



## **Forwarding Armenian Statistics Through Twinning**

**AM09/ENP-PCA/TP/04**

# **STUDY VISIT REPORT** **on**

## **HICP for Armenia**

### **Activity E.5** **Study Visit to Statistics Denmark**

Mission carried out by

G. Gevorgyan, Member of the State Council on Statistics of RA

G. Martirosyan, Head of Price Statistics and International Comparisons division of NSSRA

M. Yeritsyan, Price Statistics and International Comparisons division of NSSRA, main specialist

L. Atoyan, Twinning Project translator

Denmark, June 11-15, 2012



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

G. Gevorgyan, Member of State Council on Statistics

G. Martirosyan, Head of Price Statistics and International Comparisons division

M. Yeritsyan, Price Statistics and International Comparisons division, main specialist

## **General remarks**

The purpose of the visit to Copenhagen, Statistics Denmark was to study the system of Danish HICP statistics. The study visit was organized within the frame of EU Twinning Project “Forwarding Armenian Statistics Through Twinning”, component E , “Harmonized Consumer Price Index”. The presentation and discussion of the activities related with the introduction of HICP in the system of NSSRA.

The following topics were discussed:

- The system of Danish CPI and HICP statistics;
- HICP developments and perspectives;
- The working routines and phases of producing the Danish CPI/HICP statistics ; development and maintenance of methodology, data collection, quality control, dissemination strategy;
- Cooperation between the Price Statistics and National Accounts division in statistics Denmark;
- Cooperation of Denmark with Eurostat related with CPI, HICP, working groups, task forces, etc.;
- An update on the present status of the HICP component of the Twinning Project – possible adjustments and discussion of the next steps.

## **Results**

One of the employees of international relations division of Statistics Denmark presented the general structure of the division, main regulations, as well as the work which is carried out, the areas of cooperation and historical overview.

Mr. Martin Larsen presented the presentation on the calculation procedures of national CPI and HICP, the current status as well as the expected developments.

The head of NSSRA Price Statistics and International Comparison Division Mr. G. Martirosyan introduced the CPI in Armenia and its historical developments. He introduced all the works related with HICP in Armenia, which had been carried out in the frame of Twinning project and the current status. Mr. Martirosyan also presented all the activities that had been implemented since the last mission of the experts of the Twinning Project with the NSSRA Price Statistics and International Comparison Division.

Meanwhile the process of implementation of COICOP classificator in the household survey system was presented. The clarifications were given regarding the preliminary timing of this data. The activities and necessary steps that will be carried out by NSSRA Price Statistics and International Comparison Division related to HICP within the coming months were also discussed.

The Head of Price statistics division of Statistics Denmark, Mrs. Kirsten Balling, introduced with the staff of price statistics and the staff functions for price collections, analysis and updating the list of commodities-services for the calculation of indices. Mrs. Kirsten Balling presented also the expected developments and changes related with HICP, such as COICOP 04.2 classificator which has not been included in HICP calculations yet (related with the inclusion of owner occupied housing payment).

Mr. Martin Larsen presented the national CPI of Denmark, and the price collection process for HICP, frequency of data collection as well as introduced with the responsible staff members for this task. The price information is collected by 4 main methods :

1. by hired price collectors,
2. through reporting forms, which are filled in by the owners of outlets of commodities-services
3. centralized (by the staff of central office),
4. via information posted on the internet

The system of current price collections, data processing and analysis of Statistics Denmark had been presented as well as the quality adjustment methods and software calculation procedures. Currently the system allows to make all the calculations and analysis via a specially developed software within a few minutes.

The experts in Statistics Denmark expressed their opinion on quality adjustment methods used in NSSRA, and they mentioned that those methods are in line with the requirements of HICP regulation.

The head of NSSRA Price Statistics and International Comparison Division Mr. G. Martirosyan presented in details all the areas of optimization of price collections in future, which are based on the proxy calculations and preliminary results of reorganization of data collections in Armenia. The analysis made on the example of Yerevan for 2011-2012.

