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СТАТИСТИЧЕСКАЯ КОМИССИЯ и
ЕВРОПЕЙСКАЯ ЭКОНОМИЧЕСКАЯ КОМИССИЯ

КОНФЕРЕНЦИЯ ЕВРОПЕЙСКИХ СТАТИСТИКОВ

Пятьдесят первая пленарная сессия
(Женева, 10-12 июня 2003 года)

ДОКЛАД О РАБОТЕ СОСТОЯВШЕГОСЯ В МАРТЕ-АПРЕЛЕ СОВМЕСТНОГО КОНСУЛЬТАЦИОННОГО СОВЕЩАНИЯ ЕЭК/Евростата/ОЭСР ПО ЕВРОПЕЙСКОЙ ПРОГРАММЕ СОПОСТАВЛЕНИЙ

Записка, подготовленная секретариатом

1. Совещание состоялось 31 марта - 2 апреля 2003 года в Женеве (Швейцария). В его работе приняли участие представители Австрии, Албании, Бельгии, Болгарии, Боснии и Герцеговины, бывшей югославской Республики Македонии, Греции, Дании, Италии, Кипра, Латвии, Литвы, Нидерландов, Норвегии, Польши, Российской Федерации, Румынии, Сербии и Черногории, Словацкой Республики, Словении, Соединенного Королевства, Турции, Финляндии, Хорватии, Чешской Республики, Швеции и Эстонии. На консультационном совещании также присутствовали представители Статистического управления Европейского сообщества (Евростата), Организации экономического сотрудничества и развития (ОЭСР) и Статистического комитета Содружества Независимых Государств (СНГ-СТАТ). В соответствии со статьей 11 Положения о круге ведения Европейской экономической комиссии Организации Объединенных Наций на нем также присутствовали представители Австралии. Был также представлен Всемирный банк.

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2. Совещание открыл Ян Карлссон, сотрудник Отдела статистики ЕЭК.

3. Участники утвердили предварительную повестку дня.

4. Председателем был избран г-н Дэйвид Бэйран (Соединенное Королевство).

ОРГАНИЗАЦИЯ РАБОТЫ КОНСУЛЬТАЦИОННОГО СОВЕЩАНИЯ

5. В ходе совещания на основе представленных документов и материалов были обсуждены следующие основные темы:

i) Текущее состояние ЕПС;

ii) ЕПС 2000 года:

- расчет результатов 2000 года;
- анализ результатов 2000 года;
- публикация результатов 2000 года;

iii) ПМС 2004 года:

- текущее состояние, организация, график и методология;
- демонстрация программного обеспечения ПМС;

iv) Новейшие методологические разработки:

- равная репрезентативность и поправка Сергеева к методу ЭКШ на уровне первичных групп;
- оперативное прогнозирование ППС;
- интерполяция годовых оценок ППС между трехгодичными контрольными показателями;
- непротиворечивость между ценами ППС и весами расходов национальных счетов;
- измерение объема жилищных услуг;
- пересмотр Евростатом результатов за 1995-2000 годы: доклад о ходе работы.

6. Обсуждение проходило на основе документов и материалов, представленных Австрией, Российской Федерацией, Статистическим комитетом СНГ, Евростатом, ОЭСР, Всемирным банком и секретариатом ЕЭК.

РЕЗЮМЕ ОСНОВНЫХ ВЫВОДОВ, СДЕЛАННЫХ НА СОВЕЩАНИИ

7. Ниже приводятся рекомендации в отношении будущей работы. Другие выводы, сделанные участниками в ходе совещания по вышеперечисленным темам, изложены в отдельном документе, подготовленном после совещания, и приводятся в приложении только на английском языке.

РЕКОМЕНДАЦИИ В ОТНОШЕНИИ БУДУЩЕЙ РАБОТЫ

Публикация результатов ЕПС 2000 года

8. Участники совещания приняли решение о том, что ответственность за публикацию общих результатов ЕПС 2000 года, охватывающих все страны региона ЕЭК, должна быть возложена на секретариат ЕЭК, который будет действовать в координации с другими международными организациями.

9. Секретариат ЕЭК должен попытаться ускорить публикацию доклада за 2000 год и подготовить его к концу июня 2003 года. Данная публикация будет размещена в Интернете на вебсайте ЕЭК. Важно, чтобы результаты 2000 года по региону ЕЭК были распространены до публикации Евростатом своих пересмотренных цифр за 2000 год в октябре 2003 года.

10. Доклад ЕЭК будет охватывать 31 страну, принимавшую участие в программе сопоставлений Евростата 2000 года, и 12 стран, принимавших участие в сопоставлении СНГ 2000 года (11 стран СНГ и Монголия). Результаты будут представлены в разбивке по 21 аналитической категории. Публикация будет также содержать обновленные результаты по 11 странам, которые участвовали в сопоставлении 1999 года ОЭСР (семь европейских стран - членов ОЭСР, Хорватия, бывшая югославская Республика Македония, Израиль и Украина). Информация об этих странах будет включена в доклад только на уровне ВВП.

Будущие консультационные совещания

11. Участники совещания пришли к выводу о необходимости проведения подобных консультационных совещаний в будущем, поскольку они служат форумом для

обсуждения общих результатов по региону ЕЭК. Было бы целесообразно, чтобы такие консультационные совещания проводились каждые три года по мере поступления новых результатов. Было предложено организовать следующее консультационное совещание в 2006 году для обсуждения результатов раунда 2004 года и вопросов, связанных с их публикацией, при условии наличия результатов по странам СНГ и выделения финансовых средств для обеспечения участия представителей этих стран в совещании.

