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Zyra e Kryeministrit -Ured Premijera -Office of the Prime Minister  
*Agjencia e Statistikave të Kosovës - Agencija za Statistike Kosova - Kosovo Agency of Statistics*

## Series 3: Economic Statistics

# Producer Price Index Q3 2017



## **F o r e w o r d**

Kosovo Agency of Statistics (KAS) has started to publish the Producer Price Index (PPI) in May 2009.

Prices and values of industrial products are collected by manufacturing enterprises with the most influence in Kosovo. Value of product and annual average price is referred for 2007, while since the first quarter of 2009 the index is monitored and calculated continuously in quarterly and annual periods.

PPI, or Producer Price Index is in accordance with the Standard Classification of Activities according to NACE rev.2, based on the "Regulation No.11/2013 Article 7, for the implementation of the Standard Classification of Activities. PPI is under construction and continuously seeks to include economic activities which currently are not active but gradually the product is expected from these activities.

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## Symbols and Abbreviations

|     |   |                                |
|-----|---|--------------------------------|
| PPI | - | Producer Price Index           |
| KAS | - | Kosovo Agency of Statistics    |
| EAN | - | Economic activity nomenclature |
| Q1  | - | First Quarter                  |
| Q2  | - | Second Quarter                 |
| Q3  | - | Third Quarter                  |
| Q4  | - | Fourth Quarter                 |
|     |   |                                |
| :   | - | Figure not available           |
| 0   | - | Less than half the unit used   |
| -   | - | Not applicable                 |
| %   | - | Percentage                     |
| W   | - | Statistical weight             |
| Ø   | - | Average                        |

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## **Producer Price Index (PPI) for the Third quarter - 2017**

The total producer price index in Kosovo increase by 0.4% between Q2 2017 and Q3 2017. Compared with Q3 2016, producer prices rose to an average of 5.6%.

### **Second quarter 2017 - Third quarter 2017 0.4%**

Production prices in Kosovo rose to an average of 0.4% between Q2 2017 and Q3 2017. The largest increase by branches of economic activities is higher: manufacture of wood and of products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials (5.6%), manufacture of metals (5.1%), manufacture of chemical products (3.2%), manufacture of leather and products of leather products (2.7%), manufacture of electrical equipment (1.9%), manufacture of rubber and plastic (1.6%), production of non-metallic mineral products (1.6%), manufacture of beverages (1.2%), manufacture of fabricated metal products, except machinery and equipment (0.9%) and manufacture of food products (0.8%).

The rise was counteracted by the decline in prices: metal ore extraction (-2.8%), production of motor vehicles (transport), trailers and semi-trailers (-2.5%), electricity, gas, steam and air conditioning supply (2.3%) and manufacture of furniture (-0.1%).