The main specialist from Price Statistics and International Comparisons of NSSRA Mrs. M. Yeritsyan presented analysis on implementation of COICOP classification for CPI and HICP system in Armenia. The groups and classes that are missing from the current CPI had been mentioned and organizational procedures were described how to include them. The certain time of implementation of COICOP classifier by household survey division was clarified. The current data collection and processing methods in RA had been presented. Internationally accepted quality adjustment methods were clarified by mentioning for each groups of commodities which methods are applied based on examples.

Martin Berger and Gurgen Martirosyan presented data dissemination and publication status which are used accordingly in Statistics Denmark and NSSRA.

The experts from Statistics Denmark expressed their satisfaction about the system of dissemination and publication of CPI in NSSRA. The meetings were also held in Price Statistics Division in Statistics Denmark with Jonas Mikkelsen, Martin Larsen, as well as head of communication division Carsten Zangenberg (Regarding the dissemination policy of statistical products).

### **Notes and recommendations**

The Harmonized Consumer Price Index (HICP) for Armenia is being developed from current national CPI. The MS experts consider the methodology of national CPI very reliable, which only requires some minor improvements. The production of CPI concerning the relevant data collection by the regional agencies of NSSRA is very well organized.

The requirements of HICP and the MS experts recommendations that were implemented during this project at the same time will have positive impact on the quality of national CPI.

The mandatory results of this component can be reached in way that HICP will be calculated, but not published. The methodology will be documented and understood, but in order to compile and publish a complete HICP in Armenia at least one more year will be required.

It should be mentioned that NSSRA plans concerning the HICP are very ambitious and from the MS experts perspective it seems not realistic to reach compliance with the main EU standards and requirements within the framework of the present Twinning Project. To start the calculation of the interim HICP, it is at least necessary to have the relevant structure of Household consumption, based on which will be calculated the weights of HICP, the revised list of observed commodities-services and their price information (for the base period and current period) to introduce the COICOP/HICP classification, a common index reference period and a common price reference period. In order to speed up the process of the implementation of the minimum standards and the main requirements for the HICP as well as to start the calculation of the interim HICP, it is necessary to increase the number of the staff of the Price Statistics and International Comparisons Division (at least by two staff members) and to strength the technical capacity. The reorganization of data collection process has already started, and it will help solve the problem related with the two additional staff members.

The “interim” or experimental HICP that will be established before the end of the implementation period of the Twinning project will be based on a full-developed system, but partly using some preliminary data. After the end of the Twinning project these preliminary data will gradually be replaced as the single elements of the methodology are being developed and implemented.

The MS Experts have noted that some additional assistance after the end of the implementation period of the Twinning project may be needed in order to ensure the quality of the final product.

Further technical assistance and advice on the transposition of the EU legislation into the national statistical environment would be needed for the NSSRA, and, possibly, it could be provided by a different instrument (e.g. TAIEX) in future.

The HICP is not expected to replace the national CPI as the two indices serve different purposes. There are some differences in the definitions, for example the inclusion of foreigners’ consumption into the HICP (in order to have data on the structure and composition of foreigners’ consumption it is necessary to carry out one-off focus survey). But because most of the price data and other indicators collected for CPI are compatible with the calculations of HICP, thus these two indices would normally be highly correlated.

The Central Bank of RA and other important stakeholders and users of the CPI data will be invited to the first half of a one-day work shop organized within the Twinning project framework. This will give NSSRA, with support from two MS Experts, the possibility to present an analysis that justifies the reduced number of prices collected, i.e. without lowering the quality of the existing national CPI.

The study visit provided the BC experts an opportunity to get acquainted with the Danish experience of CPI and HICP calculations, contemporary methodological principles. This will contribute to the development and introduction of HICP methodology in Armenia which is developed by Eurostat and used in EU countries, as well as will contribute to further improvement of CPI and price statistics.