Будущая работа

12. Участники совещания рекомендовали включить в программу работы Конференции европейских статистиков следующий текст при условии утверждения его Конференцией и ее Бюро:

a) ЕЭК должна взять на себя ответственность за публикацию общих результатов ЕП с 2000 года и опубликовать их к концу 2003 года до того, как Евростат распространит свои пересмотренные данные за 2000 год в октябре 2003 года.

b) Совместное консультационное совещание с участием всех международных и национальных статистических управлений, участвующих в расчетах результатов за 2004 год, следует организовать в 2006 году при условии наличия результатов по странам СНГ и выделении финансовых средств для обеспечения участия представителей этих стран в консультационном совещании.

Summary of discussion

ECE/Eurostat/OECD Joint Consultation on the European Comparison Programme, Geneva, March 31-April 2, 2003

Item 3: Current status of the ECP

Eurostat's new calculation and publication timetable (WP.2)

Presentation by: Eurostat

1. Eurostat pointed out that as PPPs are more and more in the spotlight publications they should be more in line with PPP input data availability and EU Structural Fund regulation. The overall PPP calculations depend on three forms of input data: price surveys, GDP weights and other input data such as salaries and rents. These inputs become available at different times. The new Eurostat calculation and publication calendar, fully in place since the year 2003, allows for the different data availability. However, this new timetable is possible only if all countries strictly follow the transmission deadlines.

2. Increasing user demand for data on services was also noted while publications should be more focussed and electronically based. Aiming at achieving more timely data dissemination, Eurostat will not produce the old publication "Purchasing power parities and related economic indicators" but will prepare every year 4-5 smaller publications ("Statistics in focus"). Data will also be available in electronic format covering longer time series.

3. It was noted that both the timeliness of contributions and the completeness of data provided had improved. Clarification between PPP and national accounts departments had also led to more reliable and consistent data. Around one third of countries, however, were not in line with the timetable. Further, the T+9 deadline was even more important now, politically and financially, due to the requirements of EU Structural Fund Regulation.

4. Participants noted that the new system promoted by Eurostat is in line with the ESA 95 schedule and had improved the quality and timeliness of the data.

Non-European OECD countries, the Russian Federation, Ukraine, Western Balkans and China

Presentation by: The OECD

5. The OECD provided an overview of its comparison work with the non-European OECD countries, the Russian Federation, Ukraine, Western Balkans and China. This work was undertaken within the context of the Eurostat-OECD PPP Programme.

6. The OECD stated that now, after a full round of surveys had been successfully completed, it was fair to say that the ECP reform introduced by Eurostat had been beneficial to the Eurostat-OECD PPP Programme overall. The need for overlap products between the three Eurostat groups and the introduction of more generic specifications into the product list had made it easier for non-European OECD countries to price "European" products. This has strengthened the

links between European and non-European countries. Nonetheless, there was still need for further work to improve the linkage by introducing more “non-European” products into the product lists. The OECD was pursuing this with Eurostat and the Group Leaders.

7. China’s participation in the 1999 comparison was an experimental retrospective exercise. It had not participated while the comparison had been underway. It had approached the OECD after the data collection for the comparison had been completed with a view to organising a bilateral comparison between the OECD as a whole and seven major Chinese cities. China had recently finished collecting price and expenditure data and the bilateral comparison is expected to be finalised in the third quarter of 2003. Although China’s limited participation in an international comparison was seen as a positive step, it had not adhered to the timetable and other problems had also been encountered.

8. The Western Balkans region includes five countries: Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Serbia and Montenegro. The project is funded by the EU Commission. The purpose is to introduce those countries to Eurostat methods and practices of carrying out international comparisons. Spin-off benefits for these countries were also noted for price and national accounts statistics (as most do not have expenditure measures of GDP).

9. The statistical office of the Republic of Slovenia has agreed to be the group leader and the countries are treated as a sub-group of the ‘Central European’ group. The first meeting is due to take place on 24-25th April 2003. The project for the Western Balkan region should be finalised in 2005 and it should lead to its participation in the ECP round for that year, allowing comparisons with the EU and the candidate countries. Building of capacity for participation in future rounds is also expected.

10. In the discussion that followed several questions were raised. The OECD was asked how they are dealing with China’s systematic under-estimating of GDP and over-estimating of growth-rates. OECD pointed out that this problem was not as large as implied in the question.

11. Another group of questions concerned the linking of the OECD comparisons for 2005 – its next benchmark year - to the World Bank’s ICP in 2004. The OECD noted that it had considered moving its benchmark year to 2004. However, Eurostat’s new two-year cycle of pricing capital goods meant that it was no longer synchronised with the OECD’s three year cycle. The two cycles converge in 2005. Consequently, the OECD decided not to change its benchmark year to 2004. It did not see this decision as detrimental to the ICP. Links would be established, one way or another.

The results and methodological issues of the international comparisons of GDP and PPP of the CIS countries and Mongolia for 2000 (WP.3 and WP.4)

Presentation by: CIS-STAT and the Russian Federation

12. A joint presentation of the State Committee on Statistics of the Russian Federation (Russian Goskomstat) and the CIS Statistical Committee (CIS-STAT) provided an overview of the 2000 CIS round. It included all CIS countries (except Ukraine) and Mongolia. The

comparison was carried out with the support of the OECD and the World Bank and was based on the methodology applied by the OECD and Eurostat for the 1999 round. This allowed incorporation of the results for the CIS region with the general ECP results.

