

Consumer price index

Supplement 3 □ 1989 Monthly

THE PURCHASING POWER PARITIES AND PRICE LEVEL INDICES IN SEPTEMBER 1989

An update of the price level index for September 1989 shows that price level differences between the EC countries are still very important.

By taking Belgium as reference, the price level indices for September 1989 and September 1988 are as follows:

	SEPT.89	SEPT.88		SEPT.89	SEPT.88
Denmark	135.9	136.2	Luxemburg	90.2	90.1
Germany	111.6	112.3	Spain	81.6	74.5
France	104.9	104.4	Greece	73.0	70.8
Belgium	100.0	100.0	Portugal	61.3	57.4
Italy	96.9	91.3	Austria	112.7	114.2
Ireland	96.6	96.5	U.S.A.	94.3	89.7
Netherlands	95.6	97.9	Canada	101.4	92.0
United Kingdom	92.8	91.7	Japan	127.9	133.3

The above figures show also that price level relationships did not change significantly compared with a year ago for most of the EC-countries, except Italy, Spain, Greece and Portugal, due to the acceleration of the inflation in these countries.

For the USA and especially for Canada a substantial rise of the price level index can be observed, which is mainly caused by the appreciation of the currencies of these countries vis-a-vis most of the currencies of the EC countries (see Table B, page 5).

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



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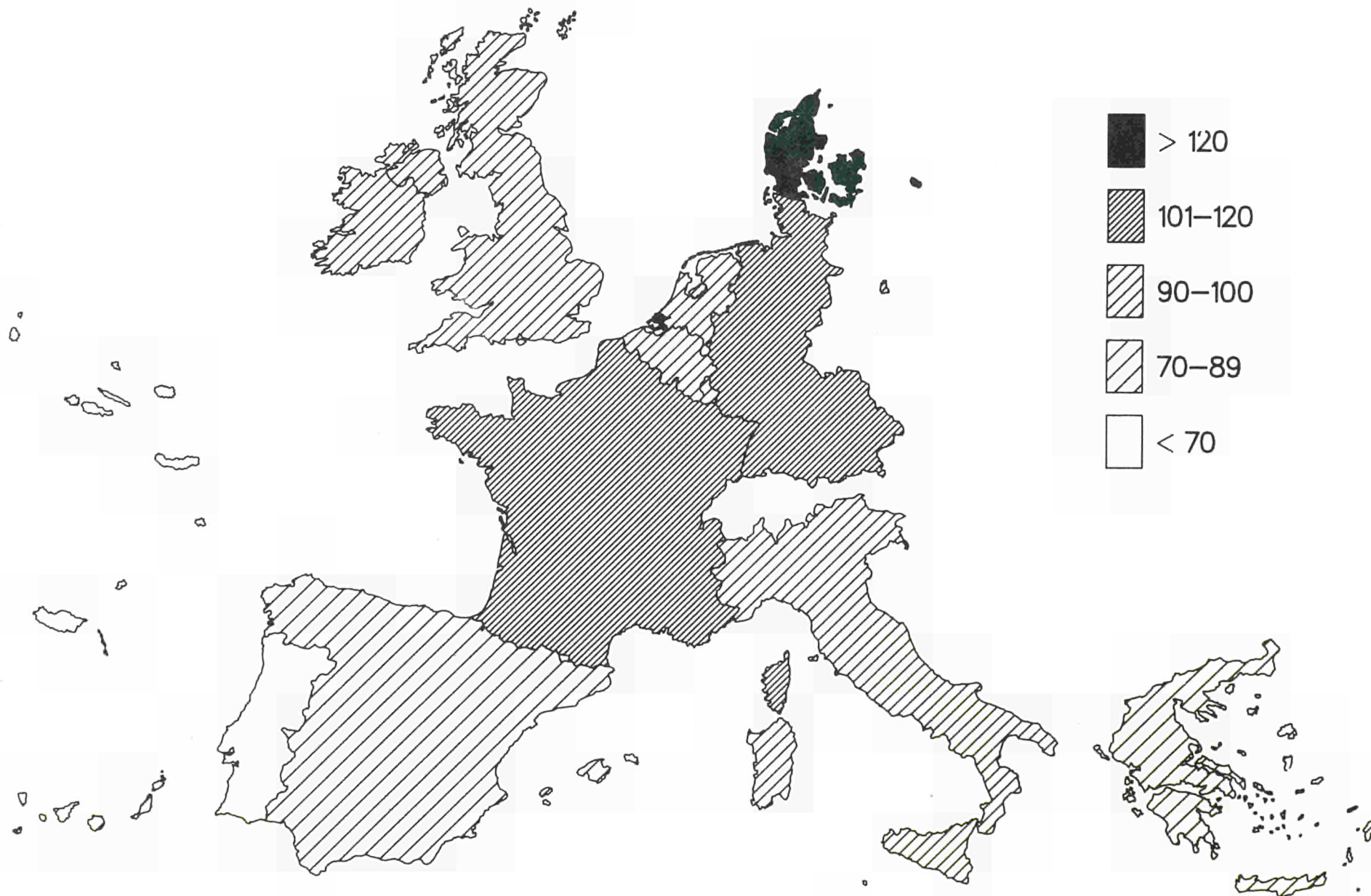
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PRICE LEVEL INDEX — BELGIUM = 100