### **Third quarter 2016 - Third quarter 2017 5.6%**

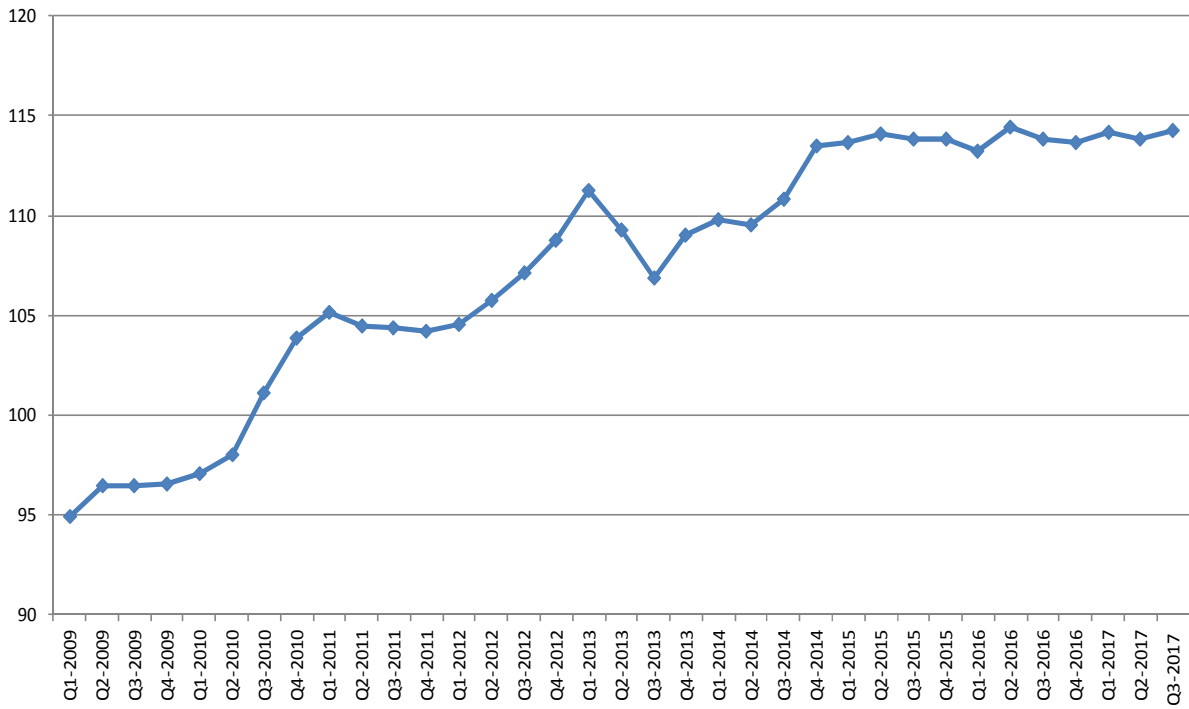
Production prices in Kosovo rose to an average of 5.6% between TM3 2016 and TM3 2017. Largest increase by economic activity is noticed to: metal ore extraction (48.7%), electricity, gas, steam and air conditioning supply (21.6%), manufacture of electrical equipment (2.8%), manufacture of wood and of products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials (2.4%), manufacture of leather and leather products (2.2%), manufacture of chemical products (2.2%), manufacture of non-metallic mineral products (1.5%) and manufacture of rubber and plastic (0.1%).

The rise was counteracted by the decline in prices: production of motor vehicles (transport), trailers and semi-trailers (-2.5%), manufacture of metals (-2.4%), manufacture of food products (-2.4%), manufacture of machinery and equipment p.k.t (-1.6%), manufacture of fabricated metal products, except machinery and equipment (-1.3%), manufacture of furniture (-1.1%), manufacture of beverages (-0.6%) and manufacture of paper and paper products(-0.2%).

