

1987

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**Estimation of the Gross Domestic Product in Real Terms
for the Community countries as well as for
the United States and Japan - 1985**

The statistical office of the European communities has just calculated the purchasing power parities for the member countries for Gross Domestic Product (GDP) and its components. As this work has been carried out in close collaboration with the OECD it is possible to also present the results for some of the important economic partners of the Community.

The calculation of the parities has become a necessity since it was seen that international comparisons of GDP based on conversions into a common currency (the dollar at world level, ECU for the Community countries) by using the exchange rate does not furnish a good indication of the volume of goods and services for final use in the different countries; that is, to the household consumption, collective consumption and investments. A comparison based on the purchasing power parities as the rate of conversion is in contrast more meaningful because it is not influenced by price level differences nor by fluctuations in the exchange rates but indicates solely the differences in terms of volume.

The purchasing power parities between currencies are obtained from the price ratios between the different countries and those for a basket of goods and services both comparable and representative. The individual price ratios are then aggregated according to well defined criteria up to the global parity of GDP.

In the confines of this communication, one is limited to a succinct presentation of the main results⁽¹⁾ for GDP and particularly for per capita GDP. Instead of expressing the parities and the real values into the currency of a given country, the Community and the ECU have been taken as a reference. The unit in which the real values are presented, is called the Purchasing Power Standard (PPS) which corresponds in fact to a 'real' ECU.

The table below gives firstly for the different countries, the exchange rates and the purchasing power parities. The relationship of parities to exchange rate provides a very important indicator resulting from the calculating of parities. It is the price level, index which measures the difference in the price level of a given country in relation to the Community average EUR 12 = 100.

This permits the statement that for the 12 Community countries, the price level is the lowest for Portugal and the highest for Denmark, although of all the countries considered, it is the United States who, with 33.9% above the Community average, has the highest level of prices.

The most significant indicator for international comparisons is without doubt the volume index of GDP per capita. It is represented by comparison between the GDP per capita of each country and the average GDP per inhabitant of the Community, GDP which has the value of 10.049 ECU in 1985.

It is interesting to note, how this volume index varies in case the values are expressed in ECU, that is, converted using the exchange rate, or if the values are expressed in PPS, that is after having used the purchasing power parities as a conversion rate.

This index points out that among the Community countries, it is Denmark which is highest on the list if it is based on the prices in ECU, while in real terms, because its price level is very high, this country is relegated to second position; Luxembourg with an index of 133.2 takes the first position. The enormous difference (1 to 5.2) registered between Portugal and Denmark for the data in ECU, is only 1 to 2.3 if it is expressed in terms of real values. (The differences between GDP expressed in ECU and GDP expressed in PPS are even better shown in the graph given below).

It is equally interesting to note that the real GDP is relatively high for Japan and in particular for the United States, which exceeds the highest EEC-Country, Luxembourg, by some 21%, and the lowest, Portugal, by more than 300%. For this last country, the difference with the United States is in fact much bigger (from 1 to 7,6) if it refers to the data converted by the exchange rate.

Finally it can be said that as for the level of the GDP per capita, the differences between countries are reduced when one changes from using for the comparison values in ECU's or values in PPS.

(1) These results are still provisional. It should be underlined for the user that the results for 1985 can be different from those obtained from the extrapolation of the 1980 survey data with the price indices. This can be explained partly by the fact that national price indices do not reach the same degree of comparability (base year, sample size and freshness of the sample as well as calculation methods) and also because the 1985 spatial comparisons have not been carried out in the same conditions as those of 1980 (changes in the economic environment, product lists have been balanced, improvement of methods).

Gross domestic product - main results 1985

EUR 12 = 100

	D	F	I	NL	B	L	UK	IRL	DK	GR	E	P	USA	JAP
Exchange rate : 1 ECU = NC	2,22	6,79	1448	2,51	44,91	44,91	0,589	0,715	8,02	105,74	129,16	130,25	0,763	180,56
1 SPA = ... NC	2,53	7,48	1294	2,58	45,37	43,32	0,579	0,700	9,92	78,43	96,75	67,58	1,02	229,42
General price level index (EUR 12 = 100)	113,6	110,0	89,4	102,9	101,0	96,5	98,2	97,8	123,8	74,2	74,9	51,9	133,8	127,1
Per capita volume index (EUR 12 = 100)														
a) based on ECU values	134,7	121,7	82,4	113,5	105,5	128,2	104,6	67,8	148,7	42,6	55,7	28,3	215,1	144,6
b) based on PPS values	118,9	110,9	92,4	110,6	104,7	133,2	106,6	69,0	120,4	57,8	74,6	51,3	160,7	113,8
c) Margin in % based on PPS values	-11,7	-8,9	+12,1	+2,6	+0,8	+3,9	+1,9	+1,8	-19,0	+35,7	+33,9	+81,3	-25,3	-21,4

1985

Comparison of per capita GDP
Comparaison du PIB par habitant
Vergleich des Pro-Kopf = BIP

ECU PPS
SPA
KKS
EUR 12 = 100

