



## EU Twinning Project

### Forwarding Armenian Statistics Through Twinning

AM09/ENP-PCA/TP/04

# MISSION REPORT

## ON COMPONENT E:

### INTRODUCTION OF THE HARMONIZED CONSUMER PRICE INDEX

#### ACTIVITY E.4.2 Training Workshop on HICP For Regional Statistical Agencies

Mission carried out by  
Nadiežda Alejeva, Statistics Lithuania  
Oskars Alksnis, Central Statistical Bureau of Latvia

Armenia, 11–13 July 2012

Version: *Final*

National Statistical Service of the Republic of Armenia	Central Statistical Bureau of Latvia	Statistics Lithuania	Statistics Denmark

**Authors' names, addresses, e-mails**

Nadiežda Alejeva  
Head of the Price Statistics Division  
Statistics Lithuania  
29 Gedimino Ave  
LT-01500 Vilnius  
Lithuania  
Nadiezda.Alejeva@stat.gov.lt

Oskars Alksnis  
Head of the CPI Section, Price Statistics Department  
Central Statistical Bureau of Latvia  
1 Lāčplēša Street  
LV-1301 Riga  
Latvia  
Oskars.Alksnis@csb.gov.lv

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### ***Other material produced for the activity***

Annex E.4.2.5	Harmonized Consumer Price Index (PP by Nadiezda Alejeva)
Annex E.4.2.6	HICP and CPI Differences in Latvia (PP by Oskars Alksnis)
Annex E.4.2.7	Harmonized Consumer Price Index and Price Collection Procedure in Lithuania (PP by Nadiezda Alejeva)
Annex E.4.2.8	HICP Experience in Latvia (PP by Oskars Alksnis)
Annex E.4.2.9	Introduction of HICP in Armenia (PP by Gurgen Martirosyan, NSSRA)

## List of Abbreviations

BC	Beneficiary Country
COICOP/HICP	Classification of Individual Consumption by Purpose adapted to the needs of HICPs through Commission Regulation (EC) No 1749/1999
CPI	Consumer Price Index
EU	European Union
HBS	Household Budget Survey
HICP	Harmonized Index of Consumer Prices
MS	Member State
NSSRA	National Statistical Service of the Republic of Armenia
PPP	Purchasing Power Parity
RTA	Resident Twinning Adviser
ToR	Terms of Reference

## **0. Executive summary**

The key objectives of the mission was to follow up on the recommendations given during the E.4 mission, to review the progress achieved of the activities indicated in the Road map for the Component as well as to discuss the treatment of seasonal products and quality adjustment methods applied for the compilation of the CPI.

Participation in the Training workshop on HICP for Regional Statistical Agencies and external stakeholders was another important activity carried out during the mission.

It was agreed that NSSRA would continue the implementation of the methodological and technical solutions applied by the EU MSs for the compilation of the HICPs in the national CPI production environment.

Appropriate documentation reflecting the work carried out during the EU Twinning Project period will be prepared till December 2012.

After discussions on the method used for the estimation of prices for the seasonal products in the out-of-season period, it was noted that some improvements could be considered. Some progress has been achieved for the application of quality adjustment methods since the previous mission. However, further development in this area is welcome.

The final agreement on the organizational issues of the Training workshop was reached.

## **1. General comments**

This Mission Report was prepared within the framework of the EU Twinning Project. It was the fourth mission and additional activity (as compared to the original contract) E.4.2, Training workshop on HICP for Regional Statistical Agencies within Component E: Introduction of the Harmonized Consumer Price Index.

The main objectives of the mission were in line with ToR and were as follows:

- Follow up on the Road map for the Component as specified in the E.4 Mission Report;
- Advice on on-going sub-projects related to the development of the CPI/HICP (in particular, treatment of seasonal products and treatment of quality adjustment methods);
- Participation in the Training workshop for Regional Statistical Agencies and external stakeholders:
  - ✓ Present and discuss the differences between the national CPI and the HICP;
  - ✓ Present the Latvian and Lithuanian experiences on introducing the HICP;
  - ✓ Advice on the re-organization of price collection.

The MS Experts would like to express their heartfelt thanks to all officials and individuals met in the NSSRA for the kind support and valuable information which they received during their stay in Yerevan and which facilitated their work.

The views and observations stated in this Mission Report are those of the MS Experts and do not necessarily correspond to the views of Statistics Lithuania or Central Statistical Bureau of Latvia.