13. The Interstate Statistical Committee of the CIS and the Goskomstat of Russia assumed the responsibility for organizing and coordinating the work. Five multilateral meetings took place. Bilateral meetings between the coordinators and the participating countries also took place. The software applied by Eurostat was used for the computations. It was adapted for the purposes of the CIS comparison by experts from Statistics Austria.

14. The 2000 CIS comparison is based on SNA'93. GDP is broken down into 6 main aggregates, 31 categories, 73 groups, 143 classes and 179 basic headings. The input price approach was used for non-market services and the quantitative approach for rents. A more specific method was applied for the construction comparison that corresponds to the practice and data availability in the CIS countries. This is the so-called method of resource technological models.

15. All price collections took place in 2000 and countries reported average national annual prices. Diagnostic tables were used for price verification.

16. The Council of Heads of Statistical Services of CIS countries approved the results for 2000 and decided to publish them. Two detailed publications are foreseen: one in Russian and one in English. Publication had been delayed due to Uzbekistan and Turkmenistan since they need more time for analysis and could even withdraw from the project. In Turkmenistan, GDP was seen as under-estimated as the SNA does not reflect properly their situation, e.g. there are many subsidised activities. It is not clear how to price and calculate the services that are provided free of charge to households. Re-routing of transactions and imputations may be needed. CIS-STAT does however hope to make some recommendations to keep them in the project. A decision will be made in mid-April of this year and then the final report will be published.

17. The CIS Stat noted that that there is lots of room for improving the methodology: estimation of holding gains, introduction of COICOP, treatment of FISIM, etc. They hope to manage to achieve some progress in the near future and to improve the GDP estimated for the next round of comparisons.

18. The attention was drawn to tables 7 and 8 (W.P.3), which showed the total for CIS countries only, not including Mongolia. It was also noted that the price levels given for Uzbekistan are extremely high compared to the other countries. CIS-STAT agreed they were not as expected but pointed to the substantial difference between the artificial official exchange rate and the considerably higher market exchange rate.

19. The OECD raised several issues regarding pricing of production for own consumption, products provided at economically insignificant prices and imported machinery and equipment. CIS-STAT explained that a lot of the countries have a large share of own consumption, especially food (around 80% of potatoes in Russia are produced for own consumption). Therefore they have tried to include it in the price observations. Countries have been asked to provide prices for representative items that are produced for own consumption.

20. Eurostat pointed out that questionable prices for one country could affect the quality of the results for other countries. CIS-STAT explained that it would exclude extreme prices from the calculations.

21. In conclusion it was noted that the CIS-STAT approach had been broadly similar to that of the OECD and Eurostat, e.g. the usage of the software. Some difficulties with international comparisons were also noted. The methodology does not necessarily fit in with the practicalities of data collection in individual countries. It was also concluded that bilateral discussions between the OECD and CIS-STAT are needed concerning the points made.

Item 4: ECP 2000

Calculation and linking of the 2000 results (WP.6)

Presentation by: The OECD

22. The OECD presented the summary results for ECP 2000. The table on GDP covers 54 countries, while the other three aggregates (actual individual consumption, actual collective consumption and gross fixed capital formation) are available for 46 countries. The non-European OECD member countries and Israel are excluded.

23. The overall 2000 results have been calculated using data from three comparisons: i) the OECD-30 based PPPs of the 1999 OECD comparison; ii) the EU-15 based PPPs of 2000 Eurostat comparison, and iii) the 2000 Goskomstat and CIS-Stat comparison for the 11 CIS countries and Mongolia. Ukraine participated in the 1999 OECD comparison though in the tables it is presented together with the CIS countries.

24. The linking of the results was done in three stages. First, the 1999 EU 15 based results for the seven non-European OECD countries, Croatia, FYROM, Israel, Russia, Ukraine and the EU 15 were extrapolated to 2000. These were then linked through the EU 15 to the 31 countries covered by the 2000 Eurostat comparison. Finally, the 2000 EU 15 based results for 43 countries were linked to the 2000 results for the eleven CIS countries and Mongolia using Russia as a bridge country.

25. It was emphasised that volume indices of GDP per capita are not accurate enough to provide rankings and users still do not understand this. A correlation between income groups and price levels exists. When countries are grouped on the basis of actual individual consumption, the correlation is stronger than when GDP per capita is used although there are some notable exceptions.

26. Some countries noted that an education process was therefore key to the success of the project and enquired as to how the OECD would be dealing with revisions. The OECD responded that the results would be published in advance of Eurostat revision with a ‘subject to revision’ proviso and they would probably produce a press release and/or statistical brief as they did for the 1999 results. This release would concentrate on GDP per capita and actual individual consumption.

Review of the 2000 results

Roundtable discussion

27. The representatives of the countries were given the floor to comment briefly on the 2000 results and to note their experience, problems and successes with the organization of the 2000 round. Their comments are summarised in the paragraphs that follow.

28. **Albania** did not participate in this round but consider that attending the Consultation is very important. They are now ready to join in the Western Balkan project and have started price survey and related work.

29. **Austria** is a lead country and a contractor for Eurostat asked participants for more attention when checking input price data. They felt it best to detect problematic points and reach comprises as soon as possible before the calculation of PPPs. Countries should compare primary data from the current survey with data from similar former surveys to obtain more consistency in the national time series and, in effect, this should improve PPPs time series. More cooperation is necessary between countries as sometimes inconsistencies for one country make improvements of the general multilateral results impossible.

