TWINNING CONTRACT

Development of New Statistical Methodologies and Indicators in Selected Areas of Statistics in line with EU Statistical Standards

Ukraine

MISSION REPORT

on

Classifications in production statistics

Component 1.5, Action 1.5.4

Version: draft

List of Abbreviations

ToR	Terms of Reference
SSSU	State Statistics Service of Ukraine
SD	Statistics Denmark
SL	Statistics Lithuania

1. General Comments

This mission report was prepared within the Twinning Project „Development of new statistical methodologies and indicators in selected areas of statistics in line with EU statistical standards". It presents the conclusions of the fourth mission to be devoted to classifications in statistics of industrial production within Component 1.5. of the project.

The purpose of the mission was to:

- *Familiarize the Ukrainian specialists with the European practice of using PRODCOM to construct national classifications for the statistics on the manufacture of industrial products.*
- *To familiarize the experts with the CPA-2008 and last version of the PRODCOM-based draft Nomenclature to collect data on manufacture of products in Ukraine.*
- *And also to familiarize the experts with the questionnaires used to collect data on the manufacture of industrial products to obtain indicators in compliance with PRODCOM.*
- *And In joint effort with the experts, working on approaches to the backcasting of times series in production statistics.*

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 Ukraine, and which highly facilitated their work.

The views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, SSSU or Statistics Denmark / Statistics Finland / Statistics Lithuania / Central Statistical Bureau of Latvia / Statistical Office of the Slovak Republic / INE / Statistics Sweden.

2. Assessment and Results

The national classification of industrial products

The Ukrainian specialists presented the structure of the nomenclature of industrial products (NIP) and showed some examples of how it is implemented with concrete codes. The NIP contains hierarchical groupings at 2 (title), 4, 6, 8, and 10 digit levels. The 2 and 4 digit level correspond to NACE rev. 2, the 6 digit to CPA 2008, and the 8 digit to Prodcom 2011. The 10 digit code is a national code.

There are also 7, 9, and 11 digit groupings as a letter is added to the 6,8, and 10 groupings to indicate where measurement units differ from what is required, e.g. if litres is used instead of kg.

The NIP structure will allow the SSSU to calculate indices of industrial production at NACE rev.2 levels based on the collected data on products. For the specific purpose of this index, information about some selected products is collected each month.

Due to the structure of the national products classification SKP (CPA 2008) it will not be possible to create detailed national classifications based on NACE rev.2, i.e. 5 or 6 digit, because the 5th and 6th digit are occupied by the CPA code. But it has already been decided that the classification of economic activity will not go beyond the 4 digit level.

Backcasting

The experts explained how backcasting had been carried out in Denmark and Lithuania (similar approaches were used throughout the EU). In both countries a mix of micro and macro methods had been adopted for STS. From the new base year 2005 and forwards the micro method was used. In particular there was emphasis on securing as solid a base year as possible and it was felt that this was best achieved by the micromethod. The years before 2005 were recalculated using conversion coefficients. These coefficients were created by the double coding of the business register (and in the case of Denmark also by the double coding of the Prodcom statistics). In DK a conversion matrix was created for each year, and in the case of the IIP the conversion matrix from 2005 was applied throughout the whole period.

The SSSU faces the task of simultaneously introducing the new classification system, which is equivalent to adopting the NACE rev. 2 and of recalculating the IIP back to the year 2007 (I stage – 2011, 2012; II stage –back to 2007). The IIP calculation is based on list of representative goods. SBS weights and prices also reflect this approach. For this reason the recoding and backcasting of the IIP is not so much based on observation units but rather on products.

The SSSU plans to introduce 2010 as the new base year and to have completed the whole task, including the backcasting to 2007 by the end of 2013. The plan is to micro recode the years 2010 to 2012, that is to use the correspondence table (for 2010 conversion coefficients could partially be used), and then to apply conversion coefficients to backcast to 2007. So far micro recoding has taken place for 2011 to 2012, and a conversion matrix has been possible to calculate because enterprises have been asked to also give a distribution of products in 2011 and 2012 based on the new classification. The conversion coefficients, have been calculated using 2012 and 2011 figures.

The backcasting for STS is expected to be carried out at four digit level. The SSSU is also considering a backcasting opportunity for regions 2012. The sheer number of series can create some issues in regard to empty cells. To avoid empty cells, the SSSU divisions, responsible for weights and prices should undertake responsibility to provide quality data for the IIP calculation. In Statistics Denmark and Lithuania SBS and price divisions are responsible for these indicators.

There are many tasks that will have to be performed to successfully rebase the series and recalculate it. These include the calculation of new weights for the base year, the

calculation of price indices corresponding to the new classification etc. As this typically involves many different divisions within a statistical bureau, it is recommended that the work is coordinated between different sections, so that the process can run smoothly. This could for instance be in the form of an internal working group. It is in any case important for the success that cooperation between different sections, e.g. the classification section should provide significant support for different statistical domains.

