

# Consumer price index

Supplement 3 □ 1988 Monthly

## *THE PURCHASING POWER PARITIES AND PRICE LEVEL INDICES IN OCTOBER 1988*

In this bulletin Eurostat presents the updated purchasing power parities for October 1988. These are purchasing power parities for household consumption of Community countries as well as some non EC countries (Table A on page 4).

The method of calculation of these parities is explained in the methodological note at the end of this bulletin.

By comparing the purchasing power parities with the exchange rates, the price level indices are obtained; these are shown in Table B on page 5.

It is of interest to compare the evolution of the price level indices between October 1985 and October 1988. For this purpose Belgium was taken as the reference country and the price level indices are shown for the months of October 1985, 1986, 1987 and 1988.

### PRICE LEVEL INDICES (BELGIUM = 100)

	October 1985	October 1986	October 1987	October 1988
Germany (FR)	111.4	112.1	111.6	112.3
France	108.0	104.5	104.1	104.3
Italy	88.1	91.4	91.0	92.1
Netherlands	97.9	99.2	98.6	98.4
Luxemburg	92.8	91.1	89.7	90.3
United Kingdom	97.2	77.3	83.4	93.1
Ireland	103.1	95.1	95.0	97.3
Denmark	128.3	131.1	131.7	135.9
Greece	66.8	67.6	67.4	71.9
Spain	68.4	69.9	72.8	75.8
Portugal	55.5	53.1	53.2	56.1
Austria	108.0	112.2	112.5	113.9
USA	115.7	90.4	83.8	87.6
Canada	104.1	82.3	80.7	91.7
Japan	117.7	124.0	120.8	136.4

As far as the Community countries are concerned a stability in price relations since October 1985 can be observed for six countries; the level for the United Kingdom fell significantly in 1986 and then rose again.

For Denmark, Greece, Spain and Portugal a continuing rise can be observed, becoming more pronounced in 1988. Compared with the Community countries the principal third countries recorded much larger changes.

For the United States (and Canada) a significant fall can be observed, whereas for Japan there was a rise in the price level index, which resulted in a gap between the USA and Japan of about 55% in October 1988; in October 1985 the price level indices for these countries were almost the same.



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**Mr. Nijenhuis, tel. 4301-3202**