30. **Belgium** stated that actual individual consumption gives the best variable for comparison. Also, there was not a great difference between the results for 1999 and 2000 but the underlying assumption of the project was that we should hope to see convergence. The OECD pointed out that the results were statistically sound but agreed they were not necessarily good news for policy-makers.

31. **Bosnia & Herzegovina** recognised that the statistical system still has to be developed (not currently having an expenditure measure of GDP). They have joined the project for the Western Balkans and hope to provide results for 2005.

32. **Bulgaria** had carried out two price surveys, in construction works and equipment goods. In construction, problems had been encountered with new materials and it was found that better coordination is needed with previous surveys (although tracking brands was OK it had been difficult to find exact models). With equipment goods, it was found that some types of goods on the Eurostat list did not conform to what is available on the domestic market, machines were being used at a lower capacity in Bulgaria, and respondance problems were encountered. An extremely high price index for medical products was noted.

33. **Croatia** has participated in the ECP since 1993 in a three-year cycle. They stated that the results looked logical viewed against the 1999 results and wished to thank the OECD and the Slovenian statistical office for their assistance.

34. **Cyprus** pointed to problems with definitions, which need to be more precise so that all countries understand them in the same way.

35. The **Czech Republic** remarked upon the extraordinary situation in 2002 because of the flooding experienced in their country. This had affected their ability to meet the deadlines for basic headings and the updating of 2001 data. There were no definitive national accounts for 2000 or 2001, but better results were expected this year (by September). It was also noted that increasing income levels had resulted in higher prices, which had in turn led to a decline in volume.

36. **Denmark** stated that the PPP exercise had not been given a high priority in the statistical office. They hope this will change once the Eurostat regulations are adopted.

37. **Estonia** considers that the grouping system had been very efficient and they are very satisfied with the work of the Nordic group. They also expressed concern that the deadline on construction data may be missed due to a hard winter leaving the ground frozen. Eurostat suggested however that as tender prices were already in, it was unnecessary to wait for construction to start before data could be gathered.

38. **Finland** suggested that the quality and timeliness of price surveys had improved. They hope that the revision will not influence the quality of the data for the current year. New quality classifications in particular have improved the results, as the number of ‘splittings’ has decreased. It can be useful not only to show the difference between the countries but also to analyse the reasons for this difference. It was suggested that the outlet classification be revised and the attribution of asterisks be developed. The OECD way of assigning countries to groups was very welcome but needs more analysis.

39. **Greece** remarked that PPPs presented an enormous task and that further directions were needed to improve things from the base. They found that the grouping system presented some political issues – reorganisation was required to provide a global aspect and a harmonisation of methodologies was also needed.

40. **CIS-STAT** noted that the results were plausible and were broadly approved by the council of the heads of the statistical services of member states. However, comparability and accuracy could be improved. Special units dealing with ECP have been created in each CIS country and group meetings had resulted in increased understanding.

41. **Australia** noted consistent differences between projected estimates in previous round and the 1999 benchmark.

42. **The Netherlands** stated that their non-participation was due to dissatisfaction with the quality of the price survey. They are now more willing however to participate after Eurostat had taken steps to improve the quality of ECP. 2004 regulations will guarantee improvement of PPPs over the long term and the Netherlands will therefore be prepared to contribute.

43. **Lithuania** noted that there had been many improvements in the ECP after the Eurostat reform especially in the area of services. However, they had experienced problems with investment goods, salaries and rents. More time is needed to collect data on investment goods, prepare questionnaires and find potential respondents. Unfortunately the timetable is very tight. The three Baltic States had understood the requirements of the price survey for construction

differently. The methodology for salaries and rents was also unclear. It was therefore suggested that further discussions perhaps in the form of a special meeting, were needed to draw up clear instructions.

44. **Eurostat** responded that only if there was a problem in every country would there be a need for a special meeting. Usually, particular problems arise when regulations are implemented in practice and the best solution is to contact the expert dealing with the issue on a one to one basis. The questionnaire of professions is in process of improving. They are also working on the rent questionnaire. It was noted that proposals on how the problems can be dealt with rather that just identifying them are welcomed.

45. **Latvia** recognised that Eurostat had improved the communication but asked for more attention to be paid to the transition countries due to the high GDP growth rates witnessed there. They expressed concern about the interpolation rates for equipment and construction goods and about data sources.

46. **Norway** noted that Eurostat's establishment of a publication policy was welcomed but it was felt that there is too much focus on price level indices (PLIs) in publications. Time series based on price level series do not make much sense without a common currency and should therefore be decomposed to PPPs not PLIs. Furthermore, without conceptual agreement about 'representativity' or 'charactesticity' it is not possible to achieve a meaningful allocation of asterisks and therefore an informal forum on representativity (within the Eurostat meetings) was suggested. In response it was pointed out that Eurostat is working on a new technical manual.

47. **Italy** stated that the 2000 results were sufficiently satisfying, especially compared with the 1999 calculations. Two groups of problems were identified. As a participating country, Italy faced problems with construction and rents in that both are possibly under-estimated. It is however hoped that this will change in the future. There were also problems with some services items that have been solved with the validation of prices. The delay of the census also affected the PPPs revision for rents. Concerning timeliness they consider that it has improved compared to previous years. As a group leader it has not been easy to estimate PPPs for a group not having sufficient homogeneity – Eastern Europe and the Mediterranean countries having different types of markets. Another problem has been the temporal-spatial consistency due to the changing of product lists between one survey and the next.

