

# ARE SLOVAK CITIZENS INFORMED ABOUT THE EURO CHANGEOVER?

Ing. Peter Szovics, PhD. – Ing. Mária Dubayová  
Faculty of Economics and Management of the Slovak University of Agriculture in Nitra

The introduction of the euro in Slovakia is, slowly but surely, approaching. The success of integration processes in the currency sphere is founded on informing citizens. Following on from a series of surveys conducted in 2003<sup>1</sup> and 2005,<sup>2</sup> a questionnaire survey was carried out at the beginning of this year in Western Slovakia on a sample of 80 people. The respondents answered ten questions on the general level of knowledge, methods of informing the public, pricing, and price changes following the euro changeover.

## Timeframe for the euro changeover

According to the national euro changeover plan,<sup>3</sup> the euro will be introduced in Slovakia, in cash and non-cash circulation, on 1 January 2009. According to a European Commission survey<sup>4</sup> conducted in September 2005, 52% of respondents expect the euro to be introduced in 2009 or 2010. Our survey showed that up to 72.5% know the precise date, namely, 1 January 2009. This represents a significant difference (20.5 percentage points).

## Interest in the euro changeover

The adoption of the euro in Slovakia is an irrevocable process. The respondents were asked whether they are interested in this process, one that will to a certain extent affect each of them. The results show that 57% of the citizens are interested in the introduction of the single currency.

## Information on euro changeover preparations

The lack of information was reflected in the answers of the respondents. Only 13.75% of them said that they feel sufficiently informed, while most (68.75%) feel insufficiently informed.

## Informing the public

Each respondent could decide whether they would prefer to be informed by telecommunication channels, expert lectures, leaflets or another method. A majority (55%) opted to be informed through television and radio broadcasts, while a very small percentage (2.5%) said they would attend expert lectures on the introduction of the euro.

## Knowledge of the benefits related to the euro changeover

The positive effects of joining the monetary union include, in particular, lower transaction costs, lessening of exchange rate risk, price transparency, lower capital costs, increased trade and stability of business conditions. The number of respondents who were aware of

these benefits only marginally exceeded the number who were not, while 7.5% could not answer the question.

## Knowledge of risks related to the euro changeover

Entry into monetary union is generally associated with a fundamental change in the economic regime, one largely related to the loss of an independent monetary policy. At the same time, this is considered to be the biggest drawback of membership in the euro area. Alongside the fact that 7.5% of respondents could not answer the question, the survey shows that 43.75% of respondents assume that they know the risks attached to euro introduction and that 48.75 do not. The respondents are more aware of the benefits than the drawbacks of adopting the single currency.

## Dual pricing

Mandatory dual pricing means displaying the prices of all goods and services in both koruny and euros. The calculation of conversions will only be possible using the conversion rate, which in Slovakia will have four decimal places. (Since the rate must contain six digits, Slovakia is to use the format XX.XXXX; Germany, by contrast, used the format X.XXXXX.) All shops, banks and enterprises will be required to show the two prices for at least one

<sup>1</sup> Use of the euro in Slovakia – a survey made among enterprises centred on foreign business activities.

<sup>2</sup> Are Slovak citizens prepared for using the euro? – a survey that ascertained the opinions of Slovak citizens on the introduction of the common currency.

<sup>3</sup> [http://www.nbs.sk/EURINT/EURO/NP\\_ZAVE1.PDF](http://www.nbs.sk/EURINT/EURO/NP_ZAVE1.PDF)

<sup>4</sup> The European Commission keeps track on the general opinion and the level of knowledge and information that citizens have about the single currency. To this end, a survey was conducted in September 2005 under the name "Introduction of the euro in the new Member States – Wave 2", following on from a similar survey carried out in September 2004. Altogether, 10,190 people took part in the survey, including 1,097 citizens of Slovakia. The survey was carried out by telephone in all countries, except for the Czech Republic, Latvia, Lithuania, Poland and Slovakia, where it was performed on the basis of face-to-face interviews. See [http://europa.eu.int/comm/public\\_opinion/flash/fl\\_175b\\_en.pdf](http://europa.eu.int/comm/public_opinion/flash/fl_175b_en.pdf)



year after the euro changeover, though the NBS recommends enterprises to extend this period for another half year, until June 2010. Dual pricing will be mandatory for everyone. Information in euro and koruny will have to be stated in pay slips, bank statements and invoices for gas, heat and rentals. Dual pricing will also be applied in public administration, and therefore in social benefits, pensions and budgetary costs. A majority of respondents (58.75%) know what dual pricing means.