**Table 1: Producer Price Index (PPI) Q1 2009 – Q3 2017 (2010=100), quarterly and annual changes in percentage**

| Year | Quarter                    | Index (2010=100) | Quarterly change<br>in per cent | Annual change<br>in per cent |
|------|----------------------------|------------------|---------------------------------|------------------------------|
| 2009 | Q1                         | 94.9             | :                               | :                            |
|      | Q2                         | 96.5             | 1.7                             | :                            |
|      | Q3                         | 96.5             | 0.0                             | :                            |
|      | Q4                         | 96.6             | 0.1                             | :                            |
|      | <b>Annual average 2009</b> | <b>96.1</b>      | :                               | :                            |
| 2010 | Q1                         | 97.1             | 0.5                             | 2.3                          |
|      | Q2                         | 98.0             | 0.9                             | 1.6                          |
|      | Q3                         | 101.1            | 3.2                             | 4.8                          |
|      | Q4                         | 103.9            | 2.8                             | 7.6                          |
|      | <b>Annual average 2010</b> | <b>100.0</b>     | :                               | <b>4.1</b>                   |
| 2011 | Q1                         | 105.2            | 1.3                             | 8.3                          |
|      | Q2                         | 104.5            | -0.7                            | 6.6                          |
|      | Q3                         | 104.4            | -0.1                            | 3.3                          |
|      | Q4                         | 104.2            | -0.2                            | 0.3                          |
|      | <b>Annual average 2011</b> | <b>104.6</b>     | :                               | <b>4.5</b>                   |
| 2012 | Q1                         | 104.6            | 0.4                             | -0.6                         |
|      | Q2                         | 105.8            | 1.2                             | 1.2                          |
|      | Q3                         | 107.1            | 2.4                             | 2.6                          |
|      | Q4                         | 108.8            | 1.6                             | 4.4                          |
|      | <b>Annual average 2012</b> | <b>106.6</b>     | :                               | <b>1.9</b>                   |
| 2013 | Q1                         | 111.3            | 2.3                             | 6.4                          |
|      | Q2                         | 109.3            | -1.8                            | 3.3                          |
|      | Q3                         | 106.9            | -2.2                            | -0.2                         |
|      | Q4                         | 109.0            | 2.0                             | 0.2                          |
|      | <b>Annual average 2013</b> | <b>109.1</b>     | :                               | <b>2.4</b>                   |
| 2014 | Q1                         | 109.8            | 0.7                             | -1.3                         |
|      | Q2                         | 109.5            | -0.3                            | 0.2                          |
|      | Q3                         | 110.8            | 1.2                             | 3.6                          |
|      | Q4                         | 113.5            | 2.4                             | 4.1                          |
|      | <b>Annual average 2014</b> | <b>110.9</b>     | :                               | <b>1.6</b>                   |
| 2015 | Q1                         | 113.7            | 0.2                             | 3.6                          |
|      | Q2                         | 114.1            | 0.4                             | 4.2                          |
|      | Q3                         | 113.8            | -0.3                            | 2.7                          |
|      | Q4                         | 113.8            | 0.0                             | 0.3                          |
|      | <b>Annual average 2015</b> | <b>113.9</b>     | :                               | <b>2.7</b>                   |
| 2016 | Q1                         | 113.2            | -0.5                            | -0.4                         |
|      | Q2                         | 114.4            | 1.1                             | 0.3                          |
|      | Q3                         | 113.8            | -0.5                            | 0.0                          |
|      | Q4                         | 113.7            | -0.1                            | -0.1                         |
|      | <b>Annual average 2016</b> | <b>113.8</b>     | :                               | <b>-0.1</b>                  |
| 2017 | Q1                         | 114.2            | 0.4                             | 0.9                          |
|      | Q2                         | 113.8            | -0.4                            | 5.5                          |
|      | Q3                         | 114.3            | 0.4                             | 5.6                          |

Figure 1: PPI development, Q1 2009 – Q3 2017 (2010=100)