## **2. Assessment and results**

### **Current status, progress and developments since the last Activity E.4**

The Head of the Price Statistics and International Comparison Division of the NSSRA presented the progress achieved since the last meeting in April 2012. The work planned and presented by the EU Experts in the fourth Mission Report was reviewed activity by activity. The analysis of the impact on the CPI for the city of Yerevan, after reducing the frequency of price collections within the same month, had been continued. Calculations had been carried out till June 2012. The documentation of the current approach on the treatment of seasonal products in the Armenian CPI and quality adjustment procedures is at the preparation stage. The staff of the Price Statistics and International Comparison Division carried out the reclassification exercise of the goods and services according to the COICOP/HICP classification. The preparatory work for the extra activity – a Training workshop (for price collectors and external stakeholders) – had been carried out. The study visit to Statistics Denmark by three BC experts had been carried through.

### **Discussion on the agenda and the presentations for the Training workshop**

The preliminary agenda of the Training workshop was discussed with the project's Resident Twinning Adviser (RTA), Mr Thomas Bie, and during a briefing with the BC Project Leader, the President of the NSSRA, Mr Stepan Mnatsakanyan and the Head of the Price Statistics and International Comparison Division of the NSSRA, Mr Gurgen Martirosyan. The content of the presentations prepared by the EU Experts was considered and accepted by the RTA. Organisational issues were discussed as well and the final clarification of the topics included in the agenda was made. Special attention was paid to the issue regarding the group discussions on topics related to the reorganisation of the price collection.

### **Discussion of the interim estimation of the HICP issue; further advice on the quality adjustment methods**

The future development of the system for the interim compilation of the HICP by the NSSRA was discussed. The weights of 2010 will be used for the calculation of the interim HICP. These weights, classified according to the COICOP/HICP, will be price-updated to December 2011 and will be used for calculation of price indices for 2012. The price and index reference period will be December 2011. Some modifications of software, necessary for the compilation of the interim HICP, will be discussed during September with the Information Technologies Development Division staff of the NSSRA.

Armenian colleagues presented the quality adjustment methods and procedures used for specific products. The CENEX Handbook on the application of quality adjustment methods in the HICP was used as a reference document to decide on the methods that could be used for specific cases. The following methods are mainly used in practice: package size adjustment, direct price comparison, overlap, bridged overlap, option pricing and judgmental quality adjustment. The issue concerning the stratification of product brands was discussed. It was recommended to implement brand stratification applied in the PPP Programme for certain product groups. The proposed approach facilitates the adjustments due to quality changes. The importance of distinguishing between minor and major characteristics of the product was stressed during the discussion.

### **Treatment of seasonal products**

Armenian colleagues introduced the EU Experts to the procedure on treatment of seasonal products in the CPI. Seasonal products are divided into two groups: 'strong' seasonal and 'weak' seasonal products. 'Strong' seasonal products are those which are not available for purchase and for which prices can not be observed for a certain period of time during the year. 'Weak' seasonal products are those which are available for purchase and which prices can be observed throughout the year but the price level and quantities sold vary significantly during the year.

In the out-of-season period the price is estimated by the price movement of the group to which the product belongs starting from the first month of the out-of-season period. It is assumed that the season starts when product is available in 50% or more settlements where prices are collected. Weights are kept fixed during the year. The procedure presented was discussed in detail and some recommendations concerning the use of the typical price in the first month of the out-of-season period as well as some technical solutions for the first in-season month were given by EU Experts.

### **Reorganisation of the price collection procedure**

The specific road map for reorganisation of the price collection procedure in Armenia that was elaborated by EU Experts together with specialists of the Price Statistics and International Comparison Division during the E.4 mission is still in force. The main activities should be carried out till the last EU Experts mission (Activity E.6 Review of the implementation).

Mr. Gurgen Martirosyan presented some ideas on the reorganisation. The number of price collection will be reduced from three to two, number of outlets and products will be reviewed, the burden of price collectors will be reduced and responsibilities rearranged. EU Experts stressed the need for analysis and evaluation of workload for price collectors.

