

Indicator (definition)	Gross Domestic Product (GDP) per capita in Purchasing Power Standards (PPS): GDP is the value of all goods and services produced less the value of any goods or services used in their creation. The volume index of GDP per capita in PPS is expressed in relation to the European Union (EU) average set equal to 100. PPS are used to equalise the purchasing power of different national currencies through Purchasing Power Parities, thus allowing for meaningful cross-country comparisons.
Eurostat Unit	National accounts data production; National accounts methodology (for PPPs)
Other Commission DGs	DG ECFIN
European Statistical System Working Group (WG)	National Accounts, Prices and Purchasing Power Parities
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1. Overall assessment of accuracy and comparability (Description of quality grades under the following link: http://circa.europa.eu/Public/irc/dsis/structind/library?l=/general_information/quality_profiles/annex_enpdf/EN_1.0_&a=d)

A B C Indicator to be Developed

Data is collected from reliable sources applying high standards with regard to the methodology and ensuring a high degree of comparability across countries. Restrictions in comparability over time are related to the construction of the indicator as such rather than to shortcomings with regard to data production and are well documented and explained.

2. Objective and relevance of the indicator:

Gross domestic product is a measure for the economic activity. GDP in PPS is used for spatial comparison of volume measures in per capita terms across countries in a given point in time.

In 2009 the Commission launched a Communication “GDP and beyond: measuring progress in a changing world” (COM 2009 443 of 20 August 2009) where it analyzed the importance of GDP indicators and also its restrictions “GDP does not measure environmental sustainability or social inclusion and these limitations need to be taken into account when using it in policy analysis and debates”. This document also called for the Member States to take measures to complement this indicator with statistics covering the other economic, social and environmental issues, on which people's well-being critically depends.

The indicator plays a role in evaluating actual economic convergence among the Member States in the context of policy aimed at correcting economic imbalances. It is a key tool in determining the economic policy of the Union, particularly regarding allocation of Structural and Cohesion Funds to the Member States.

Restriction of the indicator's relevance and other characteristics which may lead to restrictions in using it in monitoring and reporting

The indicator is designed for spatial comparison.

The indicator is indexed to the EU average (EU-27=100) that may cause difficulties to use it as such e.g. in statistical analysis. Re-scaling of the indicator following enlargement has to be taken into account when comparing it with previous releases.

GDP represents the income generated by a Member State but its distribution among the various agents of the economy may be highly uneven, so its explanatory power as a welfare indicator is limited.

In order to assess the growth, the indicator is to be used together with supporting indicators e.g. GDP in constant prices. Other indicators like Gross National Income at market prices, Gross Disposable Income of Households are also to be taken into account.

The indicator is widely known and used. Given the error margins related to PPPs however, attention has to be paid in interpreting the relative position of a country in time (a strict ranking comparison as well as deriving national growth rates should be avoided).

3. Data availability:

(**t₁**: earliest reference year available; **t₂**: latest reference year available in December 2010)

	Member States	Candidate and Acceding Countries	US and Japan	EEA-EFTA
t ₁	1995: BE, BG, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, SI, SK, FI, SE, UK 1999: RO	1995: IS, HR, TR 1997: MK	1995: US, JP	1995: NO, CH
t ₂	2008: BG 2009: BE, BG, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK	2008: HR, MK, TR 2009: IS	2007:JP 2009:US	2009: NO, CH

2004-2009: *EL provisional data. 2008: SK estimation. 2008: CH provisional. Data 2005 break in series.*

4. Overall accuracy

High



The overall accuracy can be considered as very good.

GDP data are regularly transmitted in the framework of the transmission programme associated to Annex B of ESA 95 (European System of Accounts). This transmission programme has been updated by Regulation (EC) N° 1392/2007 of the European Parliament and of the Council. Countries compile GDP according to standard international rules (ESA 95/SNA 93 – with some exceptions). At the European level, accuracy of GDP is regularly monitored in the framework of the GNI (Gross National Income) Committee and technical aspects are regularly analysed in several working groups and technical committees.

