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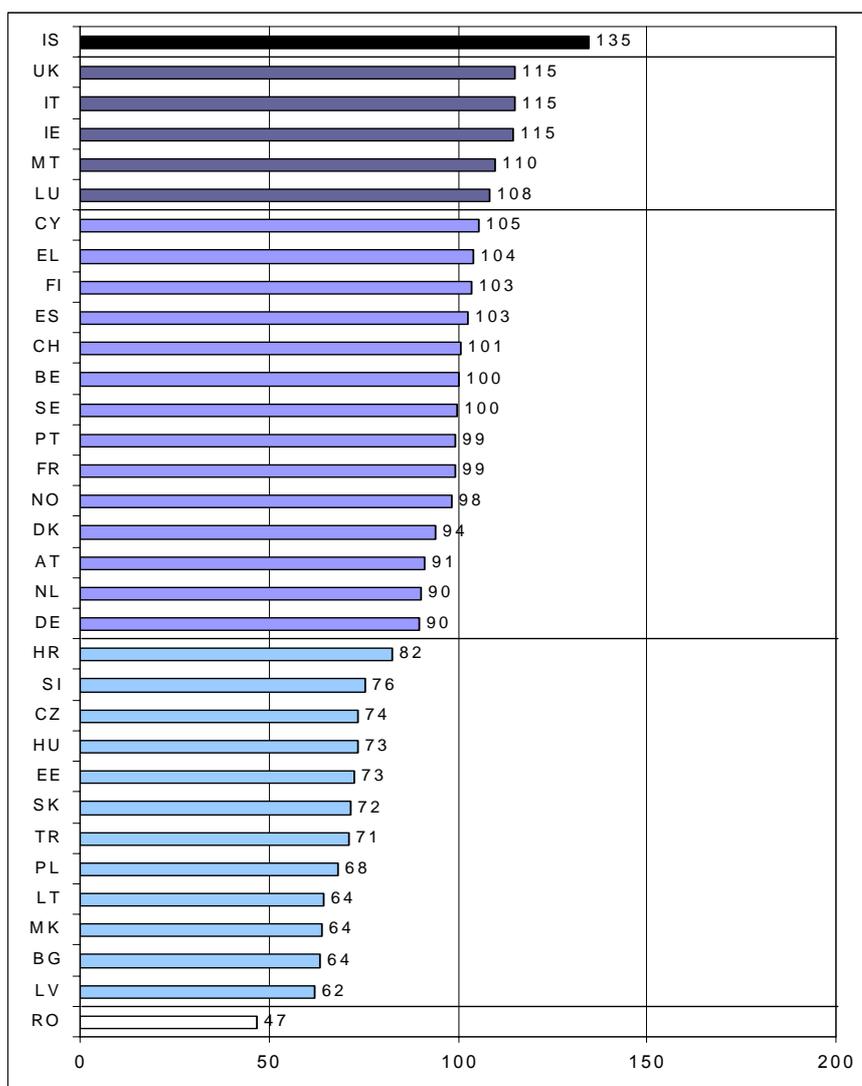
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Furniture - comparative price levels in 33 European Countries in 2005

In the framework of the joint Eurostat–OECD Purchasing Power Parity (PPP) Programme, surveys on prices of household goods and services are cyclically carried out by National Statistical Institutes (NSIs), each relating to a different product group. 37 countries are currently participating in the surveys co-ordinated by Eurostat¹. The OECD co-ordinates the surveys for the 12 non-European OECD Member States. These spatial consumer price surveys are corner stones of the work resulting in annual volume comparisons of the National Accounts aggregates: Gross Domestic Product (GDP) and its main components. This article provides for 33 countries results of the furniture price survey carried out in November 2005.

Chart 1: Price level index for furniture, EU25=100



¹ These are the 27 EU Member States, the 3 Candidate Countries Croatia, the former Yugoslav Republic of Macedonia (MK; see METHODOLOGICAL NOTES) and Turkey, the 3 EFTA countries Iceland, Norway and Switzerland and 4 more Western Balkan Countries Albania, Bosnia-Herzegovina, Montenegro and Serbia. In this article, however, the data of the latter 4 countries are not yet presented.

Furniture: the survey and price level indices for 2005

Expenditure on furniture forms on average, for the 33 countries, 2.5% of total private household consumption expenditure (PHCE). The share in PHCE in the individual countries varies from 1 to 5 %.

The furniture survey covered a total of about 140 comparable products enabling all countries to price a sufficient number of products representative of their own consumption pattern and national habits.

The products included kitchen, bedroom, living- and dining room furniture and other furniture and furnishings. In order to have a balanced product sample and to cover the full range of the products on the various countries' markets, the products were classified into three different "product levels" of furniture: "Specified brands", "Well known brands" and "Brandless" items.

"Specified brands" refers to specific brands and models determined in advance; they mostly have a considerable reputation and spread over Europe.

In the case of "Well known brands", branded goods are mainly sought, but the actual name of the brand is not pre-determined. The brands reported may have only local or sub-regional reputation and spread, and sometimes quality products without indication of brand names may also be suitable. This is e.g. the case when the shop selling this quality furniture itself has a local reputation.

Finally, "Brandless items" completes the basket - here, prices for non-branded goods are compared, which usually refer to the bottom range of market production. For these products the typical selling argument is their low price.

The three defined product levels of the furniture survey are accompanied by comprehensive descriptions of relevant physical characteristics of the product. A technical glossary and a picture booklet further helped to identify the various items with regard to materials and finishing in order to ensure that "like is compared with like".

