



**Assessment of sources and methods used in
the provision of basic information for
Purchasing Power Parities (PPPs)**

COUNTRY: Albania

2022



CONTEXT

1. *Regulation (EC) No 1445/2007 of the European Parliament and of the Council of 11 December 2007 establishing common rules for the provision of basic information on Purchasing Power Parities and for their calculation and dissemination* ("the PPP Regulation") requires Eurostat to assess each Member States' compliance with the PPP Regulation at least once every six years and to publish a report, based on the assessment, on its website.
2. Most Candidate Countries already participate in Eurostat's PPP Programme. Since the PPP exercise is in its nature multilateral, it is desirable to conduct similar assessments in the Candidate Countries in order to identify any remaining challenges and potential for improvement.
3. The present report on the sources and methods used by the Institute of Statistics of Albania (INSTAT) in preparing and providing input to the PPP exercise is based on information in the *PPP inventory of sources and methods* (version 2022), and on other data and documentation supplied in the course of the regular cycle of PPP work. In addition, information provided during a bilateral meeting in Tirana on 24 October 2022 is taken into account.

ORGANISATIONAL ISSUES

Institutional framework

The Price Statistics Sector in INSTAT belongs administratively to the Real Sector Statistics Department, which also includes the Quarterly National Accounts Sector, the Foreign Trade Sector and the Labour Market and Salary Statistics Sector. The Price Statistics Sector is responsible for statistics on consumer prices, PPPs, producer prices, import prices, housing prices, service prices and construction costs.

Human resources

The Price Statistics Sector consists of the Head of Sector and four specialists. The Head of Sector and one of the specialists are involved to a considerable extent in the PPP work. At the time of drafting this report (November 2022), the specialist position dedicated to PPPs was vacant, meaning that the PPP work is for the moment undertaken by the Head of Sector. A new specialist will start towards the end of 2022.

For the price collection (consumer goods and services, and equipment goods), INSTAT hires three price collectors and two controllers, the latter taking part in quality checking and validation. The price collectors and controllers are independent contractors hired for specific surveys, and hence not staff of INSTAT. For the construction survey, an independent construction engineer is hired.



In-house data for the PPP rents survey is provided by the Population Statistics Sector and data on salaries by the Labour Market and Salary Statistics Sector. The expenditure weights are compiled by the National Accounts Directory.

Documentation and dissemination

The current (2022) version of the PPP inventory contains several outdated references, while some required information is missing. It is recommended that the inventory is redrafted in accordance with the detailed guidelines.

INSTAT follows up on Eurostat's releases of annual aggregate PPP results with specific releases on their website.

FINDINGS BY PPP SURVEY

Consumer goods and services

During the entire survey process from preview to validation, staff in the Price Statistics Sector work closely with three independent price collectors hired for each specific survey. The price collectors are experienced and do not require specific training. In addition, two independent controllers are hired to check the price data and to assist during validation. Prices are mostly collected in the traditional way, i.e. by visiting shops and other sales outlets. To some extent, prices from company websites are used. There have so far been no attempts to acquire transaction data from major shop chains and supermarkets.

Like in many countries, there is no probability sampling of outlets for the price collection. Outlets are selected based on the CPI sample, on the sample for previous surveys, and on price collectors' experience.

Albania reports a spatial adjustment factor (SAF) of 1 for all basic headings. This is based on the assumption that no significant price differences exist between the most important urban centres. CPI price data is collected in 11 regions throughout the country, and it should be possible to use these data to test this conjecture. No such tests have been carried out so far.

National Accounts does not record any data on tips paid in catering establishments, in taxis or to hairdressers. Hence no tips are reported for the PPP exercise.

Albania reports data on electricity prices to Eurostat in the context of energy statistics. These data are also used in the PPP calculations. No prices are reported for gas. Since expenditure on gas is not insignificant according to the expenditure breakdown, it would be desirable if gas prices could be provided as well.



Housing services

Albania uses the quantity approach. Dwelling stock data is based on the 2011 census provided by the Population Statistics Sector. These figures are extrapolated using the change in total population. A better solution would be to use statistics on the development of the dwelling stock, if available. This should be investigated further.

Compared to other countries using the quantity approach, the percentage of dwellings with central heating in Albania is remarkably low. This may well reflect reality, but could also be due to countries interpreting the concept of central heating differently. This should be discussed together with the other quantity approach countries and Eurostat in order to arrive at a common understanding.

Compensation of government employees

Data on salaries is provided by the Labour Market and Salary Statistics Sector, based on administrative registers. Social contributions and weights are national accounts data.