The updated road map of the component is attached in Annex 3.

## **Annex 1. Terms of Reference**

### **Activity E.5      *Study visit: Study of the Danish HICP***

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

The purpose of the activity is a demonstration and discussion of the system of Danish HICP statistics. The focus will be on the development of the Danish system with respect to the perspectives and future developments of the HICP statistics of NSSRA.

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

The expected outputs of the activity are:

- A thorough understanding of the Danish CPI and HICP statistics;
- An understanding of the working routines and phases of producing the Danish CPI/HICP statistics: development and maintenance of methodology, data collection, quality control, dissemination strategy;
- Discussion of the co-operation with the National Accounts division;
- Discussion on what it means to co-operate with Eurostat: working groups, task forces etc.;
- An update on the present status of the HICP component of the Twinning Project – possible adjustments and discussion of the next steps.

The output from the study visit will be documented in a study visit report to be produced by the study visit participants.

## Annex 2. Meeting Programme for BC Experts (draft)

Time	Event	Purpose / detail
11 June, 10:00	Welcome	Introduction to Statistics Denmark and of the programme of the week ( <i>Mr Jesper Ellemtose and Mr Lars Thygesen</i> )
11 June, 13:00	Introduction to CPI/HICP Statistics in Denmark	Overview of the development and present status in Denmark of HICP and CPI statistics ( <i>Mr Martin B. Larsen</i> )
	The Twinning component on introduction of HICP in Armenia.	Present status and recent developments in the Armenian Price Division. ( <i>Gurgen Martirosyan / Kirsten Balling</i> )
12 June, 10:00	Collection of price data, data editing and quality work in Statistics Denmark.	Organisation of price collectors, technical and other equipment, transfer of data from price collectors to Statistics Denmark. The working processes from the collected price data to the published CPI/HICP statistics. ( <i>Martin B. Larsen</i> )
12 June, 13:00	The Twinning component on introduction of HICP in Armenia.	Preliminary results of the re-organized data collection in Armenia. ( <i>Gurgen Martirosyan / Kirsten Balling</i> )
13 June, 09:30	The cooperation with Eurostat, and its' implications for maintenance and development of the methodology.	Statistics Denmark's involvement in the EU work on HICP through working groups, task forces and grant agreements. The overall development strategy of the Danish HICP including the EU requirements. Barcode data in the European cooperation on price statistics and in Statistics Denmark. ( <i>Martin B. Larsen / Jonas Mikkelsen</i> )
13 June, 12:30	The cooperation with the National Accounts division	The cooperation between the National Accounts and the Price Statistics Division of Statistics Denmark. ( <i>Mr Jesper Ellemtose, International Consulting</i> )
14 June, 10:00	Dissemination of CPI/HICP statistics.	Transmissions to Eurostat. Co-operation with national users. ( <i>Mr Martin B. Larsen</i> )
	Introduction of HICP in Armenia	Status on the communication strategy for the Armenian introduction of HICP. ( <i>Gurgen Martirosyan / Kirsten Balling</i> )
	Danish Dissemination Strategy	( <i>Mr Carsten Zangenberg, Head of Communication</i> )
14 June, 13:00	The Twinning component on introduction of HICP in Armenia: <b>Methodological improvements</b>	Progress adjusting quality adjustment methods. Progress in calculating weights according to HICP-standards. Progress in improving coverage of the Armenian CPI ( <i>Gurgen Martirosyan / Kirsten Balling</i> )
15 June, 10:00	The Twinning component on introduction of HICP in Armenia: <b>Next steps</b> .	Discussion of the roadmap and next steps: - Progress in the Experimental HICP compilation - Status on preparations for July Workshop ( <i>Gurgen Martirosyan / Kirsten Balling</i> )
15 June, 13:00	Debriefing	Other issues and evaluation of the study visit ( <i>Mr. Jesper Ellemtose</i> )