

Consumer price index

Supplement 2 □ 1989 Monthly

THE PURCHASING POWER PARITIES AND PRICE LEVEL INDICES IN MAY 1989

In this bulletin Eurostat continues the publication of purchasing power parities for household consumption with an update for May 1989 (Table A, page 4).

The calculation method is explained in the methodological note on page 6.

By comparing the purchasing power parities with the exchange rates the price level indices are obtained (see Table B, page 5).

Taking Belgium as reference, the price level indices for May 1989 and May 1988 are follows:

	MAY 89	MAY 88		MAY 89	MAY 88
Denmark	136.5	136.1	Luxemburg	90.5	90.1
Germany	112.9	112.6	Spain	80.0	72.6
France	105.2	104.1	Greece	71.5	68.9
Belgium	100.0	100.0	Portugal	59.0	54.3
Ireland	96.8	95.8	Austria	113.1	113.1
Italy	96.2	90.7	USA	94.7	80.1
Netherlands	96.1	98.4	Canada	100.4	82.3
United Kingdom	95.9	90.9	Japan	135.2	130.0

This comparison shows that large price level differences still exist between the EC countries. For example a basket of goods and services for private consumption which requires an expenditure of 1000 BFR in Belgium, costs 1365 BFR in Denmark but only 590 BFR in Portugal.

The figures also show that price level relationships did not change significantly compared with a year ago for most of the countries, except Italy, Spain, Portugal and the United Kingdom; this is due to the acceleration of inflation in these countries.

For the USA and Canada a substantial rise of the price level index can be observed which is caused by the appreciation of the currencies of these countries vis-a-vis most of the currencies of the EC countries.



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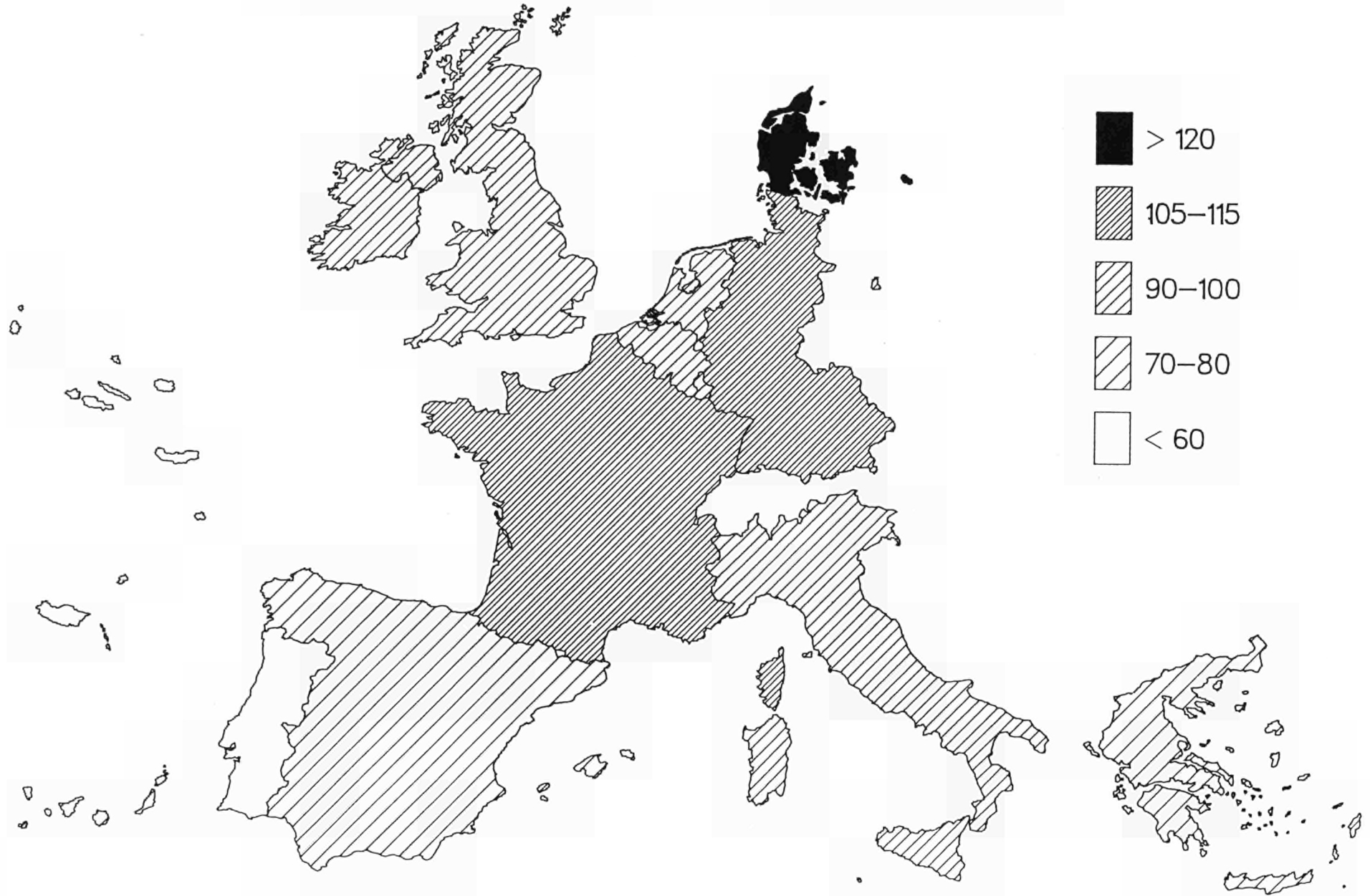
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PRICE LEVEL INDEX — BELGIUM = 100