### **Training workshop on HICP for Regional Statistical Agencies**

The additional activity within the framework of the Twinning Project – a Training workshop – was held on the third day of the mission. Price collectors from the Regional Statistical Agencies, Heads of Regional Statistical Agencies as well as representatives of international organisations and external stakeholders participated in the workshop. See list of participants in Annex 3. EU Experts made the presentations regarding the HICP and shared their experience on the implementation of the HICP, price collection procedures, and data quality assurance. EU Experts and the staff of the NSSRA gave answers to questions raised by participants of the Training workshop. Mr. Gurgen Martirosyan presented the analysis on the reduction of price collection and introduced the re-organisation plan of the price collection.

It is necessary to stress that the workshop was well organised and positively evaluated by price collectors. Fruitful discussions took place and representatives from Regional Statistical Offices expressed their opinion on the issue concerning reorganisation of price collection procedure and presented their problems.

### **Other issues**

The briefing with the BC Project Leader, the President of the NSSRA Mr Stepan Mnatsakanyan took place during the mission. The findings, conclusions, recommendations and actions to be carried out before the next Activity E.6 were presented and discussed. The workshop agenda was discussed as well.

### **3. Conclusions and recommendations**

The analysis of the impact of the reduced number of price observations to the annual rate of change, prepared by NSSRA specialists, shows once again that reduction of the frequency of price collection from three to two per month has a negligible effect. It was recommended to continue the pilot calculations of the CPI till the end of 2012 and analyse the impact to the CPI for Yerevan.

Further implementation of the quality adjustment methods should be carried out. Documentation of quality adjustment procedures should be continued.

The work on the implementation of the COICOP/HICP classification in the price statistics environment will be further carried out. It was recommended to analyse carefully the COICOP/HICP categories which presently are not included in the CPI and, if it would be necessary, to extend the coverage of products and outlets.

It was recommended to make more efforts to start some calculation of the interim HICP till the end of 2012.

Further technical assistance and advice on the transposition of EU legislation into the national statistical environment would be needed for the NSSRA.

In order to improve the quality and comparability of the CPI the NSSRA should continue implementing the minimum standards for the HICP in statistical environment.

## 4. Actions before next activity (E.6)

The next activity within the Component E is the final one - Reviewing mission E.6 that will take place possibly in the beginning of December 2012.

It was agreed between the BC and MS Experts that the most of the work and actions already defined are in force and should be undertaken and documented before the final activity:

- To continue the analysis of the impact to the CPI for Yerevan after reducing the frequency of price collections per month;
- To review the Armenian CPI products and outlets sample in order to assess the consumption categories of the COICOP/HICP, which potentially should be included in the HICP coverage;
- To document the work carried out (*written material; have it translated into English*):
  - ✓ on the implementation of the quality adjustment procedures;
  - ✓ on the implementation of the COICOP/HICP classification;
  - ✓ on the compilation of the CPI weights;
  - ✓ on the treatment of seasonal products in the CPI.
- To prepare a Quality Declaration for the HICP as a part of the documentation procedure;
- To prepare a detailed plan for reorganisation of the price collection process (*preferable written material; have it translated into English*);
- To prepare a short report on the progress achieved before the Reviewing mission E.6 (*written material; have it translated into English*).

It has been agreed that the documentation should be available for translation approximately one month before the last activity, E.6. The structure of the documentation will be decided upon in the beginning of September 2012.

The Road map that was updated during the E.4 mission (see E.4 Mission Report, Annex 5) was studied in the light of the above mentioned work tasks, and the Road map remains unchanged.



## **Annex 1. Terms of Reference (E.4.2); 11–13 July 2012**

### ***Activity E.4.2      Training workshop on HICP for Regional Statistical Agencies***

#### **1. Purpose of activity**

The purpose of the activity is to

- Follow up on the road-map of the component as specified in the E.4 Mission Report
- Advice on on-going sub-projects related to the development of the CPI/HICP
- Participate in the workshop for Regional Statistical Agencies and external stakeholders:
  - Present and discuss the differences between the national CPI and the HICP;
  - Present the Latvian and Lithuanian experiences on introducing the HICP;
  - Advice on the re-organization of price collection.

#### **2. Expected output of the activity**

Stakeholders informed about the on-going processes. Planning of the re-organized price collection initiated and drafted. Possible adjustments to the road map implemented.

