultural area which was used for crop production in a year. This is arable land and kitchen gardens, permanent grassland and plantations (intensive and extensive orchards, olive groves, vineyards and nurseries).

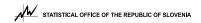
Agricultural holding is a single unit, both organisational and operating, of agricultural area utilised, forests, buildings, equipment and labour force, which has a single management and which is engaged in agricultural production. Agricultural holdings are divided into family farms, which correspond to the criteria of the European Union (i.e. European comparable farms) and agricultural enterprises, companies and co-operatives. **CIF Mediterranean quotation** is the stock exchange quotation of a petroleum product expressed as the highest daily value in USD/ton.

Annual work units (AWU). Expressing the extent of work in annual work units is based on the ratio between the number of hours worked on the farm in one year and the extent of work done by one fully employed person in one year (1,800 hours), which is being used by the national labour force statistics.

Existing flat is a residential unit in a multi-dwelling building, which is not sold for the first time and for which a real estate transaction tax has to be paid at sale. Normally an existing flat is more than three years old. A newly built flat is a residential unit in a multi-dwelling building, which is being sold for the first time and is not older than three years.

Existing family house is a one-dwelling or a two-dwelling building for permanent residence which is older than three years. A newly built family house is a one-dwelling or a two-dwelling building for permanent residence which is not older than three years.

Dwellings are newly built and existing flats, and newly built and existing family houses.



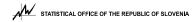
6 ABBREVATIONS AND UNITS OF MEASURMENT

... not available

AMZS	Automobile Association of Slovenia
PP, RP	average annual prices of selected agricultural products at
	producers/final consumer
PP	producer price of an agricultural product
VAT	value added tax
ECB	European Central Bank
EU-15	15 EU Member States
EU-17	Monetary Union of 17 EU Member States
EU-27	27 EU Member States
Eurostat	Statistical Office of the European Union
FAO	Food and Agriculture Organization of the UN
GURS	Surveying and Mapping Authority of the Republic of
	Slovenia
LSU	livestock size unit
SPPI	services producer price indices
CPI	consumer price indices
PPS	purchasing power standard
STS	short-term business statistics
SORS	Statistical Office of the Republic of Slovenia
USA	United States of America
%	percent
EUR	euro
USD	American dollar
g	gram
ha	hectare
kg	kilogram
I	liter
m²	square meter
min.	minute

Joined EU	Country	Number of countries	Meml	oer Sta	ites of	the Eu	iropea	n Unio	n (EU)
25. 03. 1957	Belgium France West Germany* Italy Luxsembourg Netherlands	1 2 3 4 5 6	EU-6	EU-9					
01. 01. 1973	Denmark Ireland United Kingdom	7 8 9			EU-10	EU-12			
01. 01. 1981	Greece Portugal	10 11					EU-15		
01. 01. 1986	Spain	12							
01. 01. 1995	Austria Finland Sweden	13 14 15						EU-25	EU-27
01. 05. 2004	Cyprus Czech Republic Estonia Latvia Lithuania Hungary Malta Poland Slovakia Slovania	16 17 18 20 21 22 23 23 24 25							
01. 01. 2007	Bulgaria Romania	26 27							
Adopted euro	Country	Number of countries	Member States of the euro area (EA)						
01. 01. 1999	Austria Belgium Finland France Ireland Italy Luxsembourg Germany Netherlands Portugal Spain	1 2 3 4 5 6 7 8 9 10 11		EO-12		EO-13			
01. 01. 2001 ¹⁾ 01. 01. 2007	Greece Slovenia	12 13					EO-15		
	Cyprus	13					EO-15		
01. 01. 2008	Malta	15						EO-16	
01.01.2009	Slovakia	16 17							EO-17
1) On 1 January 2002 euro coins and banknotes started to be used as official currency in									

1) On 1 January 2002 euro coins and banknotes started to be used as official currency in these 12 countries.



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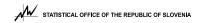
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- by ordering statistical publications adress: Statistical Office of the Republic of Slovenia Litostrojska cesta 54, 1000 Ljubljana, Slovenia phone: +386 1 241 52 85 fax: +386 1 241 53 44 e-mail: prodaja.surs@gov.si
- by visiting the Information Centre office hours: Monday to Thursday from 9.00 do 15.30 Friday from 9.00 do 14.30