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ECONOMY AND FINANCE

THEME 2 – 28/2003

PRICES AND PURCHASING POWER PARITIES

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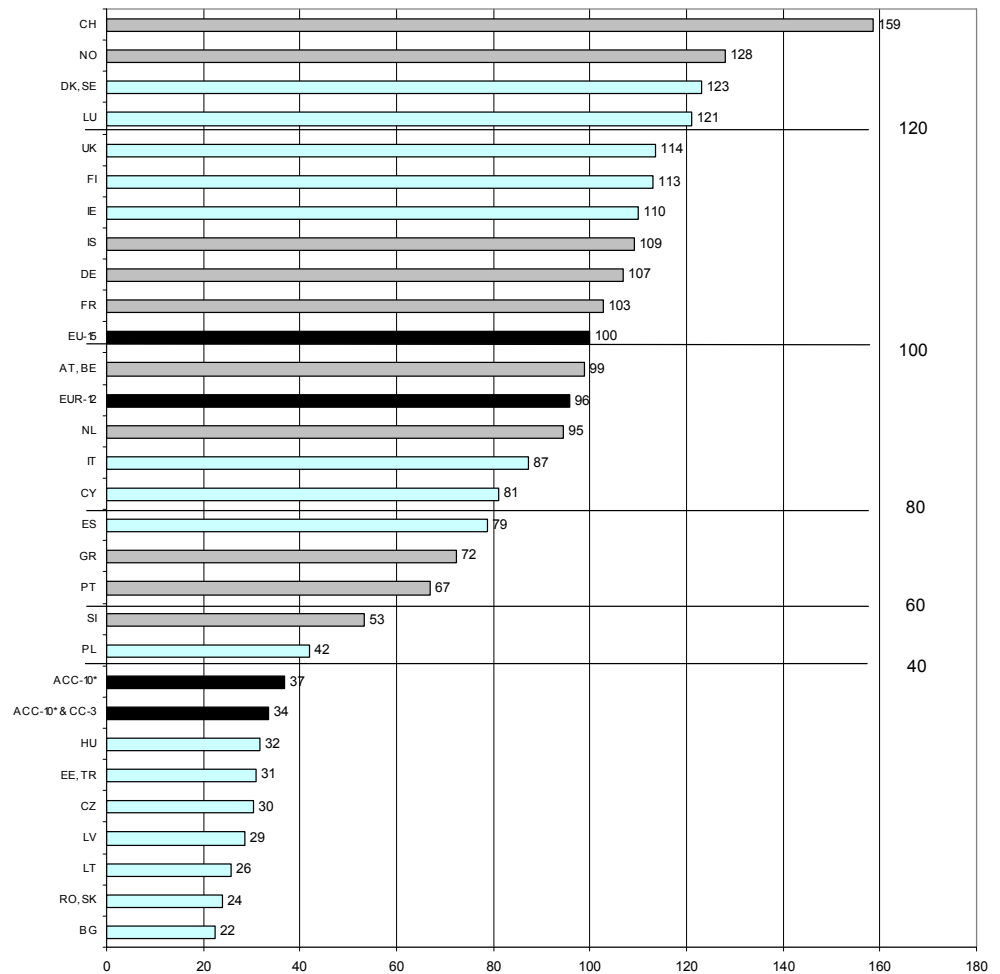
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Relative prices for services in EU, EFTA¹, Acceding and Candidate Countries for 2001

Peeter LEETMAA

This article presents economic indicators related to Purchasing Power Parities (PPP) for the 31 countries² participating in the European Comparison Programme (ECP): price level indices of services. Detailed publication on price levels of services will be published in 2004, after the large-scale revision exercise of PPP has been completed. Unlike other similar Eurostat publications on price levels, this publication, for the first time, takes a global look at services and is not related to a particular price survey underlying PPP calculations.

Chart 1: Price level index for total services 2001, EU-15=100



*Without Malta

⁽¹⁾ Excluding Liechtenstein

⁽²⁾ The 15 EU Member States, the 10 Acceding Countries, however excluding Malta, the 3 Candidate Countries, Iceland, Norway and Switzerland

Services: Price level indices for 2001 – comparison between EU, EFTA and Acceding and Candidate Countries

As these indices are not intended to rank countries strictly, the groups with similar price levels have been defined. Based on the comparative price level indices of total services shown in **Chart 1**, following groups of countries can be distinguished:

Group I ($\geq 120\%$ of the EU average) Switzerland, Denmark, Luxembourg, Norway and Sweden;

Group II ($\geq 100\%$ and $< 120\%$ of the EU average): Germany, Finland, France, Ireland, Iceland and United Kingdom;

Group III ($\geq 80\%$ and $< 100\%$ of the EU average): Austria, Belgium, Cyprus, Italy and the Netherlands;

Group IV ($\geq 60\%$ and $< 80\%$ of the EU average): Greece, Spain and Portugal;

Group V ($\geq 40\%$ and $< 60\%$ of the EU average): Poland and Slovenia;

Group VI ($< 40\%$ of the EU average): Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia and Turkey.

One can see from chart 1 that the EU Member States and EFTA on the one side and Acceding and Candidate Countries on the other side would almost form two separate groups with different price levels of services. However, Cyprus with its relatively high price level comes ahead of three Member States: Greece, Spain and Portugal.