48. **Poland** stated their general acceptance of the results as plausible and realistic. Problems with rents had been encountered however as it had not been possible to provide data according to the Eurostat questionnaire. A working group on rents had been established and they were hoping to improve this area.

49. **Romania** considers that special attention should be paid to seasonal items such as clothing and footwear and food. It was also noted that the list of items should ensure balance between international items and local ones.

50. **The Russian Federation** addressed the problems both as a participating country in the OECD comparison and as a leader country for the CIS comparison. It pointed to problems with price observations for own consumption throughout the CIS. They also suggested that a more

appropriate item list for OECD comparisons was required (including more international brands for durable goods). Furthermore they had experienced problems with the attribution of asterisks.

51. **Serbia & Montenegro** stated that it is very important for their statistical system to participate in the 2005 round. GDP calculations are mainly carried out using the production approach but some estimates are now being made from the expenditure side. The opportunity was taken to remind delegates of the reorganisation of the statistical system and that 4 institutions will be included in the project: the Federal Statistical Office, the two national statistical offices, and the Statistical Office for Belgrade, while the ECP is being carried out in the two official currencies for each country respectively (the Dinar in Serbia and the Euro in Montenegro). Price lists are to be finalised at the next group meeting.

52. **The Slovak Republic** noted that there are higher growths rates in the candidate countries and that may lead to convergence.

53. **Slovenia** noted that Eurostat had achieved an improvement in quality and allowed for Slovenia to publish its results. Also, users do not necessarily understand that the groupings are more important than the rankings, due to the way the Structural Fund is determined.

54. **Sweden** pointed out that VAT in construction had caused some problems because it is deductible for buildings in Sweden, meaning the results were very sensitive. Furthermore, as users are demanding more and more information on prices the documentation proposals were welcomed as they allow users to understand the differences between countries. It was also noted that the generic definitions in the product list caused some problems, especially with furniture and glassware – examples of ‘low-level’ quality had been difficult to find.

55. **The former Yugoslav Republic of Macedonia** accepted the results and thanked the OECD and Slovenia for their cooperation.

56. **Turkey** stated that the results were in line with previous comparisons. It was also noted that user demand for PPPs is increasing, especially at the GDP level. There is also demand for a detailed breakdown of GDP but there are problems with the basic level data. Problems with equipment goods in terms of representativity were also noted.

57. The **United Kingdom** recognised that the importance of PPPs was increasing with users and they were now a high priority in the UK. ECP reform has led to increased quality of results and organisation. It was pointed out that rents, construction and investment goods also present problems in national accounting and there should be at least an aim of consistency. There has been more cooperation between the national accounts and prices departments in the UK, which has proved useful.

58. **Eurostat** outlined 3 steps in the ECP reform. Step 1 involved grouping and organising. Step 2 saw the bringing closer together of price statisticians and national accountants. Step 3 will be to work on problem areas and sustainability, ensuring that PPPs are seen as a priority in NSIs (especially the EU candidate countries, due to the importance of the Structural Fund Regulation). Communication was seen as key to the revisions policy, explaining to users clearly that revisions do not represent corrections of errors but rather improvements in quality. It was also recognised

that more analysis is required on the different factors affecting price levels. Political influence, which is a danger given the administrative use of the data, must be resisted, while data quality should be improved to avoid sensitivity.

59. The **OECD** agreed that better definition needed to be given to representativity and also pointed out that greater use should be made of the substantial amount of price data collected during the project.

60. **UNECE** informed the meeting that it intends to publish the 2000 results as it was already discussed at the previous Consultation. This publication will be a continuation of the previous report presenting the 1996 round. Hopefully the CIS results will be finalised and approved by mid-April so that the OECD can link the data by the end of the month. The ECE Secretariat will try to prepare the draft publication by the end of June 2003 and post it on its website. It is important that the 2000 results for the ECE region are disseminated before Eurostat publishes its revised 2000 figures in October 2003.

61. The ECE report will cover the 31 countries participating in the 2000 Eurostat comparison programme and the 12 countries participating in the CIS 2000 comparison (11 CIS and Mongolia). The results will be presented at the breakdown of 21 analytical categories. The publication will also include the updated results for 11 countries that participated in the 1999 OECD comparison. These countries will be included in the report at the level of GDP and possibly three other aggregates.

Item 5: ICP 2004

New developments for the ICP for 2004 (WP.7)

Presentation by: The World Bank

62. The World Bank (WB) described the new governance structure and set of guiding principles for the organisation of the 2004 global round. It was noted that the previous round was not successful except for the European region. This was due to the lack of money and strict procedures, the insufficient documentation as well as the inflexible items list.

63. The attention of the participants was drawn to some new points of this ICP round. Among them are the new organisational structure including the Executive board and the Technical advisory group. A memorandum of understanding was also prepared in order to avoid that some countries refuse to send data. The ring concept will be used to link the countries from the separate regions. The countries for each region will develop their own representative product list. There will be a second group including about 20 countries from all regions called the ring. These countries will have an additional representative product list and will serve as a link between the regions. They will replace the old bridge countries. This procedure is still not adopted, but will be finalised and agreed soon. Other issues that were mentioned are the structured product definition, the concentration on the “main thing”, the guiding principles, etc.

