

# **TWINNING CONTRACT**

**BA 12 IB ST 01**

## **Support to the State and Entity Statistical Institutions, phase VI**



### **MISSION REPORT**

**on**

#### **Activity 2.3.2.5**

Methodology for producer (output) prices in services.  
Follow-up on achievements of the component and recommendations for the future

#### **Mission carried out by**

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06-09 Sep.2016

**Version: Final**



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## 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  |
| RS   | Republika Srpska   |
| RSIS | Institute for Statistics of Republika Srpska                     |
| DB   | District of Brčko  |
| RTA  | Resident Twinning Adviser  |
| ToR  | Terms of Reference   |
| SPPI | Producer Price Index for Services                                |

## Executive Summary

The fifth and final mission on component 2.3.2 Producer (output) prices in services SPPI was carried out between 6<sup>th</sup> and 9<sup>th</sup> of September 2016 during the 8<sup>th</sup> project quarter. The goal of the mission was to follow-up on achievements of the component and make recommendations for the future.

### 1. General comments

This mission report was prepared within the Twinning Project "Support to the State and Entity Statistical Institutions, phase VI". It was the final mission to be devoted to introduce Producer Price Index for Services (SPPI) in BiH within Component 2.3.2 Short-Term Statistics

The purposes of the mission were:

- Methodology for producer (output) prices in services. Follow-up on achievements of the component and recommendations for the future

The consultant would like to express his/her thanks to all officials and individuals met for the kind support and valuable information which he/she received during the stay in Bosnia-Herzegovina and which highly facilitated the work of the consultant.

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 or Statistics Denmark.

### 2. Assessment and results of the final mission

Given the results from the pilot survey was of a high quality, the agreement was reached to use this data for the regular survey going forward. During the final mission, results from the regular survey on SPPI for the first two quarters of 2016 were presented by all three statistical institutes and experiences were shared and discussed. Below is a table containing sample size and non-response rates for the selected industries.

*Table 1: Sample size and non-response rate*

| NACE         | Industry description           | Entity       | Total units | Responses | Non-response rate |
|--------------|--------------------------------|--------------|-------------|-----------|-------------------|
| <b>49.41</b> | <b>Road freight transport</b>  | <b>Total</b> | <b>70</b>   | <b>66</b> | <b>94%</b>        |
|              |                                | RS           | 26          | 24        | 92%               |
|              |                                | FBiH         | 38          | 36        | 95%               |
|              |                                | DB           | 6           | 6         | 100%              |
| <b>51.10</b> | <b>Air passenger transport</b> | <b>Total</b> | <b>-</b>    | <b>-</b>  | <b>-</b>          |
|              |                                | RS           | -           | -         | -                 |

|              |                                  |              |           |           |             |
|--------------|----------------------------------|--------------|-----------|-----------|-------------|
|              |                                  | FBiH         | -         | -         | -           |
|              |                                  | DB           | -         | -         | -           |
| <b>52.10</b> | <b>Warehousing and storage</b>   | <b>Total</b> | <b>9</b>  | <b>6</b>  | <b>66%</b>  |
|              |                                  | RS           | 2         | 2         | 100%        |
|              |                                  | FBiH         | 6         | 3         | 50%         |
|              |                                  | DB           | 1         | 1         | 100%        |
| <b>52.24</b> | <b>Cargo handling</b>            | <b>Total</b> | <b>3</b>  | <b>1</b>  | <b>33%</b>  |
|              |                                  | RS           | 2         | -         | -           |
|              |                                  | FBiH         | -         | -         | -           |
|              |                                  | DB           | 1         | 1         | 100%        |
| <b>53.10</b> | <b>Universal postal services</b> | <b>Total</b> | <b>3</b>  | <b>3</b>  | <b>100%</b> |
|              |                                  | RS           | 1         | 1         | 100%        |
|              |                                  | FBiH         | 2         | 2         | 100%        |
|              |                                  | DB           | -         | -         | -           |
| <b>53.20</b> | <b>Courier services</b>          | <b>Total</b> | <b>8</b>  | <b>3</b>  | <b>38%</b>  |
|              |                                  | RS           | 3         | 1         | 33%         |
|              |                                  | FBiH         | 5         | 2         | 40%         |
|              |                                  | DB           | -         | -         | -           |
| <b>61</b>    | <b>Telecommunication</b>         | <b>Total</b> | <b>18</b> | <b>17</b> | <b>94%</b>  |
|              |                                  | RS           | 7         | 6         | 86%         |
|              |                                  | FBiH         | 11        | 11        | 100%        |
|              |                                  | DB           | -         | -         | 0%          |

### *Industry comments*

The industry **51.10 Air passenger transport** has been removed from regular survey, due to the fact that the single company operating in this industry is in bankruptcy proceedings. BC experts will continue to monitor the situation in the industry for future surveys. In the industry **52.10 Warehousing and storage**, one unit from RS survey ceased to exist and it was not possible to find a replacement unit. Instead it was agreed to replace the unit with a KAU. Based on the experience from the pilot survey and regular production, it was agreed to use the existing price list of companies from industry **53.10 Universal postal services**.