**Table 2: Weight, Producer Price Index (2010=100) quarterly and annual changes in percentage**

| Code | Nomenclature of economic activity EAN rev.2   | Weight        | Q3 - 2017    | Q3 - 2017  | Q3 - 2017  |
|------|---|---------------|--------------|------------|------------|
|      |   |               | Ø2010=100    | Q2 - 2017  | Q3 - 2016  |
|      | <b>Total PPI</b>  | <b>999.84</b> | <b>114.3</b> | <b>0.4</b> | <b>5.6</b> |
| 05   | Extraction of coal and lignite  | 4.30          | 137.5        | 0.0        | 0.0        |
| 07   | Mining of metal ore   | 9.08          | 232.9        | -2.8       | 48.7       |
| 08   | Other ores and quarries   | 20.27         | 132.1        | 0.0        | 0.0        |
| 10   | Food processing   | 114.07        | 105.1        | 0.8        | -2.4       |
| 11   | Manufacture of beverages  | 52.81         | 103.1        | 1.2        | -0.6       |
| 13   | Manufacture of textiles   | 11.24         | 0.0          | 0.0        | 0.0        |
| 14   | Manufacture of clothing   | 3.15          | 0.0          | 0.0        | 0.0        |
| 15   | Manufacture of leather and leather products   | 3.02          | 104.8        | 2.7        | 2.2        |
| 16   | Manufacture of wood and of products of wood and cork, except furniture: production of articles of straw and plaiting materials - plaiting | 20.94         | 100.7        | 5.6        | 2.4        |
| 17   | Manufacture of paper and paper products   | 9.81          | 79.6         | 0.0        | -0.2       |
| 18   | Printing and reproduction of recorded media   | 6.04          | 0.0          | 0.0        | 0.0        |
| 20   | Manufacture of chemical products  | 22.73         | 141.3        | 3.2        | 2.2        |
| 21   | Processing products and pharmaceutical preparation  | 0.72          | 0.0          | 0.0        | 0.0        |
| 22   | Manufacture of rubber and plastics  | 71.24         | 99.4         | 1.6        | 0.1        |
| 23   | Production of non-metallic mineral products   | 150.67        | 94.0         | 1.6        | 1.5        |
| 24   | Production of metals  | 75.42         | 73.9         | 5.1        | -2.4       |
| 25   | Manufacture of fabricated metal products, except machinery and equipment  | 64.35         | 90.2         | 0.9        | -1.3       |
| 27   | Manufacture of electrical equipment   | 9.19          | 101.8        | 1.9        | 2.8        |
| 28   | Manufacture of machinery and equipment p.k.t  | 0.99          | 86.4         | 0.0        | -1.6       |
| 30   | Production of motor vehicles (transport), trailers and semi-trailers  | 1.50          | 114.4        | -2.5       | -2.5       |
| 31   | Manufacture of furniture  | 23.52         | 94.9         | -0.1       | -1.1       |
| 35   | Electricity, gas, steam and air conditioning supply   | 296.79        | 132.7        | -2.3       | 21.6       |
| 36   | Collection, treatment and supply of water   | 18.19         | 104.6        | 0.0        | 0.0        |
| 38   | Activities of collection, treatment and disposal of waste; materials recovery   | 9.81          | 0.0          | 0.0        | 0.0        |



## Definition and the purpose of PPI

Producer Price Index (PPI) is a relative indicator that measures the degree to which prices of goods (products) produced and services vary in a certain period of time. This index is the statistical key for decision making process on economic policy, business and monitoring the inflator and deflator parameters. As a statistical parameter, PPI has a special significance for the estimation (calculation) of the Gross Domestic Product by product approach.

## Methodology

Prices and value of industrial products are collected from the most representative manufacturing enterprises in Kosovo. Value of products and average price are for Q1 2007, while since Q1 2009 the collection is made in regular quarterly bases.

Due to comparability of data with Eurostat, with the decision of the Government of the Republic of Kosovo, the Kosovo Statistical Agency from 01.09.2014 has started using the new nomenclature of economic activities (NACE Rev. 2) based on the "Regulation No.11/2013 on the implementation of standards for the classification of activities" so that the Producer Price Index has changed in accordance with this nomenclature.

At the same time the core index has changed moving from base year 2007=100 in base year **2010=100**. Sections 13, 14, 18, 21 and 38 take part in the calculation of the Index, but because prices for these sections have started to be collected after 2010 and they lack base index 2010=100 of which later will create base index and will calculate the following indicators.

Since 2017, PPI is calculated for 24 Sections (economic activities), about 185 Manufacturing enterprise over 600 (concretly 629) items. As a project (GOPA - KAS) has started in 2007 in order to create the basis for establishing the PPI survey, while sinc the mid-2010 project is being supported by Swedish SIDA.

PPI from first quarter 2017 uses specific weights updated from the data of the Structural Business Survey (SBS), 2015.

For the calculation of PPI is used the Laspeyres formula.

