TWINNING CONTRACT

2023/447-234

EU for Further Development of Statistics System in BiH

MISSION REPORT

Activity 1.3.1A: Wholesale trade deflators I
Subcomponent 1.3.1 – Wholesale Trade Deflators and Service Producer Price Indices
Component 1 - Business Statistics

Mission carried out by:

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Štefan Rot, Statistical Office of the Republic of Slovenia

28-30 October 2024

Version: Final

European Union Member State Expert (consultants) Contact Information

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List of Abbreviations

BC   Beneficiary Country (Bosnia and Herzegovina)
BHAS   Agency for Statistics of Bosnia and Herzegovina
BiH   Bosnia and Herzegovina
CBBH   Central Bank of Bosnia and Herzegovina
EU   European Union
EUD   European Union Delegation of Bosnia and Herzegovina
FIS   Institute for Statistics of the Federation of Bosnia and Herzegovina
LA   Language Assistant
MS   EU Member State
NACE   Statistical classification of economic activities (Original in French: Nomenclature statistique des Activités économiques dans la Communauté Européenne)
RSIS   Institute for Statistics of Republika Srpska
RTA   Resident Twinning Adviser
RTAA   Resident Twinning Adviser Assistant
ToR   Terms of Reference

Executive Summary

The first mission, which lasted 2.5 days, was intended to present the theory as well as practice on how to construct the deflators for NACE Rev.2 divisions G45 Wholesale and retail trade; repair of motor vehicles and motorcycles and G46 Wholesale trade, except of motor vehicles and motorcycles.

During the meeting, the experts presented experiences with the development of deflators and the challenges, which emerged during the development of deflators. The experts listed the possible data sources, including price indices, suitable for deflators and explained the setting up of the appropriate methodology for the calculation of deflators. The participants from BHAS presented the current state on the wholesale trade and trade and repair of motor vehicles statistics. Experts made the presentation on the calculation of deflation weights and compilation of deflators, which was explained in detail using different cases.

In preparation for the next mission, it was agreed that the value data on imports and sold production on domestic market on 4-digit CPA (Classification of Product by Activity) level, draft version of corresponding table between G45 and G46 and suitable price indices and test weights calculations for selected NACE 4-digit level activities should be prepared by the beneficiary country. Presentation of IT solution used for deflator compilation in Slovenia should be presented by the experts during the next mission, which is scheduled for the second week of March 2025.

1. General comments

This mission report was prepared within the EU Twinning Project "Further Development of the Statistics System in Bosnia and Herzegovina". It was the 1st mission to be devoted to the Wholesale Trade Deflators and Service Producer Price Indices Subcomponent of the Project.

The purposes of the mission were:

- Presentation of EU requirements for service volume indicators
- Overview on distributive trade statistics in BiH
- Review of nationally available data (price indices) as well as data quality
- Identification of the most suitable deflators for G45 and G46
- Deflation process / micro and macro approach
- Discussions and possible alignment between monthly and quarterly data
- Draft methodology for the calculation of deflators
- Preparation of ToR for next activity

The consultants would like to express their thanks to all officials and individuals from Bosnia and Herzegovina met for the kind support and valuable information, and which highly facilitated the work of the consultant.

This views and observations stated in this report are those of the consultant(s) and the RTA and do not necessarily correspond to the views of EU, BHAS, FIS, RSIS, CBBH, Statistics Denmark, Statistics Finland, Statistical Office of the Republic of Slovenia and The Italian National Institute of Statistics.

2. Assessment and results

The mission began with the presentation of EU requirements under the new regulations covering STS. Then the theory on the deflation was explained, with the emphasis on the different approaches (deflation on micro and macro level) and the explanation of the deflation process on Statistical Office of the Republic of Slovenia (SURS). The methods of estimation of monthly data from quarterly data were mentioned. It was followed by the SURS's experiences with the development of deflators in wholesale trade (G46 according to NACE rev. 2) and trade and repair of motor vehicles (G45 according to NACE rev. 2) and the setting up of the appropriate methodology for the calculation of deflators. During this presentation the useful manuals and handbooks and some other documents (available at CIRCABC and other online sources) were suggested to be taken into consideration. The price indices suitable for deflators were listed and the challenges which emerged during the development of deflators were explained. In the process of the identification of deflators to be used, correlation of two different classifications has to be made, as it is the case of CPA and NACE on 4-digit level.
After the presentations from the experts' side, the state of the art of wholesale trade and trade and repair of motor vehicles in BiH was presented by the participants from BHAS including the overview of the nationally available price indices.

In continuation, current practice regarding the calculation of deflators and deflation on SURS was presented. Having in mind the complexity of the compilation of deflators by using currently available price indices in statistical system in BiH, as well as necessity of applying weights at the different stages of their compilation, a lot of time has been dedicated to specific cases which can occur. Therefore, in the pre-processing stage, different data sources have to be consulted, i.e. PRODCOM, import, input-output table. After the presentation the calculation of deflation weights and compilation of deflators was explained in detail using different cases. The examples were based on combinations of different price indices as sources for deflators, based on current methodology at SURS. For this purpose the MS experts prepared an Excel workbook with practical cases covering different combinations of deflator compilation.

During the presentations, questions from the representatives from the beneficiary country were raised up and discussed. Discussion about the possible use of presented sources and approaches in BiH was also held during the presentations. Also most suitable sources for deflators for G45 and G46 were considered.

On the last day the mission report was agreed upon and a ToR for next mission was drafted.

