

TWINNING CONTRACT

BA 15 IPA SR 01 17

Support to the reform of the statistics system in Bosnia and Herzegovina



MISSION REPORT

Activity 2.4.6:

Preparation of regular survey on SPPI II

Component 2: Business Statistics

Sub-component 2.4: Services Producer Prices Index

Mission carried out by
Anna-Riikka Pitkänen, Statistics Finland
Jean-Marie Fournier, INSEE

17-20 June 2019

Version: Final

Expert contact information

Anna-Riikka Pitkänen

Statistics Finland

Helsinki, Finland

Email: anna-riikka.pitkanen@stat.fi

Jean-Marie Fournier

INSEE

Paris, France

Email: jean-marie.fournier@insee.fr

Table of contents

1. General comments	4
2. Assessment and results	4
3. Conclusions and recommendations	6
Annex 1. Terms of Reference	8

List of Abbreviations

BHAS	Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CBBH	Central Bank of Bosnia and Herzegovina
EC	European Commission
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FIS	Institute for Statistics of Federation of Bosnia and Herzegovina
MS	EU Member State
RSIS	Institute for Statistics of Republika Srpska
RTA	Resident Twinning Adviser
ToR	Terms of Reference

1. General comments

This mission report was prepared within the EU Twinning Project "Support to the reform of the statistics system in Bosnia and Herzegovina". It was the fifth mission to be devoted to SPPI within Component 2 of the project.

The purposes of the mission were:

- Follow up from the previous mission
- Calculation of results from Pilot survey for four quarters of 2018
- Preparation of detailed report on conducted pilot survey
- Presentation of MS on output tables (publication forms, transmission formats, etc.)
- Revision policy
- Presentation of MS on the calculation of service deflators
- Preparation of weighting system for deflators calculation

The consultants would like to express their thanks to all officials and individuals met for the kind support and valuable information which they received during the stay in Bosnia-Herzegovina and which highly facilitated the work of the consultants.

This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, BHAS, FIS, RSIS, CBBH, Statistics Denmark, INSEE, Statistics Finland and Croatian Bureau of Statistics.

2. Assessment and results

Day 1

The mission started by a presentation of BC experts on the results from the FIS pilot survey on group (CPA 3 digits) 71.1 "Architectural and engineering services and related technical consulting services". The MS experts were really impressed by the work done in BiH and the commitment of BC experts in developing these indices since last mission. Preliminary indices are annual chain linked indices and are now available, presented starting from q4/2017 to q4/2018 at a detailed level (CPA 6 digits). In q1/2019 they had totally 91 prices observations in 71.1., during 2018 they had 67 prices. The weights are collected yearly from the enterprises in the sample.

BC experts had some challenges getting good quality prices from the respondents. There were some issues with unique contracts which are not repeated over time. This problem has been largely discussed: MS experts suggested to collect rather hourly charged rates by level of expertise, model pricing, and pricing based "realised hourly rates on working time", as recommended by the Eurostat-OECD Methodological Guidelines.

It is also reported by BC experts that the enterprises were worried about the respect of confidentiality – they are not always willing to give the prices which are considered sensitive information. It is suggested that enterprises can also give rate of a price change rather than a direct price – the point is they agree to do it and the quality of these indicators would be sufficient.

In RS, the preliminary index production is the same phase than in FIS. In RS there is one dominant enterprise which has not given the prices yet, and the index might not be reliable without that dominant enterprise, so they are trying still to get the prices. It takes a lot of effort to be in contact with the respondents, and it's very costly especially for a small team.

The IT application was not developed further because of the IT resources. Nevertheless, some corrections were made to the system. The BC experts have also tested their index calculation outside the system to be sure it works correctly, which is very good practise. MS experts recommend to avoid the quality adjustment outside the application, and suggest to add modified price or some kind of quality adjustment in the IT application.

BC experts have plans to send the data to Eurostat in the end of the year 2019. The lag in regular index production will be 60 days. They have plans to improve the quality of the data and also get more responses. MS experts recommends a benchmarking of the indices with the neighbour countries to ensure the quality and comparability of indices.

