

COMPARISON IN REAL TERMS OF THE GROSS DOMESTIC PRODUCT FOR THE COMMUNITY COUNTRIES, AUSTRIA, SWITZERLAND AND SWEDEN - 1991

Eurostat, the Statistical Office of the European Communities, has just established for the member countries as well as for Austria, Switzerland and Sweden 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 - 1991

	B	DK	D*	GR	E	F	IRL	I	L	NL	P	UK	A	S	CH
Exchange rate:															
1 ECU=... National currency units	42.22	7.909	2.051	225.2	128.5	6.973	0.7678	1533	42.22	2.311	178.6	0.7010	14.43	7.479	1.772
Purchasing power parities:															
1 PPS =...National currency units	41.61	9.752	2.224	171.3	117.3	6.917	0.7082	1554	41.95	2.320	116.8	0.6747	15.06	10.57	2.371
Price level index															
EUR 12 = 100	98.6	123.3	108.5	76.0	91.3	99.2	92.2	101.4	99.4	100.4	65.4	96.3	104.3	141.3	133.7
Per capita value index															
(based on ECU values)															
EUR 12 = 100	103.5	132.6	128.9	36.5	70.8	110.6	64.6	104.4	127.3	101.2	38.4	92.1	110.1	145.1	177.1
Per capita volume index															
(based on PPS values)															
EUR 12 = 100	105.0	107.5	118.8	47.9	77.6	111.5	70.0	103.0	128.1	100.8	58.7	95.7	105.5	102.7	132.4

* Data for Germany, including West Berlin, as constituted prior to 3 October 1990.

Manuscript completed on = 2.07.1993

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Price (excl. VAT) in Luxembourg: Subscription ECU 206

Catalogue number: CA-NJ-93-003-EN-C

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 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 country. 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 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 1991 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 65.4 to 123.3 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 132.6 if the calculation is based on data in ECU, changes to a volume index of 107.5 if the conversion factor is purchasing power parities. This is related to its high price level index (123.3). The opposite phenomenon can be observed for Greece and Portugal for which per capita value indices of 36.5 and 38.4 respectively change to per capita volume indices of 47.9 and 58.7 respectively.

The 1:3.6 ratio of per capita GDP between Greece and Denmark for data in ECU is no more than 1:2.2 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.

The data from which these results were obtained for Germany, refer to its territory as constituted prior to 3 October 1990, including West Berlin. If we also take into account the GDP of the new Länder and use the same purchasing power parity for the whole of Germany, its per capita volume index which was 118.8 in its previous territorial situation becomes 105.1 in its new territorial situation. The per capita volume indices of each country in this new context are presented in the following table:

GDP RESULTS-1991

	B	DK	D**	GR	E	F	IRL	I	L	NL	P	UK	A	S	CH
Per capita volume index (based on PPS values) EUR 12 = 100	108.3	110.9	105.1	49.5	80.0	115.0	72.2	106.2	132.2	104.0	60.6	98.7	108.8	105.9	136.6

** Data for Germany as constituted from 30 October 1990.

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-official results 1991"
- Publication "National Accounts ESA- Aggregates 1970-1991"

- Publication "Comparison in real terms of the aggregates of ESA 1990 and 1991 results". (in preparation).

EUROSTAT - B1: 4301-34447 (J.P. Amotte). (GDP general).
EUROSTAT - B3: 4301-32996 (A. Avdoulos). (PPP questions).