### *Base year*

Since we have been successful in collecting data from all four quarters of 2015, base year will be 2015=100. This means that index results for  $(Q1+Q2+Q3+Q4) / 4 = 100$ . Going forward, the base year should be updated every five years in accordance with the EU regulation. Next base year will be 2020=100, implemented by the end of 2023.

### *Index calculation and weights*

During the mission, annual turnover by service groups from 2015 was analyzed and compared with turnover structure for 2014. It was generally agreed that weights will be based on turnover values collected from the reporting units for the whole year and that these should be updated yearly. This agreement is in line with conclusions from previous missions. Methods for index calculation and weight structure are described in detail in the methodological

document. For industries 53.10 Universal postal services and 53.20 Courier services, weights will be applied on enterprise level and for remaining industries weights will be applied on service group level.

#### *Cooperation with CPPI*

There was a joint session of the mission, together with delegates from the CPPI component, to discuss the need for common practices between the two statistics. Danish experiences with sharing methodological knowledge, production practices, staff, organisational structure and IT-systems between SPPI and CPPI were presented by the Danish experts.

#### *IT application*

During the shared session there were also a presentation of an IT application developed by FIS for data collection and production of price indices. RSIS is also developing a similar application for CPPI. Both of these applications should form a good basis for a common IT solution that could be used also for SPPI.

### **3. Assessment and results of the whole component**

#### *Status at the beginning of the project:*

Before the project started, there were no existing production of SPPI in BiH and all work on this area started from the very beginning.

#### *Status of project results:*

In general, there have been no delays in the project plan and the benchmarks set out before the beginning of the whole component have been reached. Draft questionnaires and supporting documents were ready before the initial pilot survey started. Experiences from the initial research phase and pilot survey was used for redesign of questionnaires for regular production. The first results from the pilot survey were analyzed in order to apply appropriate methods. Methods have been adjusted, the final version of the methodological document have been developed and production of regular surveys have started.

#### *Sustainability of the achievements:*

The sustainability of the results will depend on available resources and requires continuity, now that the production of SPPIs transcend from project status to ongoing production. There is a solid methodological foundation and a clear understanding of what the end-product should be. However, in the existing organisational structure there are no human resources allocated for regular production of SPPIs, therefore to meet the requirements of EU regulation, additional staff should be hired to deal exclusively with producing SPPIs. Otherwise, there is a risk that the efforts made during the component would go to waste. To maintain sustainability of the achievements, it is deemed important that besides adding staff to the regular production, resources should be allocated to build a common IT-application for producing SPPIs. Furthermore, production processes should be described in detail, preferably in GSBPM, in order to preserve the gained expertise within the statistical organisations.

## 4. Conclusions and recommendations for the whole component

### *Recommendations for the future (short and long term)*

It is recommended that the current version of the methodological document is updated with detailed descriptions of methods for dealing with non-response. It is also recommended that the methodological documents should follow the SIMS structure, so that it is coherent with Eurostat standards.

It is recommended that collected raw data for each collection period is stored in a secure environment, to be able to recreate or revise results if necessary. This will also reduce risk of manual errors.

It is recommended that statisticians working on producing SPPIs will continue to grow both a formal and informal cooperation with statisticians working with CPPI to share knowledge on methodology, IT-systems and experiences. On the same note, it is important to regularly consult the National Account for opinions on best practices and the end-use of the produced SPPIs (user need). E.g. make test calculations with different weight structures or prioritizing which new industries should be subject development of new SPPIs.

It is recommended that additional industries are included into the regular production of SPPIs. MS and BC experts agreed that the following industries will be in focus for future work:

Table 2: Recommended future industries in the SPPI

| NACE | Industry description  |
|------|---|
| 69   | Legal and accounting activities   |
| 77   | Rental and leasing activities   |
| 78   | Employment activities   |
| 79   | Travel agency activities  |
| 80   | Security and investigative services   |
| 81   | Services to buildings and landscape activities                              |
| 82   | Office administration, office support and other business support activities |

### *Identification of needs for additional support*

The development of an IT-system for producing SPPIs should be made with strong support from IT experts. When the system is fully implemented, IT-experts should still offer ongoing support to maintain the system.