A

PURCHASING POWER PARITIES FOR PRIVATE CONSUMPTION

MAY 1989

	BFR	DKR	DM	DR	PTA	FF	IRL	LIT	LFR	HFL	ESC	UKL	SCH	USD	CAD	YEN
100 BFR	100.00	25.39	5.39	290.56	238.99	17.00	1.73	3340.72	90.48	5.17	232.82	1.45	38.01	2.32	2.93	457.74
DKR	3.94	1.00	0.21	11.44	9.41	0.67	0.07	131.56	3.56	0.20	9.17	0.06	1.50	0.09	0.12	18.03
DM	18.54	4.71	1.00	53.87	44.31	3.15	0.32	619.32	16.77	0.96	43.16	0.27	7.05	0.43	0.54	84.86
100 DR	34.42	8.74	1.86	1.00	82.25	5.85	0.60	1149.73	31.14	1.78	80.13	0.50	13.08	0.80	1.01	157.53
100 PTA	41.84	10.62	2.26	121.58	100.00	7.11	0.72	1397.82	37.86	2.16	97.42	0.60	15.90	0.97	1.23	191.53
FF	5.88	1.49	0.32	17.09	14.06	1.00	0.10	196.50	5.32	0.30	13.69	0.09	2.24	0.14	0.17	26.92
IRL	57.83	14.68	3.12	168.03	138.21	9.83	1.00	1931.87	52.32	2.99	134.64	0.84	21.98	1.34	1.70	264.70
1000 LIT	29.93	7.60	1.61	86.98	71.54	5.09	0.52	1000.00	27.08	1.55	69.69	0.43	11.38	0.69	0.88	137.02
LFR	110.52	28.06	5.96	321.13	264.13	18.79	1.91	3692.08	100.00	5.72	257.31	1.60	42.01	2.56	3.24	505.88
HFL	19.33	4.91	1.04	56.16	46.19	3.29	0.33	645.65	17.49	1.00	45.00	0.28	7.35	0.45	0.57	88.47
100 ESC	42.95	10.91	2.32	124.80	102.65	7.30	0.74	1434.89	38.86	2.22	100.00	0.62	16.33	1.00	1.26	196.61
UKL	69.19	17.57	3.73	201.04	165.36	11.76	1.20	2311.38	62.60	3.58	161.08	1.00	26.30	1.60	2.03	316.70
SCH	2.63	0.67	0.14	7.64	6.29	0.45	0.05	87.89	2.38	0.14	6.13	0.04	1.00	0.06	0.08	12.04
USA	43.15	10.96	2.33	125.37	103.12	7.34	0.75	1441.37	39.04	2.23	106.45	0.62	16.40	1.00	1.27	197.49
CAN	34.11	8.66	1.84	99.10	81.51	5.80	0.59	1139.43	30.86	1.76	79.41	0.49	12.96	0.79	1.00	156.12
1000 YEN	218.46	55.47	11.78	634.78	522.12	37.14	3.78	7298.27	197.67	11.30	508.63	3.16	83.03	5.06	6.41	1000.00

N.B.: Table A should be read horizontally. The following example should make the meaning clearer:

For the same basket of goods and services in private consumption, it would be necessary to spend 100 BFR in Belgium, 5.39 DM in Germany, 17.00 FF in France and 232.82 ESC in Portugal. By comparison, the exchange rates in the same period were 100 BFR = 4.78 DM, 100 BFR = 16.16 FF, 100 BFR = 395 ESC.