Information to users about the changeover and publication of the new data

It is important to inform users about the changeover to the new nomenclature as this may create breaks in data. Information can be disseminated through various working groups, or as suggested by the SSSU, seminars for core users. The main site of information should probably be the web site of the statistical institute. One could for instance devote an entire section to information about the new classification system and maybe include some information to illuminate the corresponding changes.

As for the publication of data various possibilities were discussed. The SSSU publishes data in table form today. A more dynamic form would be to create a database that users can access directly for aggregate data. An important point made by the experts is that national groupings and publications are possible. The fact the EU member states must submit data for certain predefined groups to Eurostat does not impede the publication of aggregates of national interest.

The questionnaire

The Ukrainian specialists presented the questionnaire for the collection of production data. Data is collected on a paper form which is also available as an electronic questionnaire. The form is not prefilled with data. Some prefilling for instance with address and classification of the enterprise could be helpful for the enterprises. It would also be helpful if suggestions for product codes were made for new enterprises in the sample and if it was prefilled with the codes used in former reporting. This would obviously demand some resources and are merely to be thought of as suggestions. Subcontracting is registered by the enterprises in the form, but only in terms of volume. Values are estimated by using information on similar products. The questionnaire is headed by a sentence stating that enterprises will be prosecuted if they don't report data. This sentence might be better placed at the bottom of the questionnaire.

The experts showed examples of online questionnaires, which have the advantage of being more dynamic and also potentially of relieving both enterprises and the statistical bureau of administrative burdens. In Denmark it is compulsory for the enterprises to use the e questionnaire when reporting Prodcom and IIP data.

3. Conclusions and Results

The national nomenclature of products fully corresponds to Prodcom 2011. The application of each updated Prodcom list requires official translation, partial if insignificant changes fully if changes are significant. It is important that the classification section provides significant support for different statistical domains on the classifications of products into the relevant codes.

The selected approach to backcasting is considered the best option taking the method of the calculation of the production index and turnover into account in compliance with the methodology of the index calculation. It is necessary to obtain quality data on time from other divisions, e.g. weights and producer price indices.

The publication of data can be at different levels (with regard to data confidentiality) taking into account the users needs.

Annex 1. Terms of reference

This project is funded by
the European Union

Twinning Project
"Development of new statistical methodologies and indicators in selected areas of statistics in line with EU statistical standards"
Terms of Reference
For Short-term Mission to the State Statistics Service of Ukraine

Action – Component 1.4 Classification in Structural Statistics

Activity 1.4.4 Recalculation of time series II

Background Information

Statistics Denmark in partnership with Statistics Finland, Statistics Lithuania, Central Statistical Bureau of Latvia, Statistical Office of Slovak Republic, INE Spain - National Statistical Institute of Spain and Statistics Sweden, implements in Ukraine "Development of New Statistical Methodologies and Indicators in Selected Areas of Statistics in Line with EU Statistical Standards" Twinning Project. The State Statistics Service of Ukraine (State Statistics of Ukraine) is the Beneficiary of this Project).

This action is being implemented under Component 1.4 "Classification in Structural Statistics". The purpose of this Component is to recalculate the times series of structural statistics of enterprises that is harmonised with EU standards.

This action will contribute to achieving the abovementioned objective and reference indicators specified in the contract, namely:
- Improved knowledge and practical skills of SSSU experts in back-casting analysis of data of enterprise structural statistics based on NACE, rev. 2;
- Drafted methodology of recalculation of time series of structural statistics of enterprises.

Purpose of the Mission

The prior purpose of the mission is:
- Presenting by the SSSU the principles of structural survey of enterprises in Ukraine:
  ◦ generate the populations of reporting units, collect, develop, generate and disseminate data of structural survey, prepare the report related to quality of results of sampling structural survey of small enterprises.
- Assessing the information base of structural statistics of enterprises with regard to which it is necessary to make back-casting analysis of data under KVED-2010.
- Clarifying the content of further actions

Expected Results
- EU experts have got familiarized with structural surveys of enterprises in Ukraine as well as with availability of data for back-casting recalculations of structural statistics indicators due to introduction of KVED-2010.
- SSSU experts have got familiarized with general approaches to methods and procedure of back-casting analysis of structural statistics data based on NACE, rev. 2.

Actions

The tentative schedule of the mission is the following:

24.01.2012
Presenting by the SSSU the principles of structural survey of enterprises in Ukraine.

25.01.2012
Presenting by expert the European practice (in particular, of Finland) with regard to structural statistics as well as the procedure of back-casting analysis of structural statistics data due to introduction of NACE, rev.2.

26.01.2012
Updating the information base of structural statistics of enterprises with regard to which it is necessary to make back-casting analysis of data under KVED-2010.

27.01.2012
Discussing the content of further actions related to back-casting recalculation of data of structural statistics under KVED-2010.

Tasks to be fulfilled by the State Statistics to facilitate the mission
The information base against the indicators of structural statistics, for which it is necessary to make back-casting calculation due to introduction of KVED-2010, will be prepared.