64. In the discussion that followed the participants asked about the implications of the global round on the European countries. The WB recognised that extra work would be needed for those

countries involved in the ring comparison as they would need to provide an extra price list. The others are just participating in the normal cycle and their results have to be linked to the other countries. The OECD will do the linking.

65. Another question was whether the coverage would be for the whole of GDP or just for consumer goods. The WB stated that coverage was desired for the whole of GDP but the Advisory Group would still have to decide on the feasibility of this. There is not, however, at present enough funding to run the programme at that level. The next Executive Board meeting is on August 24th in Berlin and then the decision on coverage will be taken with the help of the technical expert group.

66. The WB explained that the reference year will be 2004, but some data will not be received until late 2004. The meeting was also informed that detailed description of the activities of regional coordinators is under preparation and will be available soon.

<u>Demonstration of new ICP software</u>

Presentation by: The World Bank

67. The WB representative pointed out that the software Toolpack required more editing functions and analytical tools. It has to be tested now with real data. All interested countries can receive the software.

68. One of the problems raised was that unlike in Europe, where all price collections are snap shots and then they are moved through the year using national CPI, in Africa many countries have no such possibility. If they do not have a CPI, prices may have to be collected every month. They will also collect data not only for the capital cities but also for the country to achieve national average prices. This implies that more flexibility is assigned to data collectors. The software therefore needs developing in this respect.

69. The participants wanted to know which currency rate would be used by the package (the market or the official rate). Average daily market rates should be used but in terms of Toolpack that question has not been addressed yet.

70. It was commented that web-based data entry was not that efficient and that the UK had had some success with hand-held data collection units designed for input directly into MS Excel. Eurostat stated however that in some countries the observer needs to be incognito and it was agreed that paper forms may be the best way for developing countries. WB agreed that handheld collection devices were inappropriate for some countries, especially where bartering is prevalent, and that the learning of the technical knowledge required would be a distraction from concentrating on ‘the main thing’. WB stated that a thorough but simple process is required, with each region carrying out the process in the same fashion.

71. The Chair summarised that the aim of the new software was good but it is important that Toolpack be tested in the field.

Item 6: **Recent Methodological Issues**

'Equi-representativity' and some modifications of the EKS method at the basic heading level (WP.8)

Presentation by: Austria

72. The modified EKS-S approach was introduced. The modification is based on a more exact separation of different sets of products (taking into account the representativity of products - asterisks) during the calculation of bilateral PPPs. This leads simultaneously to fulfilment of the requirement for more strict rules for the allocation of asterisks by countries. It was emphasised that, although it is impossible to set exact rules for attributing asterisks, countries should follow, at least, some general principles to ensure that each country does the same thing.

73. Eurostat was in favour of the proposal but suggested that both methods should be used together as a form of quality control. The EKS-S method has been developed for the basic headings level. Therefore it will have little effect on the global level. Furthermore, the choice of calculation methodology is irrelevant if the input data is of poor quality. The question was also raised as to how the new method could be regulated for. Two key principles have a more massive effect on general quality: good pre-survey work, i.e. getting the basket right, and using the group structure effectively so item lists can be debated properly.

74. The participants expressed concern that if the two methods were to be used then which would be preferred if they produced differing results. The OECD also stated that complete transparency is needed in the validation process and needs to be regulated for. Eurostat responded that the calculation of results with both methods would be for validation purposes only and the decision of which method to use for publication would be made by the coordinator (this would act as a way of detecting bad input data). As the quality of input data could not be controlled, the EKS-S method could be used to protect countries from less than perfect data from other countries. Eurostat also agreed that transparency should paramount.

75. The OECD also supported the proposal but stressed the importance of a clear terminology. Symmetry and equi-representativity should not be equated. The traditional EKS method is understood symmetric or balanced because a parity is an average price ratios that are based on both countries' asterisk products in turn (Laspeyres and Paasche indices). The EKS-S method goes one step further. To be called symmetric it is also required that both countries get equal number of asterisk products in the parity calculation. In other words, the parity is equi-representative or unbiased. The OECD also pointed out it was desirable to select one method rather than have two alternative methods. Eurostat needs to decide which method will be used. Full transparency is needed as to how and why the method has been chosen.

76. There was agreement in principle to the proposal but concern was expressed that if asterisks were not well placed, or too many or too little were used, then a biased calculation could result. Austria responded that it is impossible to correct country data automatically by a computer programme or by a co-ordinator. Some assistance and recommendations can be given but the countries are responsible for their input data. The computer programme can indicate problematic data (from the numerical side) but input data cannot automatically be corrected.

77. Some confusion was expressed concerning the use of the terms 'biased' and 'un-biased' in the presentation. It was explained that the terms were not being used in the strict stochastic mathematical sense because the samples used in the PPP Surveys are purpositive but not random. Nevertheless it was accepted that the usage of standard terms should be done in a consistent way.

78. The Consultation supported the usage of EKS-S method. If a combination of methods is used however then clear guidelines on transparency would be required in the regulations.

79. Eurostat confirmed that the regulations would state that an EKS 'type' of method would be used. This type of methodology would be explained in an Annex and it would allow for the use of EKS, EKS-S or a simple geometric mean, as deemed appropriate by the Working Party. Delegates gave their approval for this approach to the regulations.