B

PRICE LEVEL FOR PRIVATE CONSUMPTION

MAY 1989

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	AUT	USA	CAN	JAP
B	100.0	136.5	112.9	71.5	80.0	105.2	96.8	96.2	90.5	96.1	59.0	95.9	113.1	94.7	100.4	135.2
DK	73.2	100.0	82.7	52.4	58.6	77.1	70.9	70.4	66.3	70.4	43.2	70.3	82.8	69.3	73.5	99.0
D	88.6	120.9	100.0	63.3	70.9	93.2	85.7	85.2	80.1	85.1	52.2	85.0	100.1	83.8	88.9	119.8
GR	139.8	190.9	157.9	100.0	111.9	147.1	135.3	134.5	126.5	134.4	82.5	134.1	158.1	132.4	140.4	189.1
E	124.9	170.6	141.1	89.3	100.0	131.4	120.9	120.2	113.0	120.0	73.7	119.8	141.3	118.3	125.4	168.9
F	95.0	129.8	107.3	68.0	76.1	100.0	92.0	91.4	86.0	91.3	56.1	91.2	107.5	90.0	95.4	128.5
IRL	103.3	141.1	116.7	73.9	82.7	108.7	100.0	99.4	93.5	99.3	60.9	99.1	116.9	97.8	103.7	139.7
I	104.0	142.0	117.4	74.4	83.2	109.4	100.6	100.0	94.1	99.9	61.3	99.7	117.6	98.4	104.4	140.6
L	110.5	150.9	124.8	79.0	88.5	116.3	107.0	106.3	100.0	106.2	65.2	106.0	125.0	104.6	110.9	149.5
NL	104.1	142.1	117.5	74.4	83.3	109.5	100.7	100.1	94.2	100.0	61.4	99.8	117.7	98.5	104.5	140.7
P	169.6	231.5	191.5	121.3	135.7	178.4	164.1	163.1	153.4	162.9	100.0	162.7	191.7	160.5	170.2	229.3
UK	104.2	142.3	117.7	74.5	83.4	109.7	100.9	100.3	94.3	100.2	61.5	100.0	117.9	98.7	104.6	141.0
AUT	88.4	120.7	99.9	63.2	70.8	93.0	85.6	85.1	80.0	85.0	52.2	84.8	100.0	83.7	88.8	119.6
USA	105.6	144.2	119.3	75.6	84.6	111.1	102.2	101.6	95.6	101.5	62.3	101.3	119.5	100.0	106.0	142.9
CAN	99.6	136.0	112.5	71.3	79.7	104.8	96.4	95.8	90.1	95.7	58.8	95.6	112.7	94.3	100.0	134.7
JAP	73.9	101.0	83.5	52.9	59.2	77.8	71.6	71.1	66.9	71.1	43.6	70.9	83.6	70.0	74.2	100.0

N.B.: Table B should be read horizontally. The following example should make the meaning clearer.

For the same basket of goods and services for private consumption which would require expenditure of 1000 BFR in Belgium, it would be necessary to spend the exchange-rate equivalent of 1129 BFR in Germany, of 1052 BFR in France and of 590 BFR in Portugal, etc..

METHODOLOGICAL NOTE

The purchasing power parities for final household consumption for the base year 1985 are calculated on the basis of extensive price surveys as described in "Comparison in real values of the aggregates of ESA". The specific parities for household consumption are updated by means of the national consumer price index for each of the countries which are regularly published in this bulletin. For each pair of countries the extrapolated parity is obtained by multiplying the 1985 parity by the relative price index.

In the first table (A) the parities are presented in a square matrix in which each country can be compared with all the others. In effect each column gives the parities of every country with respect to a reference country.

The parities obtained in this way have been related to the official exchange rates; the ratio of purchasing power parities to exchange rates is called the price level index. These figures, also presented in a square matrix, are given in the second table (B). Each line of this table shows the difference between the parity and the exchange rate of the base country compared to the other countries. For instance on the first line where Belgium is the base country (= 100), the index for Denmark is 136.5, for France 105.2 and for Portugal 59.0.

In other words: for the same basket of goods and services for private consumption as would require an expenditure of 1000 BFR in Belgium, it would be necessary to spend the exchange rate equivalent of 1365 BFR in Denmark, 1052 BFR in France and 590 BFR in Portugal.

Purchasing power parities are mainly used for short term analysis of household consumption.

EUROSTAT also carries out an annual estimate of purchasing power parities of gross domestic product (see National Accounts - Aggregates), they are generally used for volume comparisons by eliminating the difference of general price level between countries.

The purchasing power parities for the United States, Japan, Canada and Austria are based on studies made by the OECD for the year 1985.

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Catalogue number: CA-CB-89-S02-EN-C