Resident population, coherent with the GDP level, is estimated in each Member State using projections based on a given population census. To the population stock determined by the census is added vegetative growth through natural population movement (births and deaths) and growth in respect of certain hypotheses on the behavior of immigration and emigration in each year. A population figure is thus obtained by aggregation to estimate total residents in the economic territory, known as the ‘population projection’.

Purchasing Power Parities (PPPs) are calculated by Eurostat in strict collaboration with the OECD in the framework of the European Comparison Programme (ECP) whose aim is to make annual volume comparisons of the main national accounts aggregates. 2006, 2007, 2008: PPPs for European countries are annual benchmark results calculated by Eurostat. PPPs for non-European countries are OECD estimates PPPs are statistical constructs rather than price measures. While GDP in PPS provides the best available estimate of the size of each country’s economy and of the economic well being of the country in relation to the others, they are subject to an “error margin”. This error margin depends

on the reliability of the expenditure weights and the price data as well as on an extent to which articles selected for participating countries, truly represent the price levels in each country. For more details, please see the Quality Profile for the indicator Comparative price levels. The highly detailed level of breakdown of GDP components on the demand approach that is required to compile this indicator often makes for a dearth of information for estimation, thus impairing reliability. Figures are subject to revision due to the normal revision process associated to national accounts.

Restricted
(sources, errors,
methodology, etc.)

5. Comparability across countries

High Comparability across countries is ensured by the application of the legal framework represented by the European System of Accounts (ESA 95) and the System of National Accounts (SNA 93). Comparability of GDP for EU countries is regularly monitored in the context of the work of the Gross National Income (GNI) Committee. In addition, international harmonisation of techniques and, to some extent, compilation tools is ensured by the work of the national accounts working groups (Eurostat, OECD, UN).
Comparability across countries of the population figures is ensured by application of the same concept (ESA 95) across countries. Concerning the calculation of PPPs, comparability is ensured through the European Comparison Programme (ECP).

Restricted

6. Comparability over time

High
Restricted This indicator does not reflect the economic reality at a certain moment. It does not give comparable info over time.
ESA 95 requires coherent long time series for GDP which are produced by most of the EU Member States. In some countries, methodological breaks can affect time series (normally on a temporary basis). Backward calculations of time series are provided to ensure full time coherence in a case of methodological changes. Comparability of the population figures over time is ensured by application of the same concept (ESA 95) over time. It should be noted that, the definition of this particular indicator expressed in PPS is intended to compare levels of economic activity of different sized economies (per capita) irrespective of their price levels, thus it is not suited for comparisons over time.

7. Development perspective for improving the quality of this indicator (including as far as possible an indication of the burden on Member States and respondents.)

Continuous improvements relate to new methodology and compilation techniques as well as to harmonisation. An active revision policy coordinated among countries is underway.
Of the three indicator components, Purchasing Power Parity is the one in most need of enhancement and a regulation taking up these issues is currently under way. Although it is highly complex, the basket of products representing all Member States to enable comparability across countries could be improved.

8. Contribution to the coherence of the set/potential to qualify for an integrated policy analysis

The indicator is a headline indicator. It can be complemented by several indicators derived from national accounts and which are closely correlated: GDP growth, investments, consumption, disposable income, etc.
Moreover, links can be established with other indicators derived from consistent accounting frameworks including social and environment indicators.

Relevant European legislation

Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (ESA 95).

Population data is provided under gentlemen's agreements.

Council Regulation No 448/98 on financial intermediation services measured indirectly (FISIM)

Commission Regulation No 1500/2000 on general government expenditure and revenue

Commission Regulation No 995/2001 on taxes and social contributions

EP/Council Regulation No 2558/2001 on settlements under swaps arrangements and under forward rate agreements

Commission Regulation No 113/2002 on revised classifications of expenditure according to purpose.

Regulation (EC) No 1445/2007 of the European Parliament and of the Council of 11 December 2007 establishing common rules for the provision of basic information on Purchasing Power Parities and for their calculation and dissemination GDP and beyond Measuring progress in a changing world (2009) COM(2009) 433 final