

TWINNING CONTRACT

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

Ukraine



REPORT ON A STUDY VISIT

on

*Harmonized Index of Consumer Prices and
Price Index on Housing Market*

Component 4, Action 4.1.3

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List of Abbreviations

ToR Terms of Reference

SSSU State Statistics Service of Ukraine

SOSR Statistical Office of Slovak Republic

1. General Comments

This report on the study visit was written within the Twinning Project “Development of new statistical methodologies and indicators in selected areas of statistics in line with EU statistical standards”. It was the third activity under Component 4 of the Project to be devoted to harmonized index of consumer prices and price index on housing market. (Annex – ToR of the mission).

This visit was aimed at studying experience of the practice of HICP calculation in EU member states, including the software used at all levels of HICP compiling, procedure to reflect in price indices and tariffs, discounts, seasonal goods, prices indices on owner occupied housing, generation of weight structure, quality adjustment of goods, quality assessment of price data. Familiarisation with the methodology and conceptual system for calculating price indices on housing market in terms of the EU experience in maintaining the General Business Register for companies operating on the real estate market, methods of generating sample frames of companies and representative objects, technique of collecting prices on the housing market, data sources, methods for weight coefficients generation, calculation of average prices and quality adjustment of housing.

SSSU representatives would like to express their thanks to all representatives of SOSR and the regional office of the town of Trenchyna met and who made presentations in compliance with the study visit programme (Annex 2) for valuable information obtained in the course of the visit to SOSR.

2. Assessment and Results

At the beginning of the visit Mr Adamen, Head of the Price Statistics Department, presented the organizational structure of the SOSR. The Price Statistics Department consists of three subdivisions: Consumer Price Statistics, Producer Price Statistics, and the International Compatibility Program. Department specialists make calculations of HICP, base index of consumer prices, net deflation index, harmonized index of consumer prices with constant taxes, prices indices on owner occupied housing, etc. Regional office in Trenchyna is responsible for calculation of the national consumer price index.

The visit was mainly focused on the practice of calculating HICP in EU member states. Topical presentations on HICP calculation by SOSR were made, particularly, in coverage of goods (services), geographic coverage and coverage of population; presenting sectors of health care, education, social welfare, financial services and insurance. An emphasis was also placed on issues of including new important goods (services) into HICP calculation and weight structure generation.

SSSU and SOSR experts exchanged experience in methods used to select retail (service) companies, and areas for CPI and HICP calculation.

Particular attention was given to the software used at all levels of compiling HICP at the SOSR. Joint presentations from the regional office in Trenchyna and HQ Price Statistics Department of SOSR were made. Among them there was a presentation dedicated to main stages of CPI and HICP calculations:

- registration of prices, as well as control and inspection (the presentation contained main stages of price registration in 8 regions and the HQ of the Slovak Republic, ways of collecting prices at the central level, including pieces on goods bought via Internet).
- price indices calculations (the presentation included all levels of price indices compilation – preliminary indices, indices calculated after error adjustment; quality

adjustments and imputation of missing goods prices beyond seasonal boundaries; compiling reports at different levels of CPI and HICP compilation).

Besides, the parties discussed issues on publication of harmonized index of consumer prices.

Another topic of the study visit was targeted at familiarization of the Ukrainian experts with the methodology and conceptual system for calculation of prices indices on housing market. Price indices on residential realty have been calculated since 2005.

The SSSU experts were familiarized with EU experience of keeping the General Business Register for companies concluding agreements on sale of housing real estate, methods of generating sample frame for companies and representative objects. Currently housing realty prices are obtained from the National Realtors Association on the following modules:

- 001 – secondary market – apartment price;
- 002 – primary market – price of a new apartment (for 1 m² of the total apartment area);
- 003 – price of a new house (one-family building);
- 004 – price of a house on the secondary market;
- 005 – price of a land plot for building a one-family house.