Day 2

MS experts presented the dissemination, confidentiality and revision policies of Finnish and French SPPI's. Finland calculates the indices according the STS and FRIBS regulations, but France publishes also some "extra" SPPI series: market price indices, which are mainly used for contract escalation and also publishes basic price indices which are mainly used for short term analysis of inflation rate and as deflators for NA and ISP. The main differences between those indices are inclusion or exclusion of specific taxes on products or services (not VAT), intra-group transactions and subsidies. Finland publishes BtoB, BtoC and BtoAll indices, France publishes BtoB, BtoAll and BtoE in basic prices and only BtoB in market prices.

Finland and France have quite similar confidentiality rules – they both use the threshold value and the dominance rule. BiH will have 85% dominance rule.

Finland has no revisions, so the indices are final after the publication (t+24). France publishes the indices at t+60, and they have revision policies: basic price indices are revised during one year, and the market price indices are revised just during one quarter. All the revisions are published on French website in order to ensure a total transparency of the revisions, and this follows Eurostat guidelines. BiH response rate is really high so they should consider if they have any reason to revise the indices or not. In French situation the response rate is around 80-85%, and some industries have even lower response rate, so completing the data later on is one reason for revisions whereas these revisions cause some extra work in statistical office. BiH plans to publish indices at t+60, so it's even quicker than the FRIBS regulation requires (t+90).

We continued the discussion on data collection on 71.1 "Architectural and engineering services and related technical consulting services". Some enterprises reported quite complex and detailed contract prices, but they were unique and not repeated over time. BC had some question about pricing methods – how to measure a price with unique contracts. MS experts suggested a few options: model pricing, hourly charged wages or component pricing. MS experts also suggested to visit the enterprises and discuss with them how to define more simple service description or some basic model which could be followed over time. Another solution could be to use auxiliary information given by construction price indices, also quarterly indices, as proxies for SPPI in 71.1 group.

In general, BC experts have really good knowledge and skills on pricing methods, quality adjustments and data collection.

Day 3

MS experts presented how SPPI's are used as deflators in National Accounts. The principle of deflation is, price indices are needed to convert value change to volume change. The definition of volume change according ESA 2010 is the change of value in previous year's prices. ESA also requires that deflating needs to be done in detailed level. In Finland, over 70% of the total value in

service industries is deflated using SPPI. All this means, SPPI is essential for compiling deflators and also calculating GDP and volume indices.

MS expert also present different methods for calculating GDP in volume using PPI. Depending on how breakdowns of these indices could be made, it could be useful to define SPPI as BtoAll indicators at basic prices.

FRIBS allows to use also approximations for SPPI, and BC experts are researching administrative data and other indices to find proper proxies for SPPI's. SPPI in BiH will probably be industry based. It might cause some challenges in making product level deflators.

BC experts presented their index calculation on telecommunication services. They use Fisher indices in variant level. The data included turnover values and quantities on minutes, and BC experts used that information to calculate unite values per operators. This approach might lead to mixed problem with price and structure of service, so pure price development can not be measured properly. BC experts had plans to discuss about the indices and quality issues with the operators or regulator, and they will also benchmark the results with CPI and neighbor countries. MS experts recommended to use contracts or packages to measure the prices and to avoid the quality issues. MS experts also recommended to validate the data for outliers and search reason for price shocks. Moreover, MS experts suggest to extrapolate the evolution of telecommunication prices before the beginning of the current estimation (2015 Q1) in order to publish results in basis 2015=100.

BC experts presented the calculation of elementary and aggregated indices using the IT application. MS experts were pleased with the results, and the index formulas seemed to be correct.

BC expert presented their findings on postal services. Unit value indices could give false results because of mixed problem with prices and structural changes. BC experts consider using list prices, because postal services is ruled by governmental enterprise.

Preparation of weighting system for deflators calculation was discussed. BC experts were especially interested on deflators for G45 and G46, and MS experts are preparing material about those to the next mission.

3. Conclusions and recommendations

Since the last meeting, the work on SPPI has progressed. Some methodological questions must still be investigated, especially on the architecture and engineering industry. Different methods could be studied (hourly wages by category of salaries, proxies given by index of construction cost).

