

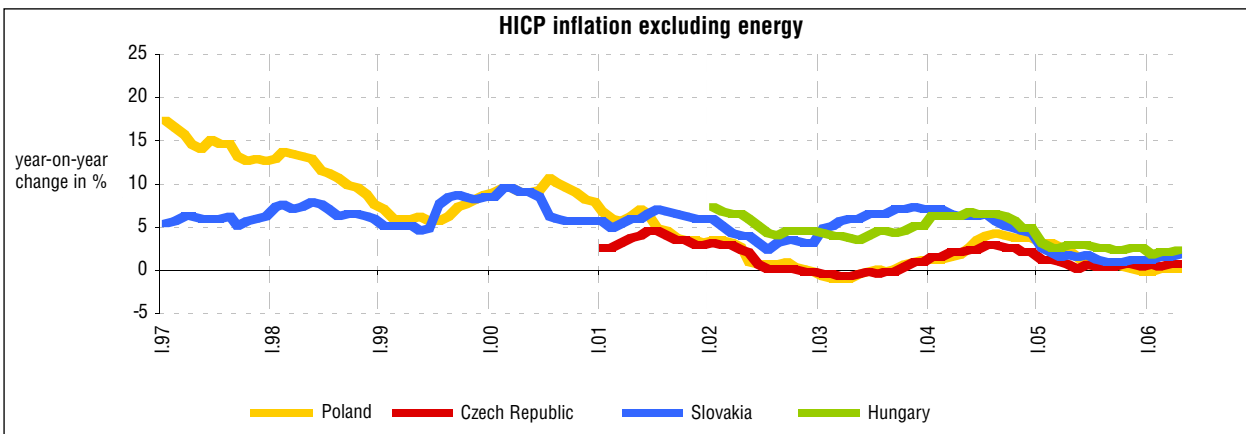
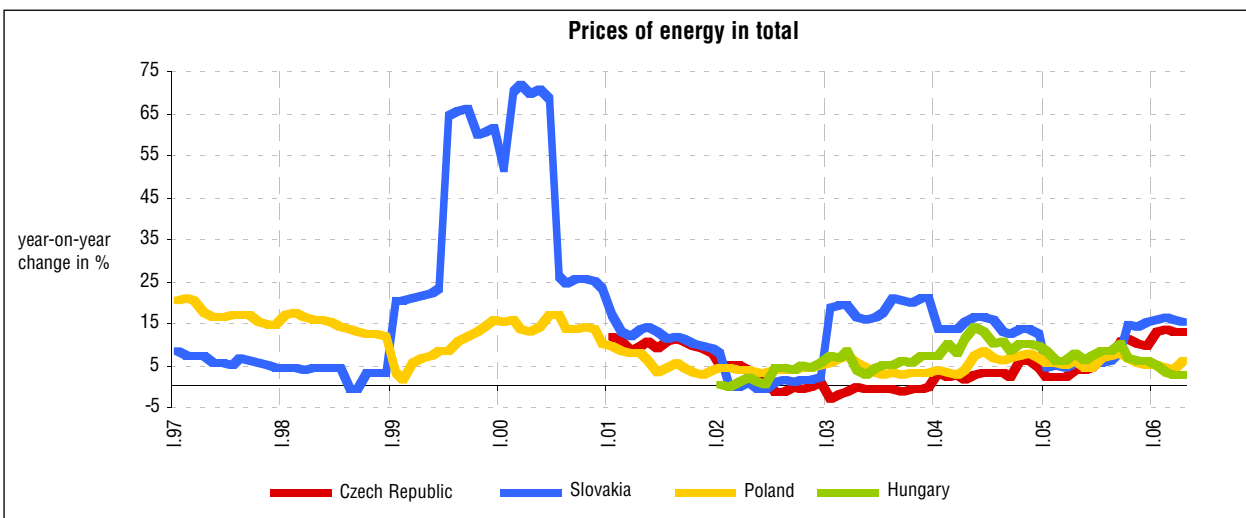
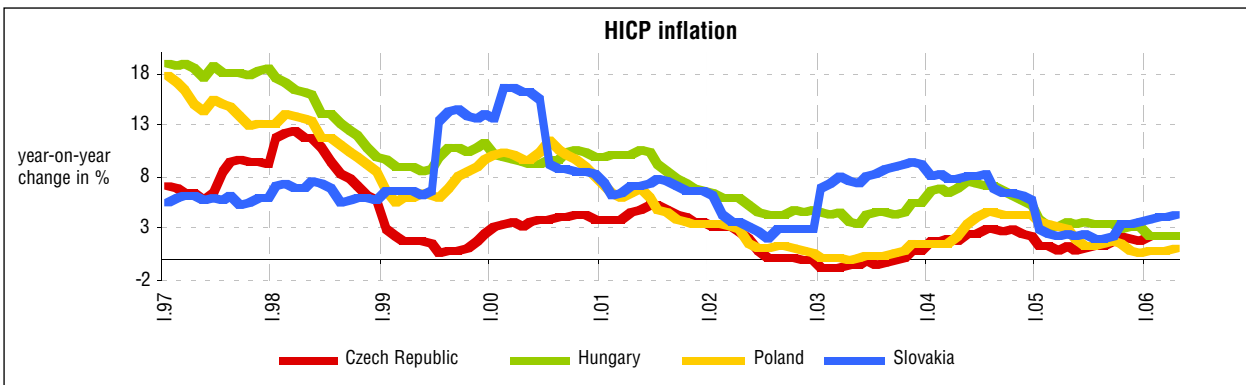
DEVELOPMENT OF ENERGY PRICES IN SELECTED V4 COUNTRIES