<u>Nowcasting of PPPs (WP.9)</u>

Presentation by: Eurostat

80. Eurostat presented the newly developed model for producing early estimates of PPPs called "nowcasting". Those estimates should become available five months after the reference period. Four alternative calculation methods for extrapolating PPPs were tested using real time data. They differ in the level of aggregation: (1) extrapolating at total GDP level; (2) extrapolating at main aggregates level; (3) extrapolating at main aggregates level whereas only for PHCE it is done by 15 categories and (4) extrapolating at main aggregates level whereas only PHCE is extrapolated at basic heading level. The most reliable and cost-efficient method for nowcasting was found to be Method 3 and it was requested that this be used for the May 2003 exercise. Moving from 15 categories to basic headings did not lead to a significant rise in the accuracy of estimates.

81. In the discussion that followed several issues were raised. It was commented that method 1 displayed many problems, especially if there are changes in the terms of trade. Concern was expressed about the correlation between the methods employed by Eurostat and the OECD. The OECD makes estimates of PPPs generally based on total GDP. The publication of differing results can be politically sensitive especially *vis à vis* the Structural Fund. Therefore rankings should definitely not be published.

82. Eurostat confirmed that the proposed Eurostat method would be used. It was stated however that publishing only groupings is not enough for users and if PPPs are presented users would rank the countries themselves anyway. The solution proposed was that publication should take place with provisos warning that the nature of the data defies ranking. It should be clearly stated that the results are just nowcasts and that structural funds are distributed only on the basis of final data. The pre-May 2003 release would therefore be sent out with an explanatory note agreed by all countries. The importance of educating users on the national level was stressed.

83. A point about the quality of GFCF results was made. There is not too much to be read into the t+4 figures for GFCF, as this is also a weak area for national accounts. There is a possibility

of using a construction price index, but there is no equivalent index for the rest of GFCF, especially for equipment goods.

84. The OECD stated that they will continue to use their method of extrapolating the PPPs. In principle, when Eurostat's nowcast results become available they should be inserted in the OECD extrapolations to avoid duplication. However, the practicalities of doing this have still to be discussed by the OECD and Eurostat. These are not as straightforward as it would seem.

Interpolating annual estimates of PPP between tri-annual benchmarks (WP.13)

Presentation by: UNECE

85. Current projection practices of Eurostat, the OECD and ECE were explored, and it was suggested that the total PPP for Eurostat and the OECD was noisier than the aggregate form of the projector (the ratio of implicit GDP deflators) due to the application of the projection methodology in disconnected segments surrounding each benchmark.

86. This problem has not yet been encountered for projections for ECE countries as the 1996 round utilised only the benchmark values for that year. However, with the 2000 round ECE projections will need to take into account benchmarks for both 1996 and 2000, and the same problem as already faced by Eurostat and the OECD will be encountered.

87. An algorithm for implementing the projections in an integrated way, across both benchmarks, was introduced. Two examples of applying it were presented and found to be smoother and closer to the projector series than the published results based on the Eurostat projection methodology. UNECE indicated that a VBA/Excel programme was available for experimenting with the technique.

88. The OECD made a note about the choice of test countries. However, the OECD could consider the use of UNECE's proposed method for non-European OECD countries. Eurostat also stated that consumer price indices were used for projecting because the GDP deflator method was found not to provide good results.

89. UNECE suggested the relationship between PPP and projector could be utilised for improving real-time nowcasting, and if the suggested method were used then PPP and projector would be more in line.

90. It was stated that more detail would lead to a projector that is closer to the extrapolated data. In theory, spatial and temporal consistency with extrapolators is not possible. It would be desirable if PPP series could be split into two components, impact of changes in price and volume structures and noise between different benchmark comparisons.

91. Eurostat reminded the meeting that in the framework of revisions it is also important to explain clearly what the differences are due to and one has to look at a more detailed level to be able do so. Nevertheless, it can be interesting to use this software when analysing the more detailed breakdown.

92. In conclusion the UNECE noted that this method does not question the benchmarks but just interpolates between them and agreed that it should also be tested at a more detailed level, where there is greater volatility in projectors.

Improving the volume comparison of GDP: ensuring the consistent treatment of tips, income in kind, discounts and VAT in PPP and national accounts (WP.10)

Presentation by: Eurostat

93. Eurostat explained that discrepancies between volume aggregates deflated by PPP and constant price aggregates of national accounts occur due to the differing baskets used for PPPs and CPIs. To ensure proper volume comparisons of GDP, consistency between prices, underlying PPPs and deflated national accounts aggregates must be ensured. Where tips and income in kind are included in the national accounts this leads to an overestimation of GDP relative to countries that do not include them.

94. The paper focused on treatment of tips, income in kind, discounts, VAT on capital goods and the proposed adjustments to PPPs to bring them in consistency with corresponding national accounts values.

95. Delegates referred to the purposes of the comparison programme. Was it to gain volume comparisons of GDP or true price comparisons? The main aim is to have volume comparisons of GDP across countries, but to achieve that price levels should be correctly measured. Actually paid prices should be sought. The discounted rates of prices of cars create specific problems. If national accountants are using list prices for cars - this does not capture the actual discounted rates often paid, meaning that output is over-estimated. There is therefore a need to mark out this danger in publications. Another difficult area is canteen prices.

96. It was noted however that tips and canteen services have a relative minor impact compared with other basic headings – salaries, rent and capital goods for instance. VAT, as it varies significantly from country to country, and cars, as they are a large consumption item, both have a more substantial impact. SNA rules should be followed and efforts should be made to obtain correct NA estimates than correcting the PPPs.

