

TWINNING CONTRACT

BA 17 IPA ST 01 20



Further Support to the Reform of Statistics System in Bosnia and Herzegovina



MISSION REPORT

**Activity EU Twinning Project BA 17 IPA ST 01 20
Component 1.3.2.1 Index of Services Production (ISP)**

Mission carried out by
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List of Abbreviations

BHAS	Agency for Statistics of Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CBBH	Central Bank of Bosnia and Herzegovina
EC	European Commission
EU	European Union
FBiH	Federation of Bosnia and Herzegovina
FIS	Institute for Statistics of Federation of Bosnia and Herzegovina
MS	EU Member State
RSIS	Institute for Statistics of Republika Srpska
RTA	Resident Twinning Adviser
ToR	Terms of Reference

Executive Summary

After a brief facts finding mission, the conclusion is: Index of service production (ISP) is a volume index. The index is calculated primarily on the basis of two methods: Direct measure quantity or by dividing value indices by a deflator e.g. producer price indices. As the EBS regulation prescribes that the countries must for “Service” submit both value indices and producer price indices, BiH colleagues see an interest in preparing more service producer price index (SPPI) prior to calculating the indices of service production (ISP). The consultants agree on this observation.

The consultants would like to thank our good colleagues from BiH for an efficient work in connection with this activity.

1. General comments

This mission report was prepared within the EU Twinning Project “Further Support to the Reform of the Statistics System in Bosnia and Herzegovina”. It was the first mission to be devoted to “Activity EU Twinning Project BA 17 IPA ST 01 20” within Component “1.3.2.1 Index of Services Production (ISP)” of the project.

The purposes of the mission were:

- The component 1.3.2.1 – Index of Service Production (ISP) is currently not calculated in BiH. It is therefore a major priority in the project to be able to publish and deliver Index of Service Production to Eurostat at the of the project period

The consultants would like to express our thanks to all officials and individuals met for the kind support and valuable information which we received during the online meetings (3x2 hours) with our colleagues in Bosnia and Herzegovina, and which highly facilitated the work of the consultant.

This views and observations stated in this report are those of the consultant and do not necessarily correspond to the views of EU, BHAS, FIS, RSIS, CBBH, Statistics Denmark, Statistics Finland, Statistics Sweden or The Italian National Institute of Statistics.

2. Assessment and results

The component 1.3.2.1 – Index of Service Production (ISP) is currently not calculated in BiH. It is therefore a major priority in the project to be able to publish and deliver Index of Service Production to Eurostat at the of the project period.

On this fact finding mission, we have:

Discussed EU requirements for Index of Service Production. Our conclusion was: The quality of indices depends on the available data. The consultants acknowledge that the lack of deflators and the quality of deflators are a problem for the quality of the ISP.

Reviewed available data/data quality. During the mission we have made preliminary analysis of available data that potentially could be used for making rough preliminary indices and a total ISP index. However, further investigating of availability of statistical data (prices) and other data sources should be done before we can make some final judgments. Primarily, data from service producer price index (SPPI) are missing.

Discussed how to align between monthly and quarterly data. For now the consultants and our colleagues from BiH have agreed that BiH should make indices on a quarterly basis but have

discussed the models for making monthly indices. Work on this activity will be continued during the project.

Data validation, data editing rules and thresholds and data analysis. MS experts recommendation is that data used in compiling the indices are primarily data already produced by BiH so they are already validated. In cases when we need to do imputations or estimates for missing value, more attention should be devoted to data analysis and the quality issues. Work on this activity will be continued during the project.

Sector coverage and shortcomings. During the mission MS experts presented examples of ISP calculation. First findings shows that sector coverage for most of the NACE activities are good, since BiH have good coverage on value indices. For new NACE activities (L68, N77, N81.1 and N81.3) data are available from 2017 onwards, and they will be produced in line with requirements of new EBS Regulation. The construction of deflators from available SPPI's and other data sources will be the main challenge during the project. Work on this activity will be conducted on the next mission.

Domestic non-domestic split. The consultants and our colleagues from BiH discussed the principles of the requirements of the relevant tables in the regulation (EBS).

During the mission, a tentative project plan (Annex 3) was planned and agreed.

Preparation of ToR for next activities: The consultants find that BiH should focus on constructing deflators of sufficient quality for each NACE activity (3 digit level). Priority should be on development of deflators for which BiH's statistical institutions possess required data. The consultants acknowledge this is a complicated and time-consuming activity that needs a lot of resources which requires a lot of internal corporation between the statistical institutions of BIH. The consultants and our colleagues from BiH agreed on:

- BiH should calculate a long a time series as possible (depending on available data)
- BiH should ensure that the base year is aligned for all NACE activities
- BiH should make seasonal and calendar day adjusted time series according to the requirements of the regulation
- BiH should improve IT production system for current STS-indicators which is a precondition for producing ISP. In this the switch from quarterly to monthly indices should be feasible.