## Annex 1. Terms of Reference

### EU Twinning Project BA-12-IB-ST-01

#### Terms of Reference

**Component: 2.3.2 Producer (output) prices in services SPPI**

**6<sup>th</sup> – 9<sup>th</sup> September 2016**

**Sarajevo, Ferhadija 11, III floor, BHAS**

#### Activity

2.3.2.5 Methodology for producer (output) prices in services. Follow-up on achievements of the component and recommendations for the future

#### Benchmarks

- Plan for development of SPPI for selected services done by 2nd project quarter
- Draft questionnaires and supporting documentation prepared by 2nd project quarter
- Pilot surveys for SPPI conducted by 3rd project quarter
- First results analyzed and questionnaires redesigned by 6th project quarter
- Methodological document developed by 8th project quarter

#### Purpose of activity

The expected activities are:

- Presentation of the results for regular survey on SPPI (calculation of indices, non-response rate, experiences gained, feedback from reporting units etc.)
- Weighting system (base year 2015) and calculation of SPPI – further clarifications
- Clarification of all outstanding issues
- Finalisation of Methodological document on SPPI – preparation of final version
- Follow-up on the results achieved in the component
- Discussions and recommendations for future work
- Development plan for future improvements
- Identification of needs for additional support
- Preparation of final report

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#### Expected output

- Analysis of regular survey process made
- Final agreement on all outstanding issues
- Methodology document adopted
- Project results identified
- Development plan for SPPI agreed
- Recommendations for future work made (exit strategy)
- Final report prepared



|                             |
|-----------------------------|
| <b>List of Participants</b> |
|-----------------------------|

**Experts**

Rasmus Anker Kristiansen, Statistics Denmark

**Agency for Statistics of BiH**

Alen Bajramović, Head of Department for Services Statistics

Lejla Krehić, Junior officer in Department for Services Statistics

Lejla Borovina, Junior officer in Department for Services Statistics

**Institute for Statistics of Federation of BiH (FIS)**

Sanja Ambrožić, Head of Department for Services Statistics and External Trade

Merima Hadžalić, Junior officer in Department for Services Statistics and External Trade

**Institute for Statistics of Republika Srpska (RSIS)**

Jelena Glamočika, Head of Department for Services Statistics

**Twinning Project Administration**

Søren Leth-Sørensen, RTA

Djemka Sahinpašić, RTA Assistant

**Interpreter**

Haris Imamović

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|---------------|
| <b>Agenda</b> |
|---------------|

**Location: Sarajevo, Ferhadija 11, III floor, BHAS**

| Time        | Day                  | Place | Event                    | Purpose / Detail of event   |
|-------------|----------------------|-------|--------------------------|---|
| 09:00-16:00 | Tuesday Morning      |       | Workshop with BC Experts | Welcome and Introduction<br>Presentation of the results for regular survey on SPPI (calculation of indices, non-response rate, experiences gained, feedback from reporting units etc.)<br>BC experts  |
|             | Tuesday, afternoon   |       | Workshop with BC Experts | Weighting system (base year 2015) and calculation of SPPI – further clarifications<br>Clarification of outstanding issues<br>MS experts, BC participants  |
| 9:00-16:00  | Wednesday, morning   |       | Workshop with BC Experts | Discussion on SPPI and CPPI (joint part of the mission), methods, concepts and experiences (common practices)<br>MS experts, BC participants<br>(location: Zelenih beretki 26, I floor)   |
|             | Wednesday, afternoon |       | Workshop with BC Experts | Finalisation of Methodological document on SPPI – preparation of final version<br>MS experts, BC participants   |
| 9:00-16:00  | Thursday, morning    |       | Workshop with BC Experts | Follow-up on the results achieved in the component<br>Discussions and recommendations for future work<br>Development plan for future improvements of SPPI<br>MS experts, BC participants  |
|             | Thursday, afternoon  |       | Workshop with BC Experts | Agreement on inputs for final report including: <ul style="list-style-type: none"> <li>- Overview of status at the beginning of the project</li> <li>- Status of project results</li> <li>- Sustainability of the achievements</li> <li>- Recommendations for the future (short and long term)</li> <li>- Identification of needs for additional support</li> </ul> MS experts, BC participants |
| 9:30-12:00  | Friday, morning      |       | Meeting with BC Experts  | Adoption of final version of Methodology document and Final report on SPPI<br>MS experts, BC participants   |

## **Annex 2. Persons met**

### **BHAS:**

Alen Bajramović, Head of Department for Services Statistics

Lejla Krehić, Junior officer in Department for Services Statistics

Lejla Borovina, Junior officer in Department for Services Statistics

### **FIS:**

Sanja Ambrožić, Head of Department for Services Statistics and External Trade

Merima Hadžalić, Junior officer in Department for Services Statistics and External Trade

### **RSIS:**

Jelena Glamočika, Head of Department for Services Statistics

### **RTA Team:**

Søren Leth-Sørensen

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Haris Imamovic