#### **3. Project Participants**

Mr. Gagik Gevorgyan, Member of State Council on Statistics (BC Component Leader)

Mr. Gurgen Martirosyan, Head of the Price Statistics and International Comparisons Division

Ms. Mariam Yeritsyan, Main Specialist, Price Statistics and International Comparisons Division

Mr. Oskars Alksnis, Head of Section, Price Statistics Department, Central Statistical Bureau of Latvia;

Ms. Nadiežda Alejeva, Head of the Price Statistics Division, Statistics Lithuania

## Annex 2. Meeting Programme for MS Experts: 11–13 July 2012

Time	Place	Event	Purpose / detail
Wednesday, July 11 <sup>th</sup> Morning	Congress Hotel	Meeting with RTA	To discuss the programme of the week
Afternoon	NSSRA	Meeting with BC Component Leader and Experts	Current status. Progress and developments since the last activities (E.4 and E.5) Confirmation of agenda for the Training workshop and discussion of the presentations.
Thursday, July 12 <sup>th</sup> Morning	NSSRA	Meeting with BC Experts	Discussion and advice on creating a system for interim estimation of HICP. Further advice on quality adjustment.
Afternoon	NSSRA	Meeting with BC Experts	Follow-up on planning issues related to the Road map for the development of the HICP for Armenia.
	NSSRA	Debriefing with BC Project Leader	Conclusions, decisions and recommendations. Consequences for the next activity and an implied work programme for BC Experts.
Friday, July 13 <sup>th</sup>	Erebuni Plaza	Training workshop	For Regional Statistical Agencies and external stakeholders – see agenda below.

### Agenda for workshop 13<sup>th</sup> July:

- 10:00 Registration
- 10:30 Welcome and presentation of Twinning
- 10:40 MS Experts' presentation on the EU regulation on HICP and differences and purposes of the HICP vs. CPI
- 11:10 Coffee break
- 11:30 BC Experts' presentation of the analysis regarding reduced price collection and introduction to the re-organization of price collection
- 12:00 Discussion: questions and answers
- 12:30 Lunch
- 13:30 MS Experts' presentations on HICP experience in Lithuania and Latvia
- 14:45 Introduction: Methodological issues related to the re-organization of price collection
- 15:00 Coffee break
- 15:30 Group discussions on topics related to the re-organization of price collection
- 16:30 Plenary session: presentation from groups
- 17:30 Conclusions and the end of meeting

### Annex 3. Persons met

Mr. Stepan Mnatsakanyan, President of the NSSRA, BC Project Leader

Ms. Anahit Safyan, Head of the International Statistics Cooperation Division

Mr. Gurgen Martirosyan, Head of the Price Statistics and International Comparisons Division

Ms. Mariam Yeritsyan, Main Specialist, Price Statistics and International Comparisons Division

### Participants in the workshop on HICP, 13 July 2012

<b>Name (press)</b>	<b>Media</b>
Rubina Araqelyan	Sharm
Haykaz Ghubatyan	Lurer.com
Hrachya Martirosyan	Hayastan
Arminak Zarinyan	Orakarg
Gevorg Khachatryan	Kentron TV
Lilian Gazaryan	Panorama.am
Hasmik Hakobyan	Panorama.am
Liana Yeghiazaryan	Public Radio
Ani Darbinyan	Anca Gendale
Rubina Araqelyan	Sharm
<b>Name</b>	<b>Organization</b>
Nadiežda Alejeva	Statistics Lithuania
Oskars Alksnis	Central Statistical Bureau of Latvia
Martin Galstyan	The Central Bank of Armenia
Tigran Katanyan	World Bank
Erazik Dalakyan	"New Generation" Saint Petersburg
Diana Afyan	The Central Bank of Armenia
Paysar Gevorgyan	The Central Bank of Armenia
Armine Matosyan	Ministry of Labor and Social Affairs
Armine Manukyan	IMF
Greta Adamyan	Ministry of Finance
Lili Karapetyan	Ministry of Finance
Name Unknown	Ministry of Finance
Erazik Dallakyan	"New Generation" Saint Petersburg
Liana Atoyan	RTA Language Assistant
Diana Gasoyan	RTA Assistant
Thomas Bie	RTA
<b>Name</b>	<b>Position or division in NSSRA's central office</b>
Stepan Mnatsakanyan	President of NSSRA
Gagik Gevorgyan	Member of State Council on Statistics
Gurgen Martirosyan	Head of the Price Statistics and International Comparison Division
Lucya Khachatryan	Head of National Accounts and Macroeconomic Indicators Division
Anahit Safyan	Head of International Statistical cooperation division
Hasmik Yeghiazaryan	International Statistical cooperation division
Narine Baboyan	Price Statistics and International Comparison Division
Hasmik Karapetyan	Price Statistics and International Comparison Division
Lida Grigoryan	Price Statistics and International Comparison Division
Karine Avetisyan	Price Statistics and International Comparison Division
Gayane Sargsyan	Price Statistics and International Comparison Division
Mariam Yeritsyan	Price Statistics and International Comparison Division
Narine Musheghyan	Head of Statistical information dissemination Division
Siva Ulobobyan	Statistical information dissemination Division
Varduhi Avetisyan	Statistical information dissemination Division
Susan Hunanyan	Labor Division
Armenuhi Arushanyan	Households Division
Hasmik Ghunaghdjyan	Labor Division
Susanna Khachatryan	National Accounts Division
Diana Martirosova	Head of Household Division
Gayane Petrosyan	Prices and International Comparison Division