3. Conclusions and recommendations

The consultants find that BiH should focus on constructing deflators – in this case service producer price index (SPPI) - of sufficient quality for each NACE activity (3 digit level). This work should be done gradually. The consultants acknowledge this is a complicated and time-consuming activity that needs a lot of resources which requires a lot of internal corporation between the statistical institutions of BIH.

When the service producer price index (SPPI) are in place, the consultants and our colleagues from BiH agreed on:

- BiH should calculate a long a time series as possible (depending on available data)
- BiH should ensure that the base year is aligned for all NACE activities
- BiH should make seasonal and calendar day adjusted time series according to the requirements of the regulation
- BiH should improve IT production system for current STS-indicators which is a precondition for producing ISP. In this the switch from quarterly to monthly indices should be feasible

Annex 1. Terms of Reference for this mission

Terms of Reference

EU Twinning Project BA 17 IPA ST 01 20

**Component 1.3.2.1 - Index of Service Production
August 25-27, 2021**

Virtual meetings via Zoom

Activity 1.3.2.1 A: Index of Service Production I

1. Mandatory result

The component 1.3.2.1 – Index of Service Production (ISP) is currently not calculated in BiH. It is therefore a major priority in the project to be able to publish and deliver Index of Service Production to Eurostat at the of the project period.

Indicator / Relevant Milestones / Internal deadlines:

Indicators ISP published and delivered to Eurostat

2. Purpose of the activity

- Discuss EU requirements for Index of Service Production
- Review of available data / data quality
- Discussions and possible alignment between monthly and quarterly data
- Data validation, data editing rules and thresholds and data analysis.
- Sector coverage and shortcomings
- Domestic non-domestic split
- Index calculation
- Index on subdivisions and aggregates
- Preparation of ToR for next activity

3. Expected output of the activity

- Main output is a plan / road map to ensure at least pilot calculations of Index of Service Production available Q1 2023
- Mission report

Annex 2. Persons met

BHAS:

Maja Hadži-Stojanov
Alen Bajramović

FIS:

Ademira Veličanin
Merima Beganović

RSIS:

Aleksandra Đonlaga
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Александра Ђонлага

RTA

Niels Madsen

Annex 3. Working Plan for Index of Services Production (ISP)

No.	MAIN ACTIVITY	COMPONENTS OF MAIN ACTIVITY*	DATE OF IMPLEMENTATION**	RESPONSIBLE INSTITUTIONS
1	INVENTORY OF STATISTICAL AND ADMINISTRATIVE DATA SOURCES FOR DEFLATORS	Current status of availability and potential use of statistical data (prices) and administrative data. Draft inventory list prepared.	End of November	BHAS, RSIS, FIS
		Preliminary data analysis for calculation of deflators made.	End of November 2021	BHAS, RSIS, FIS, MS experts
		Training of staff on how to evaluate quality of available data sources	End of February 2022	BHAS, RSIS, FIS, MS experts
2	METHODOLOGY FOR DEFLATORS AND INDEX OF SERVICES PRODUCTION	Weighting structure for construction of deflators prepared	End of February 2022	BHAS, RSIS, FIS, MS experts
		Experimental production of deflators at group level (3-digit NACE)	End of February 2022	BHAS, RSIS, FIS, MS experts
		Temporal disaggregation methods for quarterly deflators	End of May 2022	BHAS, RSIS, FIS, MS experts
		Methods for calculation of ISP agreed	End of May 2022	BHAS, RSIS, FIS, MS experts
		Experimental calculation for available ISP's	End of May 2022	BHAS, RSIS, FIS, MS experts
		Revision policy	End of September 2022	BHAS, RSIS, FIS, MS experts
		Seasonal adjustment method	End of September 2022	BHAS, RSIS, FIS, MS experts
3	CALCULATION OF INDEX OF SERVICES PRODUCTION	Draft methodological document for ISP	End of September 2022	BHAS, RSIS, FIS, MS experts
		Calculation of available ISP gross series	End of project	BHAS, RSIS, FIS, MS experts
		SA and WDA series prepared	End of project	BHAS, RSIS, FIS, MS experts
		Final methodological document developed	End of project	BHAS, RSIS, FIS, MS experts
		Formats for data transmission to Eurostat adjusted	End of project	BHAS, RSIS, FIS, MS experts
*Activities proposed in this Plan could be changed during the IPA Project implementation				
**Proposed dates are provisional				