Aggregation of PPI as a whole

$$PPI_0^q = 100 * \sum_{g=1}^h w_g * I_{0,g}^q$$

$PPI_0^q$  = Producer Price Index between quarter 0 and quarter q

$w_g$  = Weights per groups

$I_{0,g}^m$  = Rate of price for group g between quarter 0 and quarter q

$h$  = Number of economic activities according to NACE REV 2

$$PPI_{2010}^{Y,q} = \frac{PPI_{2010}^{Y-1,4}}{100} * PPI_0^{Y,q}$$

$PPI_{2010}^{Y,q}$  = Chain index of PPI between 2010 and quarter q in the current year

$PPI_{2010}^{Y-1,4}$  = Chain index of PPI between 2010 and quarter 4 of the previous year

$PPI_0^{Y,q}$  = Producer price index between quarter 0 and quarter q in the current year

### Calculation of changes

Changes between quarter q and quarter q-1 is calculated as follows:

$$\left[ \left( \frac{PPI_0^{Y,q}}{PPI_0^{Y,q-1}} \right) - 1 \right] * 100 = \text{Percentage of quarterly change}$$

$PPI_0^{Y,q}$  = PPI for the current quarter q

$PPI_0^{Y,q-1}$  = PPI for the previous quarter q-1

Annual changes are calculated:

$$\left[ \left( \frac{PPI_{2010}^{Y,q}}{PPI_{2010}^{Y-1,q}} \right) - 1 \right] * 100 = \text{Percentage of annual change}$$

$PPI_{2010}^{Y,q}$  = Producer price index for current quarter q

$PPI_{2010}^{Y-1,q}$  = Producer price index for previous year and quarter q

# Kosovo Agency of Statistics

## *short description*

**Kosovo Agency of Statistics** is a professional institution which deals with collection, processing and publication of official statistical data. As such acts since 1948 and has passed through several historical stages, structured according to state regulation of those times.

On 2 August 1999, the Agency has resumed his professional work (after nine years of interruption of all statistical series detrimental to the interest of Kosovo), as an independent institution under the Ministry of Public Administration. Since 12.12.2011 the Agency operates in the frames of the Prime Minister's Office. Office is funded by the Kosovo Consolidated Budget, but also by donors for specific projects and for technical professional support.

**Kosovo Agency of Statistics** acts according to the Law No. 04/L-036 which entered into force on 12.12.2011. Programme of Official Statistics 2013/2017 is in implementation for the development of statistical system in correlation with the European Union statistics (EUROSTAT).

**Kosovo Agency of Statistics** has this organizational structure: production departments; (Department of Economic statistics and National Accounts, Department of Agriculture and Environment statistics and Department of Social statistics. **Support Departments**; Department of Methodology and Information Technology, Department of Policy Planning, Coordination and Communication, Department of Census and survey and Department of Administration. **Within the Agency are also established Regional Offices**; Gjakove, Gjilan, Mitrovica, Peja, Prizren, Pristina and Ferizaj

Number of employees and budget are still limited. In KAS are employed in total 143 workers, of whom 98 (68,58 %) at the headquarters of the Agency, while in the Regional Offices, 45 (31,5%). Agency's educational qualifying structure is as follows: 61,7% with university education, 15,4% with with non-tertiary education, and 17.5% with secondary education.

We have professional and technical cooperation with all Ministries of the Government of Kosovo, especially with the Ministry of Economy and Finance, Central Bank of Kosovo, with international institutions, EUROSTAT, International Monetary Fund, World Bank, Sweden's SIDA, DFID, UNFPA, UNDP, UNVEF, and with the statistical institutions of the countries in the region.

**Kosovo Agency of Statistics** almost completely covers the territory of Kosovo, based on the statistical structure of the enumeration areas as the basic unit and sole in the country from which it gets first hand information. All surveys conducted in the field use the extension of the samples in these enumeration areas but also a statistical methodology according to international recommendations. During the collection of statistical data and reports from reporting entities are involved professionals, technicians, administrators, servants of the country offices, field enumerators from regional offices, etc.

In 2011, the project of Population Census , Households and Dwellings was successfully implemented, and in 2014 was successfully carried out the Agriculture Census. The result obtained from these censuses will have an important role in the development policies.

**The mission of the Agency**; to meet the needs of users with qualitative statistical data, objective, in time and space so that users have reliable base to conduct regular analysis in the interest of planning and project development at the municipal and country level. To support government institutions, scientific institutes, research academies, businesses in order to provide proper information for decision-makers and other users in Kosovo.

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