Table 1: Price level indices of services and consumer goods for 2001, EU-15=100

	Total services (c)	Total individual services (b)	Consumer services (a)	Consumer goods (d)
BE	99	99	98	99
DK	123	122	120	131
DE	107	105	104	101
GR	72	73	77	88
ES	79	80	81	85
FR	103	102	104	95
IE	110	111	116	110
IT	87	87	85	98
LU	121	117	102	98
NL	95	93	96	102
AT	99	98	95	102
PT	67	68	62	88
FI	113	115	119	114
SE	123	125	131	113
UK	114	117	120	111
EUR-12	96	95	95	97
EU-15	100	100	100	100
IS	109	111	113	134
NO	128	129	130	142
CH	159	161	159	122
EFTA-3	146	148	150	129
CY	81	82	80	95
CZ	30	30	33	64
EE	31	31	35	70
HU	32	31	34	66
LV	29	30	34	71
LT	26	26	30	66
PL	42	45	49	74
SK	24	23	28	58
SI	53	53	53	82
ACC-10*	37	38	42	71
BG	22	24	26	57
RO	24	26	32	51
TR	31	33	38	62
ACC-10* & CC-3	34	35	39	66

*Without Malta

Notes:

(a) Consumer services = household final consumption expenditure of services

(b) Total individual services = actual individual consumption of services = household and non-profit institutions serving households (NPISH) final consumption expenditure of services and individual consumption expenditure of services by general government (e.g. education)

(c) Total services – includes in addition to (b) consumption of collective services by general government (e.g. public administration)

(d) Consumer goods = household final consumption expenditure of goods

Box 1: First results of the large-scale revision of PPP 1995-2000 to be published in autumn 2003

For the majority of the ECP participants, the reference year 2000 can be seen as the first year in which the PPP weights taken from National Accounts are fully based on new accounting system ESA95. The years before 2000 were affected by the gradual introduction of ESA95 since 1995, in different countries at different points in time. Moreover, all Candidate Countries now fully participate in the price surveys according to the survey cycle, while in the past, estimates had to be partly used. To facilitate economic analysis, Eurostat and the ECP participants have decided to revise the PPPs for the years 1995 to 2000 in the light of ESA95. This enormous exercise is undertaken in 2003. Publication of first results from the revision is foreseen for October 2003 and a more extended publication with detailed results and methodological explanations in early 2004.

The revision is especially important for the services, as it is generally relatively difficult to measure the PPP of services when compared to its measurement for goods.

The data of Malta are not included in the publication. Malta is currently undertaking a revision of its National Accounts in order to adopt ESA95 and the revised data are expected to be available in summer 2003.

Table 1 presents the price level indices (EU-15=100) of various service categories and consumer goods. In general, there are larger differences between the price levels of consumer services than they are for consumer goods between the countries. This is due to so called tradability factor - as services are hardly tradable between the countries and are closely linked to the income levels, their price levels spread wide between countries.

For consumer goods the price levels vary from 51 to 142 of EU average. For consumer services the range is much larger - from 26 in Bulgaria to 159 in Switzerland.

As a remark, it is interesting to note that in many cases the average price level indices of services for Acceding Countries are below the average of this group. The explanation lies in the high weight of Poland with its relatively high price level of services.

It can be noted that the price dispersion of consumer goods and consumer services inside the group of Acceding and Candidate Countries is much larger than it is for the EU and EFTA, as shown in table 2. The same feature can be noted when making comparison between Acceding Countries and EU.

When comparing the country groups (EU-15&EFTA and ACC-10&CC-3) it is visible that price dispersion for consumer services is for both groups approximately 2.4 times higher than it is for consumer goods. When looking at the group "All 31 countries" the ratio is, quite logically, bigger - 2.9 (503/176). This means that the difference in the ranges between the price levels of services and price levels of goods is larger having more countries included in the analysis with very different economies.

Table 2: Price dispersion of consumer services and goods of country groups for 2001

	Consumer services	Consumer goods
	(Max-Min)/Min*100	
EU-15 & EFTA	156	66
EU-15	110	54
ACC-10* & CC-3	203	86
ACC-10*	184	65
All 31 countries*	503	176

**Without Malta*

Box 2. Classification of products into goods and services

Classification of products between goods and services is always to a certain extent a convention. When looking at items defined as goods, they often include also a service element. On the other hand, services often include a goods element. To take restaurant services as an example: food products consumed in catering establishments should be generally regarded as goods. By convention, however, restaurants are classified as services because the service component is much stronger than the goods element. The standard classification used is available from Eurostat.

ESSENTIAL INFORMATION

Publication calendar 2003

- 2. May 2003 – Relative prices for Furniture, glassware and tableware
- 6. June 2003 – Nowcast of the volume index of GDP per capita 2002
- 30. June 2003 - Relative prices for services
- 31. October 2003 – Revision of the PPP 1995 to 2000 – first aggregated results
- 15. December 2003 – Final PPP data 2001 and preliminary data 2002
- 19. December 2003 – Relative prices for transport goods

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For information on methodology

LEETMAA Peeter, Eurostat/B3 – Prices and Purchasing power parities, L-2920 Luxembourg,

Tel. (352) 4301 34558, Fax (352) 4301 33989, STAPEL Silke, Tel. (352) 4301 32263, Fax (352) 4301 33989

E-mail: peeter.leetmaa@cec.eu.int, silke.stapel@cec.eu.int

Calculations: Sergey Sergeev, Peeter Leetmaa

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