- MS experts recommend to avoid the quality adjustment outside the application, and suggest to add modified price or some kind of quality adjustment in the IT application.
- MS experts recommends a benchmarking of the indices with the neighbour countries to ensure the quality and comparability of indices.
- Telecommunications: MS experts recommend to use contracts or packages to measure the prices and to avoid the quality issues. MS experts also recommends to validate the data for outliers and search reason for price shocks. Moreover, MS experts suggest to extrapolate the evolution of telecommunication prices before the beginning of the current estimation (2015 Q1) in order to publish results in basis 2015=100.
- More generally MS experts recommend to focus on calculation of SPPI on sample of well-defined services rather than Unit value indices.
- MS experts have appreciated the conditions in which discussions have taken place and the positive state of mind of BC experts and recommend them to pursue their profitable cooperation.

Actions needed for moving forward as well as for preparing the next mission –add rows as needed.

Action	Deadline	Responsible person
Presentation on first calculations based on results of collected data from q1/2019 and q2/2019	Next mission	BC experts
Draft output tables	Next mission	BC experts
Presentation on quality reports and methodological dissemination and metadata	Next mission	MS experts
Presentation on deflators for G45 and G46	Next mission	MS experts

Annex 1. Terms of Reference

Terms of Reference

EU Twinning Project BA 15 IPA ST 01 17

Component 2: Business Statistics

Sub-component 2.4: Services Producer Prices Index

17-20 June 2019

Hosting institution:

Hosting institution: BHAS – Zelenih beretki 26, Sarajevo

Activity 2.4.6 Preparation of regular survey on SPPI II

1. Mandatory result and benchmarks for the component

Mandatory result:

- New indicators for producer prices in services produced by 8th project quarter

Benchmarks:

- Plan for development of producer prices in services produced by 1st project quarter
- Draft questionnaire and supporting documents for pilot survey prepared by 1st project quarter
- Pilot survey conducted by 2nd project quarter
- Criteria for an IT application defined by 2nd project quarter
- Results of pilot survey analyzed by 4th project quarter
- Plan for regular production of producer prices in services developed by 4th project quarter
- Indices on producer prices in services compiled by 6th project quarter
- Indices on producer prices in services made available to users by 8th project quarter
- Methodological document on producer prices in services developed by 8th project quarter
- Quality report for producer prices in services developed by 8th project quarter

2. Purpose of the activity

- Follow up from the previous mission

To be prepared by the BC Counterpart

- Calculation of results from pilot survey for four quarters of 2018 and preliminary production of available indices
- Presentation of summary report on conducted pilot survey
- IT application follow-up

- Agreement on revision policy
- Proposal of weighting system for deflators calculation for some specific industries

To be prepared by the MS experts

- Presentation of MS on output tables (publication forms, transmission formats, etc.)
 - Presentation of MS on the calculation of service deflators
-
- Calculation of results from Pilot survey for four quarters of 2018
 - Preparation of detailed report on conducted pilot survey
 - Presentation of MS on output tables (publication forms, transmission formats, etc.)
 - Revision policy
 - Presentation of MS on the calculation of service deflators
 - Preparation of weighting system for deflators calculation

3. Expected output of the activity

- Results from pilot survey calculated
- Detailed report on pilot survey prepared
- EU experiences on output tables and calculation of service deflators presented
- Revision policy agreed
- Weighting system for calculation of deflators prepared
- Input provided to the ToR of next activity

4. Participants

Agency for Statistics of BiH (BHAS)

Alen Bajramović

Institute for Statistics of Federation of BiH (FIS)

Merima Hadžalić

Institute for Statistics of Republika Srpska (RSIS)

Jelena Glamočika

MS Experts

Anna-Riikka Pitkänen (FI)

Jean-Marie Fournier (FR)

Twinning Project Administration

Katja Møller Hjeltvang, RTA

Đemka Šahinpašić, RTA Assistant

Adisa Okerić-Zaid, Interpreter

Signatures

For the approval of the contents of this report, representatives from BHAS, FIS and RSIS as well as MS experts and the RTA sign here:

Date: 20 of June 2019

Component leader, BHAS

Component leader, FIS

Component leader, RSIS

RTA

MS Expert

MS Expert