### Formation of dual prices

Dual pricing will be introduced approximately half a year before the new currency comes in and one month after the conversion rate has been fixed. Dual pricing will continue to be required for the duration of 2009, though the two currencies will switch their importance. Prior to the adoption of the euro, the koruna price will be highlighted with the euro figure given alongside for informational purposes. After euro adoption, this situation will be reversed. Dual prices should be the main instrument of consumer protection. In the private sector, the state will rely on competition to prevent rounding up of prices. Strong competition in retail should prove the main brake on inflation, and with goods and services priced in both euros and koruny, consumers will be able to check for any unwarranted price movements. These two factors are seen as crucial to the favourable development of consumer prices. Although 58.75% of respondents know what dual pricing means, only 6.25% are persuaded that this measure will really stop retailers from hiking prices. By contrast, up to 45% of those questioned believe that dual pricing will not be effective in this respect. Almost half of the respondents (48.75%) could not answer this question.

### Change in consumer prices following the euro changeover

One of the main drawbacks mentioned in relation to the adoption of the new currency is price growth. According to Eurostat estimates,<sup>5</sup> the "euro factor" has contributed less than 0.3 of a percentage point to overall inflation. Certain risks of price increases could arise, however. A slight rise in the price level could be a consequence of the recalculation of costs in retail. That could cause a short-term increase in consumer prices, though this effect would cease within a period of more than one year. One risk may lie in the rounding up of the new euro prices to consumer-friendly figures. The tendency should, however, be curbed by the strong competition in retail. Among the respondents, 76.25% expect perceptible inflation, 18.75% think that prices will rise substantially, and a mere 3.75% say prices will not change.

### Prices of consumer non-durables will rise

In all, 45% of respondents expect the prices of consumer non-durables to record the sharpest growth, while 37.5% see the increment being the same for all products. A substantial rise in prices of basic foodstuffs is predicted by 7.5% of the sample, while 3.75% say that prices of consumer durables will increase the most.

### Summary

Three years before the planned euro changeover, a majority of respondents know the date of the introduction and most of them are also interested in it. A paradox is that although Slovak citizens are interested in this subject, they feel insufficiently informed about it. This may reflect the fact that the information campaign has still not begun in earnest, and although a network of information centres has been established in Slovakia, anyone interested in the "euro" issue must seek out information themselves. In future, preference will be given to telecommunication channels and leaflets as the means of acquiring information. Slovaks are not so interested in expert lectures. Despite feeling insufficiently informed, half of the respondents consider themselves aware of the potential risks related to the euro changeover. Most respondents know what dual pricing means, but fear that this measure will not prevent retailers from raising consumer prices. Almost half of them could not, however, respond to this question. Practically all the respondents were agreed that they expect prices to rise following the euro changeover. The largest increase will, according to them, appear in prices of consumer non-durables.

A comparison of identical questions from other surveys confirms that most Slovaks are interested in the euro but also that most of them feel poorly informed about this issue. Differences between surveys may stem from the varied samples, the time lag, and differences in the size, age structure and geographic spread of the samples.

### Bibliography

1. Convergence Programme of Slovakia for 2004-2010 [13.3.2006] <http://www.nbs.sk>
2. National Euro Changeover Plan for the Slovak Republic [13.3.2006] <http://www.nbs.sk>
3. Introduction of the Euro in the New Member States – wave 2 : Flash report [13.3.2006] [http://europa.eu.int/comm/public\\_opinion/flash/fl\\_175b\\_en.pdf](http://europa.eu.int/comm/public_opinion/flash/fl_175b_en.pdf)
4. Szovics, P. – Somorčíková, M.: Are Slovaks prepared for using the euro?; published in the specialist banking journal BIATEC, no. 7, volume 13, pp. 2-3.
5. Szovics, P. – Morvayová, R: Use of the euro in Slovakia – evaluation of a questionnaire survey; published in the specialist banking journal BIATEC, no. 12, volume 11, pp. 20-21.

<sup>5</sup> <http://epp.eurostat.cec.eu.int/>