Price level indices resulting from the 2005 survey for total furniture are presented in Chart 1. The price level index (PLI) for a country indicates its price level compared to the average price level of the 25 countries constituting the EU in 2005. PLIs are determined as the ratio of Purchasing Power Parity (PPP) to exchange rate. The level of uncertainty associated with the basic price and other data, and the methods used for compiling PPPs imply that strict ranking of countries is not advisable. In Chart 1, the countries are therefore divided into three distinct groups:

Group I (>105% and <115% of the EU-25 average): Ireland, Italy, Luxembourg, Malta, United Kingdom (5 countries)

Group II (>85% and ≤105% of the EU-25 average): Belgium, Denmark, Germany, Greece, Spain, France, Cyprus, Netherlands, Austria, Portugal, Finland, Sweden, Norway, Switzerland (14 countries)

Group III (≥60% and ≤85% of the EU-25 average): Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovenia, Slovakia, Croatia, former Yugoslav Republic of Macedonia, Turkey, (12 countries)

At the two extreme ends of the distribution and clearly away from the three country groups above, one finds Iceland on the top with 134 % of the EU-25 average and Romania at the bottom with 47%.

The two EFTA countries Norway (98) and Switzerland (101), normally showing for other product groups a PLI well above the EU countries, are for furniture very close to the EU-25 average. The same pattern can be observed for Sweden and Finland.

New Member States Romania (47) and Bulgaria (64) are to be found at the lower end of the distribution.

An interesting point is that small island economies seem to stand out with a high comparative price level. This is especially so in the case of Iceland, but the PLIs of Malta and - less pronounced - Cyprus are also above the EU-25 average. This may be due to the fact that these countries have a small domestic market, and correspondingly high costs of imports.

Furniture: Price dispersion 2005 compared to 2002

From Chart 1 it can be seen that there are considerable price disparities between EU countries, ranging from 47 (Romania) to 115 (UK and Italy).

This means that a comparable set of furniture in the most expensive EU countries, the United Kingdom and Italy, costs about 144% more than in the least expensive country, Romania.

The level of price dispersion across countries can be measured by the coefficient of variation of the PLIs, which is defined as the standard deviation as percentage of the average. A high coefficient of variation indicates a high price dispersion and vice versa.

Table 2: Coefficient of variation of PLIs for total furniture and specified brands

country groups	total furniture		specified brands
	2002	2005	2005
EU-27	25	21	14
EU-15	12	8	5
EA-13	14	11	5
NMS-12	30	23	19

Table 2 provides this measure of price dispersion within the EU-27, the old Member States (EU-15), the new Member States (NMS-12) and the Euro area (EA-13). This is done in comparison between 2005 and 2002, the year of the previous furniture survey.

The general picture for total furniture in 2005 is very similar to 2002: Price dispersion is lowest in the EU-15. This is one sign that market integration is most developed in this country group. Price dispersion is higher in the group of EU-27 and the group of the new Member States (NMS-12). When one compares 2005 with 2002 it is clearly visible that particularly for the new Member States price dispersion has gone down considerably.

This is one indicator that the integration of the furniture market, notably among the new Member States, has further deepened.

What is striking is that price dispersion is very moderate for specified furniture brands. This means that these products, which can be seen as fully internationally tradable goods, tend to be similarly priced in 2005 in all countries and especially in the Euro area (EA-13) and the old EU Member States (EU-15).

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The data in this publication are produced by the Eurostat-OECD Purchasing Power Parity (PPP) programme. The full methodology used in the programme is described in the *Eurostat-OECD Methodological manual on purchasing power parities* which is available free of charge from the Eurostat website on

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1073,46587259&dad=portal&schema=PORTAL&p_product_code=KS-BE-06-002

In their simplest form PPPs are nothing more than price relatives that show the ratio of the prices in national currencies of the same good or service in different countries. For example, if the price of a hamburger in France is 2.84 euros and in the United States it is 2.20 dollars, the PPP for hamburgers between France and the United States is 2.84 euros to 2.20 dollars or 1.29 euros to the dollar. In other words, for every dollar spent on hamburgers in the United States, 1.29 euros would have to be spent in France in order to obtain the same quantity and quality – or volume – of hamburgers.

Comparative price levels as presented in this publication are the ratios of PPPs to exchange rates. They provide a measure of the differences in price levels between countries by indicating for a given product group the number of units of common currency needed to

buy the same volume of the product group or aggregate in each country. Price level indices (PLIs) provide a comparison of the

countries' price levels with respect to the European Union average: if the price level index is higher than 100, the country concerned is relatively expensive compared to the EU average and vice versa. Price level indices are not intended to rank countries strictly. In fact, they only provide an indication of the comparative order of magnitude of the price level in one country in relation to others, particularly when countries are clustered around a very narrow range of outcomes. The degree of uncertainty associated with the basic price data and the methods used for compiling PPPs, may affect in such a case the minor differences between the PLIs and result in differences in ranking which are not statistically or economically significant. It is, therefore, preferable to use these indices to divide countries into groups of a comparable level, as done in this article.

The main use of PPPs is to convert expenditures (including GDP) of different countries into real expenditures (and real GDP). Real expenditures are valued at a uniform price level and so reflect only differences in the volumes purchased in countries. PPP and real expenditures provide the price and volume measures required for international comparisons.

Country codes: MK is a provisional code which does not prejudice in any way the definitive nomenclature for this country, which will be agreed following the conclusion of negotiations currently taking place on this subject at the United Nations.

Further information:

Data: [EUROSTAT Website/Data/Economy and finance/Prices/Purchasing power parities](http://europa.europa.eu/eurostat/Website/Data/Economy%20and%20finance/Prices/Purchasing%20power%20parities)

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