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Energy prices in the V4 countries continue to have a substantial inflationary effect. This is a result of the significant energy weights and their share in the overall consumer basket, in combination with their dynamics. Among the V4 countries, the effect of energy prices on

the overall development of inflation is most pronounced in Slovakia.

For the purpose of calculating inflation according to the harmonized index of consumer prices (HICP), the development of prices is in all V4 countries tracked in the con-





Weights of selected price items of housing and energy for 2006 (HICP = 1,000)

COICOP classification	Slovakia	Czech Rep.	Poland	Hungary
cp04 Housing, water, electricity, gas, heat and other fuels	232.68	159.27	200.98	142.29
cp045 Electricity, gas and other fuels (energy without fuels)	156.32	98.78	99.48	79.86
cp0451 Electricity	45.2	35.72	35.03	29.51
cp0452 Gas	50.63	28	20.46	29.49
cp0453 Liquid fuels	0.00	0.08	0.41	0.00
cp0454 Solid fuels	3.99	2.53	17.05	9.45
cp0455 Heat, steam and ice	56.49	32.44	26.53	11.41
cp0722 Fuels for personal transport equipment	33.87	41.79	59.96	48.86
TOTAL ENERGY (cp045 + cp0722)	190.18	140.57	159.45	128.72

Source: Eurostat.

sumer basket under the classification of individual consumption by purpose (COICOP). Within the COICOP classification, "energy in total" represents an aggregate of the items of the group comprising electricity, gas, heat, and other fuels (a subgroup of the group 04 Housing and Energy) and the items of fuel and lubricants for personal transport equipment (included in the group 07 Transport). This means that although the index of energy prices in EU countries includes the same items (electricity, gas, solid fuels and so on), their weights in the consumer basket vary from country to country as a result of the different structure of household expenditure.

As regards the consumer basket structure in 2006, the biggest differences between countries are in the weights of items included in the subgroup of electricity, gas, heat and other fuels. In comparison with the other countries, Slovakia reports the largest weight in the items of electricity, gas and also heat. As in all the V4 countries, the share of the liquid fuels item is almost zero, while the

share of the solid fuels item in Slovakia is an insignificant 0.4% (the average in the other V4 countries is 1.0%). In Slovakia, electricity has a share of 4.5% in the consumer basket (the average in the other V4 countries is 3.3%), gas has 5.1%, (the other V4 countries average 2.6%), and heat has 5.6% (the other V4 countries average 2.3%).

The amount of the weights is also affected by the year-on-year growth in prices, meaning that the more dynamic is the growth in prices of individual items, so their weight over the course of time increases in relative terms. A further factor affecting the amount of the weight is the dynamics of real disposable income. Where the dynamics are sufficient, scope is created for an increase in spending on items other than energy.

