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COMPARISON IN REAL TERMS OF THE GROSS DOMESTIC PRODUCT FOR THE COMMUNITY COUNTRIES - 1990

Eurostat, the Statistical Office of the European Communities, has just established for the member countries purchasing power parities that allow a comparison in real terms of the gross domestic product (GDP) which is the main indicator of economic activity for a given year. The main results of this comparison are presented in the following table:

GDP RESULTS - 1990

	B	DK	D*	GR	E	F	IRL	I	L	NL	P	UK
Exchange rate: 1 ECU = National currency units	42.43	7.856	2.052	201.4	129.3	6.914	0.7678	1522	42.43	2.312	181.1	0.7139
Purchasing power parities: 1 PPS = National currency units	42.42	10.15	2.243	151.4	117.6	7.113	0.7424	1526	42.68	2.327	111.5	0.6565
Price level index EUR12 = 100	100.0	129.2	109.3	75.2	91.0	102.9	96.7	100.3	100.6	100.7	61.6	92.0
Per capita value index (based on ECU values) EUR12 = 100	105.0	138.6	127.9	35.4	68.6	114.7	65.9	102.8	124.5	101.5	34.6	92.5
Per capita volume index (based on PPS values) EUR12 = 100	105.0	107.3	117.0	47.1	75.4	111.5	68.1	102.5	123.8	100.9	56.2	100.6

The use of the exchange rate for international comparison of economic aggregates does not allow a real comparison of the volume of goods and services produced and used in the different countries. Thus, GDP per capita in ECU is considerably higher in the Federal Republic of Germany and in Denmark than in Greece

or in Portugal. Nevertheless, this difference corresponds not only to a higher volume of goods and services but also to a higher general price level in the first two countries. The calculation of purchasing power parities makes it possible to eliminate this price level difference from the comparison and thus obtain a real volume comparison between

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

This note presents only the main results for GDP and per capita GDP. Purchasing power parities are expressed in relation to a reference "numéraire" which is the purchasing power standard (PPS). This "numéraire" is defined in such a way that the value of the GDP of the Community in 1990 in ECU is the same as the value expressed in PPS.

The above table starts by presenting for the different countries the exchange rates and the purchasing power parities. The parity/exchange rate ratio is an index of price levels, in itself an important indicator. It measures the relation between the price level of a given country and the community average (EUR12=100).

This reveals differences of up to a double between the various price levels, demonstrating the difficulties of comparing the economies of different countries using official exchange rates.

Another significant indicator for international comparisons is the per capita GDP index. It represents the relation between the per capita GDP of each country and the average per capita GDP of the Community. It is worth noting that the index can be significantly different according to whether exchange rates or purchasing power parities are used.

Thus, Denmark, for which the per capita value index is 138.6 if the calculation is based on data in ECU, changes to a volume index of 107.3 if the conversion factor is purchasing power parities. This is related to its high price level index (129.2). The opposite phenomenon can be observed for Greece and Portugal for which per capita value indices of 35.4 and 34.6 respectively change to per capita volume indices of 47.1 and 56.2 respectively.

The 1:4 ratio of per capita GDP between Portugal and Denmark for data in ECU is no more than 1:1.9 if the conversion factor used is the purchasing power parity. This result alone shows the need to have purchasing power parities as a tool to obtain real volume comparisons between countries.

Within the next few days, a further 'rapid report' will be released which presents more detailed GDP results for 1990 and earlier years.

NOTE: The results presented here are subject to sampling and other errors; small differences between the measures are unlikely to be statistically significant.

To know more about:

- Rapid reports: "Gross Domestic Product 1990"
- Publication "National Accounts ESA- Aggregates 1970-1990" (in preparation).
- Publication "Comparison in real terms of the aggregates of ESA 1990". (in preparation).

EUROSTAT - B1: 4301-2132 (M. Marques). (GDP general).
EUROSTAT - B3: 4301-2996 (A. Avdoulos). (PPP questions).

*Data for the Federal Republic of Germany, including West Berlin, as constituted prior to 3 October 1990