97. CIS-STAT informed that the issues under discussion were highly relevant to the CIS due to the importance of consumption from ‘own production’ and social and cultural services provided by employers. As far as prices are concerned they try to receive information from NA what prices have been used to value own consumption. Tips should be included in PPPs but accurate estimates cannot be given. The Working Paper was therefore welcomed as a step forward. The examples can be further reviewed and improved.

98. In response to the points made Eurostat recognised that some items, e.g. tips and income in kind, are relatively less important than the issue of VAT for capital goods. The paper, however, had only aimed to give examples of the kind of areas that may be causing problems (there may well be others) while further exploring conceptual issues.

99. Working towards consistency was seen as just one step forward, the final aim was to ensure that all national accounts were conforming to SNA and ESA, and that prices are adjusted accordingly.

100. It was stated that questionnaires would be sent for national accountants to be explicit about their practices, which might even encourage developments, and nothing will be carried out without test calculations or before recommendations have been put before the Working Party.

101. In conclusion it was summarised that there was a need for Eurostat and the OECD to discuss these issues further, possibly at a joint NA/PPP session. The primary aim is to achieve GDP volume comparisons. The relative importance of items should be remembered, with rents and salaries being of high importance.

Measurement of PPPs for housing services (WP.11)

Presentation by: The OECD

102. The OECD asserted the need to make sure prices applied for PPPs are in line with NA, while it was also recognised that the coverage of rents differs from country to country. It is very important to get comparable estimates as rents have a big share in household final consumption and therefore a big influence on GDP. It was suggested that, in the short term at least, the best option is to take the present method as a starting point and develop it further although the rent questionnaire does not adequately reflect all characteristics of the dwelling stock. The OECD proposed also that housing services are measured in the same framework for all countries including those where a rent market does not exist. For the moment, a different method is applied for them.

103. The participants asked if there were any similar discussions within NA, pointing out that if practices were revised in NA then there might be a problem with consistency. It was recognised that efforts have to be put into improving prices but this has to be done in conjunction with national accounts side to achieve proper estimates. The OECD stated that such debates were a constant feature of NA and that it is best to achieve the best compatibility possible with PPPs. Even for member-countries there are problems with market rents e.g. rents in rural areas. Housing services could be overestimated in the NA if estimated rents for dwellings in rural areas are based (due to lack of data) on rent prices that are prevailing in urban areas.

104. Eurostat pointed out that owner-occupation rates in candidate countries were very high (around 95%), so they presented a particular challenge. The main work going on is to make NA estimation consistent between EU-15 and Candidate Countries (CC). In national accounts, the stratification method used for member-states cannot be applied as no representative market rents can be collected for the CC. Currently the user cost method is being tested and it was noted that the estimates were significantly improving.

105. Participants asserted that the proposed method results in a very clear picture for some countries but the imposition of a western price structure for eastern countries might not be so successful. Experiments are required and the results should be analysed. The OECD recognised that also in the present method price structures are “imported” from western countries and thus it

is not different from the proposed method in this respect. The use of the same framework for all countries would ensure better comparability and transparency.

106. Several countries stated they were in favour of the proposed approach as it represents improvements in quality in this very difficult area.

107. The Consultation reached agreement that it was too early to draw conclusions, but that there was support in principle for a common framework. The method provides a solution to get comparable data from countries with market rents and countries without such a market. It was recognized test calculations are necessary and efforts to improve the input data should be made.

Revision of the PPP 1995 to 2000 by Eurostat (WP.12)

Presentation by: Eurostat

108. Eurostat explained the reasons for the revision and its scope. It was stated that the first revised results for 1995 to 2000, probably only on the GDP level, would be made available by end-October 2003, while a more detailed publication should be ready for February 2004.
109. In the discussion that followed it was noted that the revision is a positive step as there is a need to achieve coherence and consistency with ESA95, but it was felt that publication should be kept separate from the regular publications. Flexibility is required due to the fact that a large part of the programme needs methodological review and that this exercise should not bind countries with future design of surveys.

110. It was suggested that there was a limit to the number of revisions that should be published, especially given that the data was politically sensitive. A cut-off point would be needed to ensure the project retained its credibility. The current revision could be justified however on the basis that there have been huge inconsistencies and breaks in time series.

111. Eurostat confirmed that a further revision would take place if there were another major change within NA system. It was recognised that difficulties and inconsistencies arose also from the fact that finality for Structural Funds is on a 2 years basis but NA aggregates are revised up to every 4 years in some countries. Discussions with Brussels are therefore necessary. It was also recognised that the timetable needs to be in line with NA revisions timetables.

112. Eurostat agreed that revisions publications should remain separate to the main releases. That is why they intend to publish them in October when there are no other data to be announced.

113. The WB asserted that some stability should be maintained for users.

Item 7: Future Work

114. The ECE Secretariat presented the proposal for future work developed by the Steering Group on ECP.

115. The meeting agreed that the ECE Secretariat would publish the overall 2000 ECP results covering the countries in the ECE region in co-ordination with the other international organisations. The publication should take place before Eurostat releases its revised data.

116. It was also agreed that future Consultations are necessary as they provide a forum for discussion of the overall results for the ECE region. It is preferable that such consultations are conducted every 3 years when new results become available. It is proposed that a future Consultation be organised in 2006 to discuss the results of the 2004 round and their publication, provided that the results for the CIS countries are available and that financial provision is made so that they will be able to attend the Consultation.
