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## **I C P**

**Report prepared by EUROSTAT**

## ACC Sub-Committee on Statistical Activities

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### Point 9 (a) of the Agenda - ICP

#### Contribution of Eurostat

##### Finalization of the phase V comparisons (1985)

Eurostat will undertake the global processing of phase V results. This processing will generate world results which will be published in the report describing the finalization of the phase V comparisons (1985). These results will be released at the common classification level concerning 56 categories, as was agreed at the Geneva Inter-secretariat meeting of June 1987. Eurostat cannot undertake a more detailed processing due to lack of resources.

As to timing, the global processing will start as soon as Caribbean results are available, which is expected in June or July 1991.

##### Progress in the phase VI comparisons

For phase VI comparison (1990) all the price surveys have been carried out by EEC and OECD countries. The results of the comparison are expected for the end of 1991. Final results at the level of the 56 categories will be published at the beginning of 1992. These results will include purchasing power parities, volume indices, per capita volume indice, price level indices, relative volume indices and relative price indices. As far as the European comparison is concerned, Austria is preparing bilateral comparisons with USSR, Hungary, Poland, Yugoslavia and Czechoslovakia. Results should be available at the end of 1992.

For the African comparison, Eurostat sent letters to the 23 countries which participated in phase V to ascertain if they found participation in ICP useful for their own national purposes and whether they would be willing to participate again in phase VI.

The positive replies of all countries strengthened Eurostat's conviction to undertake the comparisons for these countries also for phase VI. At this moment, Eurostat is investigating the possibilities to obtain the necessary resources within the Commission of the European Communities.

### Conclusions of the 1988 and 1989 seminars on ICP methodology

The main conclusions of the 1988 and 1989 seminars on ICP methodology concerned the adoption of a suitable method of aggregation of purchasing power parities from the basic heading level up to the GDP level. Unanimous agreement has been reached that there is no single method by which all the economic analyses can be carried out satisfactorily.

Accordingly,

- a) for horizontal comparisons of GDP and its uses between countries (purchasing power parities, share by volume of each country in the total, volume indices per head of population) the EKS method should be adopted;
- b) for vertical comparisons of internal structure between countries (comparison of structures in real terms), the GK (Geary-Khamis) method should be adopted.

For Eurostat, analyses of the first type are the most important for economic purposes. Furthermore, this kind of results are used in reaching certain political decisions.

### The "rolling base" approach to calculating PPP's

In the past a complete survey for G.D.P. and its uses took place every five year (benchmark years). The gap between the results of a new benchmark year and the results obtained in the previous benchmark year extrapolated with the national accounts volume growth indices, led Eurostat to consider a "rolling base" approach system to calculating the PPP's. Since 1988, Eurostat has been experimenting with this system, but a final decision regarding its adoption has not yet been taken. It consists of collecting each year the prices of about one third of the total basket of products of household consumption. For the other two thirds, the basic parities for the current year are deduced by extrapolating the latest available basic parities using corresponding detailed price indices.

For collective consumption, public service salaries are collected each year for a certain number of typical jobs. For gross fixed capital formation, annual surveys are also carried out. These annual surveys allow the calculation of parities for the corresponding basic headings. In these areas a yearly survey rhythm is necessary because, for the time being, a set of harmonised temporal indices is not available at the national level.

The corresponding expenditure figures for the ICP classification are also collected each year, and this completes the basic data which allow the annual calculation of parities and volume ratios.