**Mr. Desantis, tel. 4301-3511**

# INDICES DE NIVEAUX DE PRIX

## CONSOMMATION PRIVEE

OCTOBRE 1988

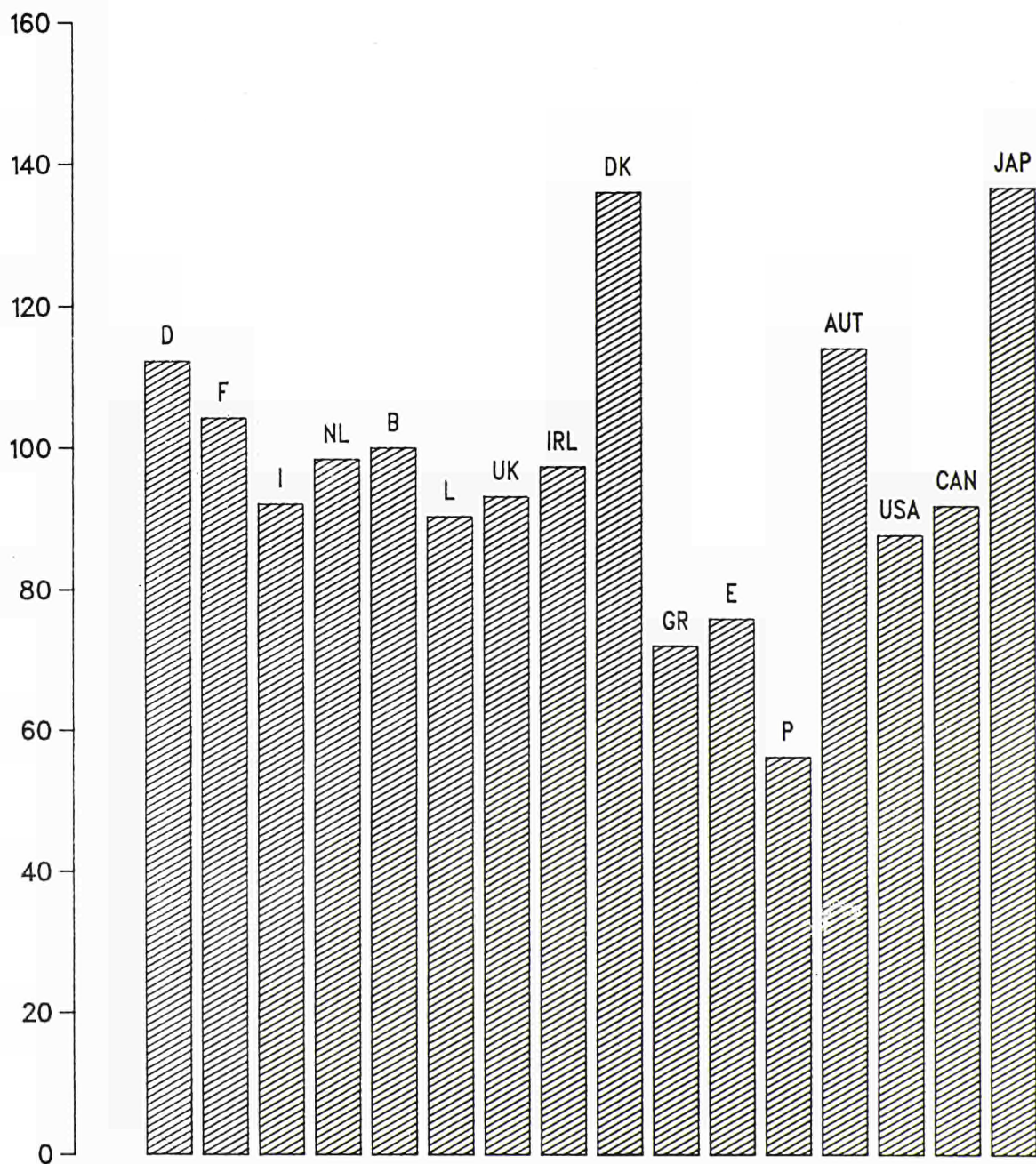
BELGIQUE = 100

# PRICE LEVEL INDICES

## PRIVATE CONSUMPTION

OCTOBER 1988

BELGIUM = 100



## A

PARITEES DE POUVOIR D'ACHAT POUR LA CONSOMMATION PRIVEE

PURCHASING POWER PARITIES FOR PRIVATE CONSUMPTION

OCTOBER 1988

	DM	FF	LIR	FL	FB	FLUX	UK £	IRL £	DKR	DRA	PTS	ESC	SCH	US \$	CAN \$	YEN
DM	1.00	3.17	610.82	0.99	18.67	16.86	0.26	0.32	4.66	52.39	44.63	41.26	7.13	0.43	0.54	86.04
FF	0.32	1.00	192.77	0.31	5.89	5.32	0.08	0.10	1.47	16.53	14.08	13.02	2.25	0.14	0.17	27.15
1000 LIR	1.64	5.19	1000.00	1.62	30.56	27.60	0.43	0.53	7.63	85.77	73.06	67.54	11.67	0.70	0.89	140.85
FL	1.01	3.21	618.43	1.00	18.90	17.07	0.27	0.33	4.72	53.04	45.18	41.77	7.22	0.43	0.55	87.11
100 FB	5.36	16.97	3272.00	5.29	100.00	90.29	1.41	1.73	24.98	280.62	239.07	221.00	38.20	2.30	2.90	460.87
100 FLUX	5.93	18.80	3623.78	5.86	110.75	100.00	1.56	1.92	27.66	310.80	264.77	244.76	42.30	2.55	3.21	510.42
UK £	3.81	12.08	2327.73	3.76	71.14	64.23	1.00	1.23	17.77	199.64	170.07	157.22	27.17	1.64	2.06	327.86
IRL £	3.09	9.79	1887.12	3.05	57.67	52.08	0.81	1.00	14.41	161.85	137.88	127.46	22.03	1.33	1.67	265.80
DKR	0.21	0.68	131.00	0.21	4.00	3.61	0.06	0.07	1.00	11.24	9.57	8.85	1.53	0.09	0.12	18.45
100 DRA	1.91	6.05	1165.97	1.89	35.63	32.18	0.50	0.62	8.90	100.00	85.19	78.75	13.61	0.82	1.03	164.23
100 PTS	2.24	7.10	1368.66	2.21	41.83	37.77	0.59	0.73	10.45	117.38	100.00	92.44	15.98	0.96	1.21	192.78
100 ESC	2.42	7.68	1480.54	2.39	45.25	40.86	0.64	0.78	11.30	126.98	108.17	100.00	17.28	1.04	1.31	208.54
SCH	0.14	0.44	85.66	0.14	2.62	2.36	0.04	0.05	0.65	7.35	6.26	5.79	1.00	0.06	0.08	12.07
US \$	2.33	7.38	1423.39	2.30	43.50	39.28	0.61	0.75	10.87	122.08	104.00	96.14	16.62	1.00	1.26	200.49
CAN \$	1.85	5.85	1128.61	1.82	34.49	31.14	0.48	0.60	8.62	96.80	82.46	76.23	13.17	0.79	1.00	158.97
1000 YEN	11.62	36.83	7099.66	11.48	216.98	195.92	3.05	3.76	54.20	608.91	518.73	479.53	82.88	4.99	6.29	1000.00

N.B. Table A should be read horizontally. The following example should make the meaning clearer.

For the same basket of goods and services in private consumption, it would be necessary to spend 1 DM in the FR of Germany, 3.17 FF in France, 18.67 FB in Belgium or 4.66 DKR in Denmark. By comparison, the exchange rates in the same period were 1 DM = 3.41 FF, 1 DM = 20.96 FB, 1 DM = 3.85 DKR.