Consultant and Partner
The mission will be conducted by:
Wille Tollki (Finland)

The Partner of the Country-Beneficiary will be:
Structural Statistics and Enterprise Finance Statistics Department of SSSU:

- Irina Zhuk, Director of Department, I.Zhuk@ukrstat.gov.ua, tel. 287-20-22, extension tel. 60-07;
- Margarita Kuznetsova, Deputy Director of Department, M.Kuznetsova@ukrstat.gov.ua, tel. 287-50-33, 60-74;
- Olena Kolpakova, Deputy Director of Department – Head of Unit, O.Kolpakova@ukrstat.gov.ua, tel. 287-14-33, 64-02.

Timing

The mission will be conducted within 24-27 January 2012 in Ukraine.

Report

The summary report on the results of the mission should be submitted not later than two weeks after the mission is completed.

Annex 2. Mission programme

This project is funded by
the European Union

Twinning Project
"Development of new statistical methodologies and indicators in selected areas of statistics in line with EU statistical standards"

MISSION PROGRAMME

Component I – Activity 1.5.4 "Follow-up and Final Recommendations on Production Statistics" **Experts: Mr. Soeren Kristensen and Ms Violeta Kunigelienė** **Date: 24/09/2012-28/09/2012**	

	Morning	**Afternoon**
Sunday 23/09/2012		**20:55** Arrival of Mr Kristensen to Kyiv **Transfer from the airport arranged with Vitaliy (+380933203140)** **Reservation in the Hotel Rus:** **Mr Kristensen # 049939**
Monday 24/09/2012	**10.00** **Arrival to SSSU Premises, room 412** **10:00-13:00** Discussing the visit programme and tasks. Presentation of Mr Soren Kristensen: - Best European practices of using PRODCOM to construct national classifications for manufacture of products observation; data dissemination - Eurostat methodological approaches to and EU MS best practices of back-casting based on examples of manufacture production data. **Participants:**	**14:30-17:00** Continuation **Address:** 3 Shota Rustaveli Str., Press Centre (2nd floor) **18:50** Arrival of Ms Kunigelienė to Kyiv **Transfer from the airport arranged with Vitaliy (+380933203140)** **Reservation in the Hotel Rus:** **Ms Kunigelienė # 746454**

	L. M. Ovdenko – Director of Production Statistics Department; I.S. Petrenko – Deputy Director of Production Statistics Department – Head of Division for Short-Term Industrial Statistics Indicators; N.P. Trots – Division for Processing Industry Statistics of the Production Statistics Department; N.G. Postoliuk – Head of Division for Statistics of Mining Industry, Electricity and Water and Gas Supplies of the Production Statistics Department. **Address:** 3 Shota Rustaveli Str., Press Centre (2nd floor)	
Tuesday 25/09/2012	**10:00-13:00** Continuation Review of the current situation in Ukrainian production statistics, choice of suitable methods for time series based on indicators (including regional aspects) and timing: • industrial output by type (monthly data, data for the base year); • worked man-hours for activities with a long production cycle (monthly data, data for the base year); • turnover in industry (monthly data, data for the base year); GVA in industry for the base year; • industrial production index (2011-2012, 2007-2010); • Index of turnover in industry (2011-2012). **Address:** 3 Shota Rustaveli Str., Press Centre (2nd floor)	**14:30-17:00** **Departure from SSSU Premises** Follow-up discussing the beck-casting in Ukrainian production statistics: - review of terms of receiving retrospective data by each of indices; - data publication policy in retrospective. **Address:** 3 Shota Rustaveli Str., Press Centre (2nd floor)
Wednesday 26/09/2012	**10:00- 13:00** Familiarizing experts with the draft of Nomenclature based on CPA-2008 and last version of PRODCOM to collect data on manufacture of products in Ukraine (elaboration principles, codes system, structure). **Address:** 3 Shota Rustaveli Str., Press Centre (2nd floor)	**14:30-17:00** Familiarizing experts with the questionnaires of production statistics surveys for ensuring receiving of data in accordance with PRODCOM. Discussing the issue of data collection on products based on new Nomenclature. **Address:** 3 Shota Rustaveli Str., Press Centre (2nd floor)

Thursday 27/09/2012	**10:00 – 13:00** Assessing by the experts the draft Nomenclature based on CPA-2008 and last version of PRODCOM taking into account national needs. **Address:** 3 Shota Rustaveli Str., Press Centre (2nd floor)	**14:30-17:00** Discussing the draft preliminary recommendations on approaches (methodologies) to time series recalculations in terms of industry statistics and publication of data. Discussion of the report on the results of the event. **Address:** 3 Shota Rustaveli Str., Press Centre (2nd floor)
Friday 28/09/2012	**10.00 – 15.00** Discussing some problematic issues related to the classification of products according to PRODCOM **Address**: 3 Shota Rustaveli Str., Press Centre (2nd floor)	**17.50** Departure of Mr Kristensen from Kyiv **Transfer from the airport arranged with Vitaliy (+380933203140)** **22.15** Departure of Ms Kunigelienė **Transfer from the airport arranged with Vitaliy (+380933203140)**

Useful contacts:

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