3. Conclusions and recommendations

BiH already has majority of the relevant data which are needed for the calculation of deflators, such as turnover data collected on monthly basis, several price indices, value data on import and sold production, etc. In addition, other possible data sources for pre-processing were identified (data from Structural Business Statistics). Discussion with National Accounts about their deflator sources and deflation process is still recommended, as it is recommended to discuss the use of weights from CPI (Consumer Price Index) calculation, in case more than one CPI are used in the compilation of deflator.

Some good practices in deflation process at SURS can be applied also in BiH. In line with this conclusion the list of applied price indices used for calculating deflator at SURS were sent to BiH, also different methods of deflator calculations were shared.

Since the data is still produced and published at the quarterly basis, it is recommended that BiH focuses on production of value indicators on monthly basis, since this is the new requirement in the STS

legislation. Value indicators are precondition for volume indicators. As it was pointed out during the meeting, the data is already collected at the monthly level starting from 2023.

Since the current production of wholesale trade turnover statistics is performed at the level of entities and BiH level, decision regarding the use of direct or indirect approach of the calculation will be taken in the later stage after testing of both methods.

4. What to do before the next mission

Action	Deadline	Responsible person
Preparation of value data on imports and sold production on domestic market on 4-digit CPA level	Until the next mission.	BHAS, FIS, RSIS
Preparation of draft version of corresponding table between G45 and G46 and suitable price indices	Until the next mission.	BHAS, FIS, RSIS
Based on presented cases some test weights calculations for selected NACE 4-digit level activities have to be made	Until the next mission.	BHAS, FIS, RSIS

Annex 1. Terms of Reference for the current mission

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Terms of Reference

EU Twinning Project BA 19 IPA ST 01 23

Component 1 - Business Statistics
Subcomponent 1.3.1 – Wholesale Trade Deflators and Service Producer Price Indices

Timing: 28 (10 a.m.) – 30 (noon) October 2024

Venue: Agency for Statistics of BiH, Sarajevo
Bosnia and Herzegovina

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Activity 1.3.1A: Wholesale trade deflators I

In line with the current EBS Regulation, the volume of sales (for small countries) are required on 2-digit NACE level, for NACE Section G, divisions G45 Wholesale and retail trade; repair of motor vehicles and motorcycles and G46 Wholesale trade, except of motor vehicles and motorcycles on monthly level.

Deflators are appropriate price indices that are used to transform nominal turnover into real (deflated) turnover by deflation procedure. The aim of the project is to identify the most appropriate price indices that will be used for construction of trade deflators. Those price indices are in most cases internally available price indicators, such as, monthly consumer price indices (CPI), quarterly agriculture price index (API), monthly import price index (IPI), monthly producer price index (PPI) and auxiliary source i.e. index of average gross salaries (IAS).

1. **Mandatory result**

The component 1.3.1 Short Term Business Statistics – covers deflators for G45 Wholesale and retail trade; repair of motor vehicles and motorcycles and G46 Wholesale trade, except of motor vehicles and motorcycles since volume indicators for G45 and G46 are currently not calculated in BiH. It is therefore a major priority in the project to develop deflators for G45 and G46 at the of the project period.

Deflators for G45 Wholesale and retail trade; repair of motor vehicles and motorcycles and G46 Wholesale trade, except of motor vehicles and motorcycles prepared

2. Purpose of the activity:

- Presentation of EU requirements for service volume indicators
- Overview on distributive trade statistics in BiH
- Review of nationally available data (price indices) as well as data quality
- Identification of the most suitable deflators for G45 and G46
- Deflation process / micro and macro approach
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- Draft methodology for the calculation of deflators
- Preparation of ToR for next activity

3. Expected output of the activity:

- Main output is a plan / road map on how to compile the relevant indicators in BiH
- ToR for next mission drafted
- Mission report drafted

Annex 2. (input for the) Terms of Reference for the next mission

Activity 1.3.1B	Wholesale trade deflators II
Budget section	III. Components Mandatory Results – Component 1
Subject	• Presentation of IT solution used for deflator compilation at SURS • Follow-up on the tasks given during the previous mission • Practical work on weighting structure • Preparation of ToR for next activity
Methods	Onsite, STE mission in BiH
Resources	MS: Dominika Lunder (SI), Štefan Rot (SI), RTA, RTAA and LA BC: Relevant staff expected to be involved in component
Duration	2 STEs x 2.5 working days for MS staff
Output	• Presentation of IT solution used for deflator compilation at SURS delivered • Follow-up on the tasks given during the previous mission performed • Practical work on weighting structure done • Mission report • ToR (including time (frame)) for next activity
Time schedule	11th to 13th March 2025 *(Location to be decided)*

Annex 3. Persons met

<u>BHAS:</u>
Alen Bajramović, Head of Department for Services Statistics
Maja Hadži-Stojanov, Senior Officer for Producer Prices in Services

<u>FIS:</u>
Aida Halilović, consultant for structural business statistics

<u>RSIS:</u>
Jelena Glamočika, Head of Department for Services Statistics
Aleksandra Djonlaga. Senior Officer for Consumer Prices in Services

<u>RTA Team:</u>
Niels Madsen, RTA
Larisa Muslimovic, RTA Assistant
Senka Ahmetovic-Palic, RTA Language Assistant

Signatures

For the approval of the contents of this report, representatives from BHAS, FIS and RSIS as well as MS experts and the RTA sign here:
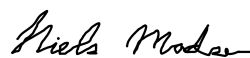
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Component leader, BHAS

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