



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

COUNTRY: Latvia

2023



CONTEXT

1. This report is written in the context of the implementation of article 7 (on quality criteria and control) of 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").
2. The PPP Regulation requires all Member States to maintain documentation which gives a full description of the manner in which the Regulation has been implemented (the "PPP Inventory"). It 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.
3. The current assessment report is based on the information presented by the Central Statistical Bureau (CSB) of Latvia in the "PPP Inventory of sources and methods", version January 2023, as well as on other data and reports prepared in the context of the PPP programme. In addition, information provided during a videoconference on 3 April 2023 is taken into account.

ORGANISATIONAL ISSUES

4. The PPP work in Latvia falls under the responsibility of the CSB Macroeconomic Statistics Department. The national coordinator in charge of PPPs is the deputy director of that department. The consumer price surveys and the equipment goods survey are coordinated by officers in the Producer Price Indices Section. Staff in the Consumer Price Indices Section are also involved. Only one staff member works close to full-time on PPPs. National Accounts provides the GDP expenditure weights, data on tips and on non-deductible VAT. Two sections within the Business Statistics Department also contribute to the PPP exercise: the Industrial and Construction Statistics Section for the housing data, and the Wage Statistics Section for the salary data. The construction survey is subcontracted to external experts, and the National Health Service provides the data for the hospital survey in accordance with agreement.

Data and metadata on PPPs and links to Eurostat data and metadata are available on the CSB data portal. Apart from this, there is no national dissemination policy for PPP data. There seems to be quite some media interest in the PPP results.

FINDINGS BY PPP SURVEY

Consumer goods and services

5. In addition to the coordinator of the consumer goods surveys, two temporary staff are hired for the price collection. During the preview and pre-survey phases, information from the Internet is the most important source of information, supplemented by shop visits and information from other traditional sources. The price collection is to a large extent based on physical price collection in the shops. The selection of outlets is determined in



cooperation with experts in the Consumer Price Indices Section. The coordinator maintains contact with the price collectors on a daily basis in order to clarify any challenging points. Prices are only collected in the capital, and the prices are assumed to reflect national averages. Transaction data is not used, but the CSB is working towards establishing contacts with the major shop chains and eventually make use of transaction data in several statistical domains.

Housing services

6. Latvia uses the quantity approach. The quantity and quality data is taken from the Real Estate Cadastre Information System, which is an administrative data source with comprehensive dwelling stock information. It is not related to the housing and population census. The questionnaire is filled in by the Industrial and Construction Statistics Section.

Compensation of government employees

7. The Wage Statistics Section provides the salary data based mainly on the European Structure of Earnings Survey (SES). For the years between SES benchmark years, there is no data available at the level of occupations, hence extrapolations have to be made at aggregate level with data from the Labour Cost Survey. For a small number of occupations, data from the State Chancellery's remuneration database is used to produce the annual data. Salaries are adjusted for overtime. Annual calculations of medical staff salaries are corrected with the data received from National Health Service (NHS). The data on social contributions is taken from national accounts.

Hospitals

8. The data for the hospital survey is provided by the National Health Service (NHS), a public body under the Ministry of Health, as per agreement with CSB. The quasi-prices are administrative prices from their Management Information System (MIS). The NHS also contributes to the data validation process.

Education

9. The education data from the UNESCO-OECD-Eurostat database, as well as the education expenditures and population figures, are checked by the national coordinator for plausibility.

Equipment goods

10. Two staff members in the Producer Prices Indices Section carry out all stages of the equipment goods survey without any involvement of external contractors. During the preview and pre-survey phases, the main information sources are the Internet and contacts with respondents from the previous survey. Prices are collected by email questionnaire. A special challenge are the delivery costs, which are location-dependent and cannot always be estimated. Discounts are also difficult to assess, since they are often the result of negotiation. All prices are quoted exclusive of VAT.

Construction

11. The construction survey is outsourced to two different contractors, one for the building projects and one for civil engineering. The experts are affiliated with two major companies and have long experience in working with the CSB on this survey. Important data sources



are real tender prices from construction companies, the websites of producers, wholesalers and providers for construction services, and publicly available price catalogues. If necessary, companies are contacted directly, or the experts use their own best estimates. The validation is an interactive process between the CSB, the experts and Eurostat's contractor.

VAT on capital goods

12. Non-deductible VAT on capital goods is calculated from national accounts data.

Expenditure weights

13. For household consumption expenditure, the main data source for the detailed (basic heading) breakdown is the Household Budget Survey (HBS), supplemented with other sources if necessary. Since the HBS is not an annual survey, the detailed structure is normally kept unchanged for the non-survey years. Aggregates are calculated based on data from the Retail Trade Survey, commodity flows or other sources. For non-profit institutions serving households, and for government expenditure, the data required for the PPP aggregation is at a more aggregated level and can be taken more or less directly from national accounts. Data sources for Gross fixed capital formation include the CSB Construction Information System (for building projects) and the quarterly sample survey "Report on investment" (for machinery and equipment).



CONCLUSIONS AND SUMMARY OF ACTION POINTS FOR CSB

Latvia complies well with the PPP Regulation. The data is 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	Further develop the dissemination of PPP results at national level.
2.1 Consumer goods and services	Continue to explore transaction data with a view to gradual implementation in the PPP exercise. Provide evidence for the assumption of SAF=1, e.g. based on CPI data or by carrying out a specific survey.
2.2 Housing	None.
3.1 Compensation of government employees	Continue efforts to establish annual salary data at the level of occupations according to ISCO-08
3.2 Hospitals	None.
3.3 Education	None.
4.1 Equipment goods	Estimate delivery cost in cases where respondents do not provide this information.
4.2 Construction	None.
4.3 VAT on capital goods	None.
5. Expenditure weights	Streamline the documentation in the PPP inventory, focusing on the detailed structure of expenditure and the data sources at basic heading level (cf. inventory guidelines).