## B

INDICES DE NIVEAUX DE PRIX POUR LA CONSOMMATION PRIVEE

PRICE LEVEL FOR PRIVATE CONSUMPTION

OCTOBER 1988

	D	F	I	NL	B	L	UK	IRL	DK	GR	SP	PORT	AUT	USA	CAN	JAP
D	100.0	92.9	82.0	87.6	89.0	80.4	82.9	86.6	121.0	64.0	67.5	50.0	101.4	78.0	81.6	121.5
F	107.7	100.0	88.3	94.3	95.9	86.6	89.3	93.3	130.3	68.9	72.7	53.8	109.2	84.0	87.9	130.8
I	122.0	113.3	100.0	106.9	108.6	98.1	101.1	105.7	147.6	78.1	82.4	61.0	123.7	95.2	99.6	148.2
NL	114.2	106.0	93.6	100.0	101.7	91.8	94.7	98.9	138.2	73.1	77.1	57.1	115.8	89.1	93.2	138.7
B	112.3	104.3	92.1	98.4	100.0	90.3	93.1	97.3	135.9	71.9	75.8	56.1	113.9	87.6	91.7	136.4
L	124.4	115.5	102.0	108.9	110.8	100.0	103.1	107.7	150.5	79.6	84.0	62.2	126.1	97.0	101.5	151.1
UK	120.6	112.0	98.9	105.7	107.4	97.0	100.0	104.5	146.0	77.2	81.5	60.3	122.3	94.1	98.4	146.5
IRL	115.4	107.2	94.6	101.1	102.8	92.8	95.7	100.0	139.7	73.9	78.0	57.7	117.1	90.1	94.2	140.2
DK	82.6	76.7	67.7	72.4	73.6	66.4	68.5	71.6	100.0	52.9	55.8	41.3	83.8	64.5	67.4	100.4
GR	156.2	145.1	128.0	136.8	139.1	125.6	129.5	135.3	189.0	100.0	105.5	78.1	158.4	121.9	127.5	189.7
SP	148.1	137.5	121.4	129.7	131.8	119.0	122.8	128.2	179.2	94.8	100.0	74.0	150.2	115.5	120.8	179.8
PORT	200.1	185.8	164.0	175.2	178.2	160.9	165.9	173.3	242.1	128.1	135.1	100.0	202.9	156.1	163.3	243.0
AUT	98.6	91.6	80.8	86.4	87.8	79.3	81.7	85.4	119.3	63.1	66.6	49.3	100.0	76.9	80.5	119.8
USA	128.2	119.0	105.1	112.3	114.1	103.1	106.3	111.0	155.1	82.1	86.6	64.1	130.0	100.0	104.6	155.7
CAN	122.5	113.8	100.4	107.3	109.1	98.5	101.6	106.1	148.3	78.4	82.8	61.2	124.3	95.6	100.0	148.8
JAP	82.3	76.5	67.5	72.1	73.3	66.2	68.3	71.3	99.6	52.7	55.6	41.2	83.5	64.2	67.2	100.0

N.B. Table B should be read horizontally. The following example should make the meaning clearer.

For the same basket of goods and services for private consumption which would require expenditure of 100 DM in the FR of Germany, it would be necessary to spend the exchange-rate equivalent of 92.90 DM in France, 89.00 DM in Belgium, 121.00 DM in Denmark, etc..

## **METHODOLOGICAL NOTE**

The purchasing power parities for final household consumption for the base year 1985 are calculated on the basis of extensive price surveys as described in "Comparison in real values of the aggregates of ESA". The specific parities for household consumption are updated by means of the national consumer price index for each of the countries which are regularly published in this bulletin. For each pair of countries the extrapolated parity is obtained by multiplying the 1985 parity by the relative price index.

In the first table (A) the parities are presented in a square matrix in which each country can be compared with all the others. In effect each column gives the parities of every country with respect to a reference country.

The parities obtained in this way have been related to the official exchange rates; the ratio of purchasing power parities to exchange rates is called the price level index. These figures, also presented in a square matrix, are given in the second table (B). Each line of this table shows the difference between the parity and the exchange rate of the base country compared to the other countries. For instance on the first line where Germany is the base country (=100), the index for France is 92.9, for Belgium 89.0 and for Denmark 121.0.

In other words: for the same basket of goods and services for private consumption as would require an expenditure of 100 DM in the FR of Germany, it would be necessary to spend the exchange rate equivalent of 92.90 DM in France, 89.00 DM in Belgium, 121.00 DM in Denmark.

Purchasing power parities are mainly used for short term analysis of household consumption.

EUROSTAT also carries out an annual estimate of purchasing power parities of gross domestic product (see National Accounts - Aggregates), they are generally used for volume comparisons by eliminating the difference of general price level between countries.

The purchasing power parities for the United States, Japan, Canada and Austria are based on studies made by the OECD for the year 1985.

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