

Adoption by Slovenia of the single currency on on 1 January 2007

2006/0109(CNS) - 04/05/2007 - Follow-up document

In May 2006, the European Council approved 1 January 2007 as the date on which Slovenia would changeover from the tolar to the euro. Following this confirmation, Slovenia intensified and finalised its practical preparations for the changeover. Its plan was based on the “big-bang” scenario, whereby euro banknotes and coins would be introduced on the same day as the adoption of the euro. The period of dual circulation was to last from 1 January to 14 January 2007, after which the euro would become the sole legal tender.

The purpose of this report is to set out the most salient aspects of the country’s changeover. It covers the following aspects of the changeover: the cash changeover; the conversion of administrative and financial systems in the public and private sector; price developments linked to the changeover (and perceptions thereof); and the overall view of Slovenians regarding the changeover. The report also assesses what lessons have been learned and how they may be applied to future euro changeovers. In brief, the report makes the following findings:

Swift changeover to the euro: The Slovenian changeover confirms that active and timely preparations pay off. Well prepared countries are rewarded with a swift and smooth changeover.

The period of dual circulation: The wide availability of euro cash – both before and after the changeover, contributed enormously to the smoothness of the cash changeover in the first two weeks of January. While the speed of the cash changeover was very similar to 2002, Slovenian citizens and Slovenian businesses had ample time to acquire the necessary amount of euro cash. Furthermore the Slovenian experience highlights the technical feasibility of a short (i.e. two week) period of dual circulation. This in itself contributes towards minimising the burden on retailers and other businesses.

The speedy return of legacy cash: The rapid return of legacy currency, which caused severe bottlenecks during the first transition in 2002, went remarkably smoothly and swiftly – particularly regarding the tolar banknotes.

The conversion of financial administrative systems: The changeover in Slovenia confirms the relevance of the “big-bang” approach to future entrants. Given that the euro has been available since 2002, the big-bang option would seem to offer the best possibilities. Most notably because, in terms of communication, it offers the most simplicity.

Actual and perceived inflation in the euro area: The Slovenian changeover illustrates once more that perception, expectation and reality, regarding price evolutions, do not necessarily go together. A change of currency affects people’s scales of values and triggers a gradual mental adjustment process – all of which plays a role in the process. Price perception remains a key concern when preparing future euro changeovers.

The public’s reaction to the euro changeover: Public opinion in Slovenia, once again, confirms the crucial role that information plays in securing a smooth and successful changeover. Citizens and enterprises, both of whom were full informed regarding practical arrangements, felt confident about the euros’ introduction. The difficulties appear to have been minimal.