The following apartments have been selected under module 001 for observations over price changes on the secondary housing market:

1. One-room apartments (1 bedroom) with the total area of 38-42 m²;
2. Two-room apartment (2 bedrooms) – with the total area of 52-58 and 60-66 m²;
3. Three-room apartment (3 bedrooms) – with the total area of 64-70 and 72-80 m²;
4. Four-room apartment (4 bedrooms) – with the total area of 76-82 and 86-96 m².

The following new apartments for calculating price indices on the primary housing market have been selected as representative under module 002: one-room apartments (1 bedroom); two-room apartments (2 bedrooms); three-room apartments (3 bedrooms); four-room apartments (4 bedrooms).

All apartments of modules 001 and 002 are being observed by their location: the center and remote regions subject to observation; module 001 observes apartments with no overhaul repair (reconstruction) and apartments after reconstruction.

New one-family houses were selected under module 003–004 for price index calculation, with 3, 4 and 5 rooms (bedrooms), and one-family houses on the secondary market with the same number of rooms. It is typical for the specified modules to have houses located in town and suburbs (up to 20 km remote) with 4 acres of land.

Module 005 designates for surveying land plots for development according to the following criteria: accessible and inaccessible communications within the specified plot location types, those in town and suburbs (up to 20 km remote).

Price indices are calculated separately on each module and then aggregated to price indices by regions and by country. Real estate price index data are published every quarter in the SOSR bulletin by regions and by the country on the whole.

Weight coefficients for calculating housing realty price indices are generated on data of households' expenses on purchase of housing realty and land plots for development on the primary and the secondary housing markets. Weight coefficients are adjusted every year.

The presentation on methodology of calculating average prices and realty price indices extensively focused on issues regarding imputation of primary data on each module and individual region of the country.

Useful and informative was the presentation on different types of price indices on owner occupied housing, future plans as to compiling housing price indices as a HICP component. In conclusion, the Slovak colleagues presented a draft Regulation on owner occupied housing developed jointly by Eurostat with national statistical offices. The Regulation outlines for all EU member states standards for calculating price indices on owner occupied housing within harmonised index of consumer prices. This Regulation takes into consideration not only price indices on owner occupied housing but also expenses made by housing owners: overhaul repair, housing insurance.

3. Conclusions and Recommendations

Following the visit program, SOSR experts made detailed and exhaustive presentations. In the course of the study visit the SSSU delegation has studied experience and practical approaches to main stages of HICP calculations in EU member states, improved knowledge and practical skills on observations over price changes on the primary and the secondary housing markets and compilation of indices on the housing realty market. .

The study visit participants gained profound knowledge of the system of work with statistics users, data dissemination means effective at the SOSR, as well as of tasks and functions of the national and regional offices.

While finalizing findings of the study visit, SOSR representatives provided recommendations as to expediency of studying EU member states' experience on development and improvement of the price statistics domain, and its adaptation to the national peculiarities. Specifically, further study of SOSR experience in generation, analysis and dissemination of data at the local level, forms and methods of work with users, as well as development of new criteria for selecting representative goods for observations over price changes on the housing realty primary and secondary markets may prove very useful.

Annex 1. Terms of reference



This project is funded by
the European Union



STATISTICS
DENMARK



Twinning Project

“Development of new statistical methodologies and indicators in selected areas of statistics in line with EU statistical standards”

Terms of Reference

for the study visit to Statistical Office of Slovakia

Component 4: Harmonized Index on Consumer Prices

Activity 4.1.3: Study visit on HICP and price index on housing market.

Bacround 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 4.1: Harmonised index of consumer prices. The purpose of this Component is to study the experience and practice of HICP calculation in the EU, including standards on elementary index formulas calculation, the procedure of reflecting in the index tariff prices, discounts, seasonal goods and housing services produced by owners of housing for their own consumption, formation of weight structure, ammendments to the change of goods quality, control of price information reliability and quality. To get acquainted with the methodology and conceptual grounds for calculations of housing market price indices as it is applied in the EU business register dealing with real estate, methods for sample population data and representative objects, data collection techniques on the housing market, data sources, formation methods of weight basis, calculation of average prices and procedures for correction of changes of housing quality.