<b>Name</b>	<b>Regional Statistical Agency of NSSRA</b>
Grigoryan Arine	Syunik
Loreta Mkrtchyan	Aragatzotn
Svetlana Simonyan	Ashtarak
Gayane Margaryan	Edjmiazin
Nvard Avetisyan	Edjmiazin
Anush Nikoghosyan	Edjmiazin
Margarit Yeghiazaryan	Martuni
Karine Mkrtchyan	Tavush
Nelli Davtyan	Tavush
Ruzanna Gharabekyan	Tavush
Nazik Matevosyan	Lori
Gayane Ghazaryan	Lori
Hermine Papikya	Lori
Vrej Manukyan	Lori
Avetik Melikyan	Yerevan city Agency
Hovhannes Hayrapetyan	Yerevan city Agency
Anahit Margaryan	Shirak
Marieta Araqelyan	Kapan
Zhanna Ohanyan	Vayotz Dzor
Siranush Harutyunyan	Vayotz Dzor
Marlen Ghazaryan	Vayotz Dzor
Hakob Badalyan	Gegharkunik
Aleksandr Grigoryan	Ararat
Levik Movsisyan	Aragatzotn
Arpine Mghitaryan	Yerevan city Agency
Gayane Gevorgyan	Yerevan city Agency
Narine Aghayan	Yerevan city Agency
Hasmik Apresyan	Yerevan city Agency
Susanna Ghambaryan	Gyumri
Anzhela Kostanyan	Shirak
Hasmik Unusyan	Shirak
Nshan Avetisyan	Gegharkunik
Armine Oseyan	Ararat
Armen Muradyan	Ararat
Hakob Harutyunyan	Vayotz Dzor
Anahit Taghmasyan	Charensavan
Arpine Andreasyan	Charensavan
Gohar Ghavazyan	Charensavan
Vladimir Grigoryan	Syunik
Gayane Arustayan	Syunik
Ishghhan Sargsyan	Armavir
Zaruhi Gabrielyan	Talin
Vahan Davtyan	Kotayk

## Annex 4. Press release for workshop on 13 July 2012



### *Press Release*

Yerevan

July 2012

### **EU consumer price index to be introduced in Armenia**

On 13 July 2012 the National Statistical Service (NSSRA) and the EU project “Forwarding Armenian Statistics Through Twinning” will organize a workshop on the introduction of the European Union’s “Harmonized Consumer Price Index” (HICP) in Armenia.

As the official measure of inflation, the consumer price index is a key statistical indicator. All countries in the European Union publish both the HICP and national CPIs. The introduction of HICP in Armenia is an important step in adopting EU standards, and will probably happen in the beginning of 2014. Most of the changes in the data collection, however, will start from the beginning of 2013, while the re-classification of consumer goods and services is already in process. The data will be used to establish the expenditure weights for the HICP.

The workshop will be conducted both involving stakeholders and professional users of the consumer price index and will focus on the differences between the two indices, their scope as well as their specific uses. An important part of the agenda is the re-organized data collection in relation to the existing national consumer price index. An analysis of the implications of this change in methodology will be presented and discussed.

The workshop is organized with the participation of EU Experts from Statistics Denmark, Statistics Lithuania and the Central Statistical Bureau of Latvia.

The 2-year EU Twinning Project “Forwarding Armenian Statistics Through Twinning” focuses on harmonizing a range of Armenian statistics with European Union standards.

#### Press meeting:

Time 10:30; 13 July 2012 (registration starting from 10:00)

Location Erebuni Plaza, Meeting room “Erebuni” (9<sup>th</sup> floor)