Hospitals

In previous years, INSTAT carried out a special questionnaire-based survey in order to obtain input data directly from the hospitals. As from 2022, the hospital data shall be provided by the Ministry of Health and Social Protection. An annual routine for the provision of the data should be established between INSTAT and the Ministry. For next year, there are plans to hire an external expert to follow up on this in order to ensure that the data conforms to the requirements of the PPP exercise.

There is currently no DRG-based financing system in place, but this may change in the future.

Education

Data for Albania are not available from the UNESCO-OECD-Eurostat education database. For this reason, Albania reports student numbers and expenditures to Eurostat specifically for the PPP calculation. For the expenditures, there is no breakdown by ISCED level, and hence Eurostat needs to make an imputation. A “best estimate” provided by INSTAT would be preferable. It should also be clarified whether the expenditures include research expenditure.

Equipment goods

The Price Statistics Sector is in charge of this survey. A dedicated price collector with long experience in this area is hired specifically for the price collection. One



specific feature of the Albanian market is that second-hand goods are common. These should not be priced in the survey. In line with the survey guidelines, goods bought from enterprises abroad are accepted if the seller actually delivers the product to the customer in Albania.

Construction

An external expert is hired for this survey. The expert has several years of experience with the PPP survey, and takes an active part in both the pricing and validation phases. Data sources include a construction manual published by the Ministry of Transport and Infrastructure, actual construction contracts, and data collected specifically for this survey based on the expert's own engineering experience.

Due to a change in the procurement procedures, the data for 2022 was provided with some delay.

VAT on capital goods

For the two capital goods surveys (equipment goods and construction), non-deductible VAT should be included, based on data from National Accounts. For the moment, Albania does not report such data. Instead, Eurostat estimates a rate based on data from four other countries in the region. It should be investigated whether data on non-deductible VAT can be provided by INSTAT.

Expenditure weights

National Accounts estimates expenditures down to the four-digit level, below that level specific estimation are made for the purpose of the PPP exercise. Data from the annual Household Budget Survey (HBS) are the most important data source for household final consumption expenditure (HFCE), but other sources like retail trade statistics and statistics on services are also used. HFCE is compiled according to the national concept without any need to make a global adjustment in the basic heading "net purchases abroad".

For non-profit institutions serving household (NPISH), it would be desirable to break down total expenditure into its component parts, if necessary using expert estimates. The current practice of reporting all expenditure under "other NPISH expenditure" creates a small bias in the results.

Final consumption expenditure of general government is based on data from the Ministry of Finance and reported at a high level of aggregation in accordance with the structure of the PPP questionnaire.



The assessment of the Gross Fixed Capital Formation is based on administrative and statistical data; the estimation is made according to the types of assets. The component includes buildings and construction works, equipment and machinery together with cultivated assets. The valuation of machinery and equipment is based on the data from foreign trade statistics, construction takes the output data obtained from the production approach and some adjustments are made based on data from Structural Business Statistics (SBS).



CONCLUSIONS AND SUMMARY OF ACTION POINTS FOR THE INSTITUTE OF STATISTICS OF ALBANIA

Albania complies well with the requirements of the PPP programme. The data are generally of good quality and the resulting PPPs are plausible. Some potential improvement points raised during the discussions are summarised in the table below.

Topic	Action points
1 Organisation	<p>Ensure that sufficient human resources are available for continued compliance with the requirements of the PPP programme.</p> <p>Revise the PPP inventory in line with the inventory guidelines in order to maintain complete and up-to-date documentation of organisational issues, data sources and procedures.</p>
2.1 Consumer goods and services	<p>Explore alternative sources of price data, e.g. transaction data.</p> <p>Investigate spatial price differences with a view to improving the SAFs using CPI data.</p> <p>Investigate potential sources for gas prices paid by households.</p>
2.2 Housing	Consider alternative sources for the extrapolation of census data, e.g. statistics on the evolution of the dwelling stock.
3.1 Compensation of government employees	None.
3.2 Education	Investigate whether an estimate of education expenditure by ISCED level can be provided, and clarify whether research expenditure is included.
3.3 Hospitals	<p>Liaise with the Ministry of Health to establish a reliable routine for the provision of data on an annual basis.</p> <p>Follow developments towards the potential introduction of a DRG-based financing system for hospitals.</p>
4.1 Equipment goods	None.
4.2 Construction	None.
4.3 VAT on capital goods	Look into whether data on non-deductible VAT can be provided by National Accounts.
5. Expenditure weights	Investigate whether expert estimates or other sources can be used in order to break down NPISH expenditure.