This action will contribute to achieving the abovementioned objective and reference indicators specified in the contract, namely:

- improving expertise and practical skills of State Statistics of Ukraine on HICP calculation standards;
- developing a draft methodology on HICP calculation for seasonal goods, taking into account discounts, adjusting goods (services) quality.

- Improving the methodology and organization of statistical survey on housing price changes on the basis of received data taking into account national peculiarities.

Purpose of the Study Visit

The prior purpose of the study visit to the Slovak Statistical Office is receiving a useful information and learning about the following issues:

- covering of goods (services), geographical scope and covering of population;
- formation of weight structure;
- presentation in indices the health care, education, social protection, insurance and financial sectors;
- correction methods of goods (services) quality changes;
- housing price indices for their own consumption;
- available data sources necessary for conducting statistical surveys on changes in housing market prices;
- present methodology on changes in housing market prices;
- price indices calculations
- approaches to dissemination of information among consumers.

Expected results

The study visit will contribute to improvement of knowledge and practical skills of SSSU staff on harmonization of the methodology on HICP calculations and housing prices indices.

Actions

The tentative schedule of the mission is the following:

Date: 13.11.2012

Date: 15.11.2012

Consultant and Partner

The study visit will be organized jointly with the experts of Slovak Statistical Office.

SSSU representatives:

Kalabukha O.S., Director of Department for Price Statistics of the State Statistics Service of Ukraine;

Kuzmina L.A, Deputy Head of Department of Price Statistics – Head of Division of Price Statistics for Housing, Transport, Communications and Constructions;

Illinska T.V., Head of Division of Industrial Products Prices

Rudenko L.K., Leading Expert of Department of Price Statistics – Head of Division of Price Statistics for Housing, Transport, Communications and Constructions;

Timing

The study visit will be conducted from 13 to 15 November 2012 in the Slovak Republic.

Report

The summary report on the results of the study visit to Slovak Statistical

Annex 2: Study visit programme

Component 4 – Activity 4.1 “Harmonized Index on Consumer Prices” –
Activity 4.1.3: Study visit on HICP and price index on housing market to Statistical office of Slovak Republic.

1st day:

- **coverage of goods (services), geographical scope and coverage of population;**
- **indices for the health care, education, social protection, insurance and financial sectors,**
- **formation of HICP/CPI weight structure;**
- **comparison of methods/procedures used by SSSU and by SO SR in the following areas:**
 - a) principles of selection of territories (regional sample)**
 - b) principles of selection of outlets (outlet sample)**

2nd day:

Discussing the main stages of HICP/CPI calculation:

- **the recording of prices and other related information, their control/verification** - including the practical presentation concerning the recording of prices and other related information (the level of 38 price collection regions), control /verification of prices at 8 main regions of Slovakia (regional level) and the control/verification of prices at central level, the way of price collection of the centrally collected prices and of internet purchases
- **compilation of indices** – including all stages of compilation of indices – preliminary indices, indices compiled after the correction of mistakes in prices, indices compiled after the Quality adjustment and after the imputation of seasonal goods prices outside the season; reports compiled in the various stages of HICP/CPI compilation

3rd day:

- **The treatment of Owner Occupied Housing (OOH)**– the current stage of play – the proposed regulation on OOH that shall be adopted in the near future – the current data sources and compilation of different types of OOH indices, plans for future as regards compilation of OOH indices in HICP

Annex 3. Persons Met

Statistical Office of Slovak Republic (SOSR):

Mr Stephan Adamen – Head of the Price Statistics Department

Mr Milan Valent – Head of the Division for Consumer Price Statistics in Trenchyna;
CPI/HICP experts: Ms Katarina Kolenikova, Ms Viera Dusakova, Ms Ivera Sasikova, Ms
Ivana Dostalova, Ms Olga Kosseyova, representatives of the regional office (Trenchyna).