Effect of energy prices on inflation

The increase in energy prices in the Slovak Republic between 2000 and 2006 was more dynamic in compari-

Price weights of the group Housing, Water, Electricity, Gas and Other Fuels (‰)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Electricity, gas and other fuels – energy without fuels											
Czech Rep.					101.1	96.4	108.7	98.4	93.6	99.4	98.8
Hungary						74.9	78.6	77.7	80.3	82.5	79.9
Poland	114.8	112.9	107.0	108.4	110.6	102.3	107.6	106.4	105.8	103.6	99.5
Slovakia	56.8	76.8	77	76.7	115.2	109.2	120.7	120.4	134.2	140.7	156.3
Fuels and lubricants for personal transport equipment											
Czech Rep.					45.0	36.5	30.0	34.4	36.4	38.5	41.8
Hungary						53.3	56.1	49.8	48.9	48.8	48.9
Poland	27.0	27.08	26.0	24.5	33.3	37.1	35.1	39.3	54.7	57.5	60.0
Slovakia	26.8	30.48	28.9	27.3	32.2	42.7	34.9	33.9	35.1	34.6	33.9
Total energy											
Czech Rep.					146.1	133.0	138.8	132.8	130.0	138.0	140.6
Hungary						128.3	134.7	127.4	129.1	131.2	128.7
Poland	141.8	140.0	133.0	132.9	143.9	139.4	142.7	145.6	160.5	161.1	159.5
Slovakia	83.5	107.3	105.9	104.0	147.4	151.9	155.7	154.3	169.3	175.3	190.2

Source: Eurostat.



Contributions of energy prices to HICP inflation – fuels (average year-on-year contributions in percentage points)

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Electricity, gas and other fuels – energy without fuels									
Czech Rep.					1.6	0.6	-0.1	0.2	0.6
Hungary						0.5	0.6	1.1	0.5
Poland	1.9	1.7	0.6	0.9	1.1	0.6	0.4	0.3	0.4
Slovakia	0.5	0.4	3.9	4.9	2.1	0.4	2.8	2.1	1.2
Fuels and lubricants for personal transport equipment									
Czech Rep.					-0.2	-0.3	0.0	0.3	0.3
Hungary						-0.1	0.2	0.3	0.5
Poland	0.5	0.3	0.6	1.2	-0.3	0.0	0.3	0.7	0.6
Slovakia	0.2	0.0	0.5	0.9	-0.2	-0.2	0.2	0.4	0.2
Total energy									
Czech Rep.					1.4	0.3	-0.1	0.5	0.9
Hungary						0.4	0.8	1.4	1.0
Poland	2.4	2.0	1.2	2.1	0.8	0.6	0.7	1.0	1.0
Slovakia	0.7	0.4	4.4	5.8	1.9	0.2	3.0	2.5	1.4

Source: own calculations based on Eurostat materials.

There may be deviation from the real situation owing to differences between the weights at the beginning of the year and the standardized weights which arise during the year as a result of the different development of individual items of the consumer basket.

son with that in other V4 countries. One of the main reasons for this was the later onset of the deregulation process (elimination of price distortions that result from cross-subsidies) in comparison with other countries. In connection with the said development, the energy price weights in the consumer basket in Slovakia recorded steady growth. The share of energy in the overall consumer basket is at present 4.7 percentage points higher than the average in the other V4 countries (the average in the V4 is 14.3% and in Slovakia 19.0%). This means that if energy prices keep rising in future, the reflection of the increase in overall inflation will be greater in Slovakia than in the other V4 countries.

It may be said that in the event of the same growth dynamics in individual energy price items in all V4 countries, Slovakia would record a higher contribution of the individual items to overall inflation, and therefore also higher overall inflation in comparison with the other V4 countries.

Among the subaggregate energy items, the fastest to react to changing conditions in international markets are the prices of fuels and lubricants for personal transport equipment, which over the short-term show high volatility. In Slovakia, the prices of fuels and lubricants for personal transport equipment have, in comparison with the other V4 countries, a lower share in the consumer basket (3.4% compared with 5.0% in the other V4 countries), and so their contribution to overall inflation, despite the significant short-term movement in their prices, is not so substantial.

By contrast, prices of heat and gas, being regulated and therefore not subject to frequent changes, have large weights within the HICP which, owing to their high dynamics, operate both in the short-term and medium-term as a source of large increases in overall inflation.