PURCHASING POWER PARITIES FOR PRIVATE CONSUMPTION

SEPTEMBER 1989

	BFR	DKR	DM	DR	PTA	FF	IRL	LIT	LFR	HFL	ESC	UKL	SCH	USD	CAD	YEN
100 BFR	100.00	25.23	5.33	302.18	244.07	16.92	1.73	3331.06	90.18	5.15	245.42	1.45	37.89	2.30	2.93	454.26
DKR	3.96	1.00	0.21	11.98	9.67	0.67	0.07	132.03	3.57	0.20	9.73	0.06	1.50	0.09	0.12	18.00
DM	18.76	4.73	1.00	56.68	45.78	3.17	0.32	624.86	16.92	0.97	46.04	0.27	7.10	0.43	0.55	85.21
100 DR	33.10	8.35	1.76	1.00	80.77	5.59	0.57	1102.34	29.84	1.70	81.22	0.48	12.54	0.76	0.97	150.32
100 PTA	40.97	10.34	2.18	123.80	100.00	6.93	0.71	1364.80	36.95	2.11	100.55	0.59	15.52	0.94	1.20	186.12
FF	5.91	1.49	0.31	17.86	14.43	1.00	0.10	196.90	5.33	0.30	14.51	0.09	2.24	0.14	0.17	26.85
IRL	57.80	14.58	3.08	174.67	141.08	9.77	1.00	1925.49	52.13	2.98	141.86	0.84	21.90	1.33	1.70	262.58
1000 LIT	30.02	7.57	1.60	90.71	73.27	5.08	0.52	1000.00	27.07	1.55	73.68	0.43	11.37	0.69	0.88	136.37
LFR	110.88	27.97	5.91	335.08	270.64	18.75	1.92	3693.71	100.00	5.71	272.14	1.60	42.01	2.56	3.25	503.71
HFL	19.41	4.89	1.04	58.67	47.39	3.28	0.34	646.72	17.51	1.00	47.65	0.28	7.35	0.45	0.57	88.19
100 ESC	40.75	10.28	2.17	123.13	99.45	6.89	0.70	1357.30	36.75	2.10	100.00	0.59	15.44	0.94	1.20	185.09
UKL	69.16	17.44	3.68	208.98	168.79	11.69	1.20	2303.68	62.37	3.56	169.73	1.00	26.20	1.60	2.03	314.15
SCH	2.64	0.67	0.14	7.97	6.44	0.45	0.05	87.90	2.38	0.14	6.48	0.04	1.00	0.06	0.08	11.98
USA	43.30	10.93	2.30	130.86	105.69	7.33	0.75	1442.56	39.05	2.23	106.28	0.63	16.41	1.00	1.27	196.72
CAN	34.10	8.60	1.81	103.02	83.20	5.77	0.59	1135.58	30.74	1.76	83.66	0.49	12.92	0.79	1.00	154.86
1000 YEN	220.14	55.54	11.74	665.22	537.29	37.24	3.81	7332.97	198.53	11.34	540.26	3.18	83.42	5.08	6.45	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, 5.33 DM in Germany, 16.92 FF in France and 245.42 ESC in Portugal. By comparison, the exchange rates in the same period were 100 BFR = 4.78 DM, 100 BFR = 16.13 FF, 100 BFR = 400 ESC.

B

PRICE LEVEL FOR PRIVATE CONSUMPTION

SEPTEMBER 1989

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	AUT	USA	CAN	JAP
B	100.0	135.9	111.6	73.0	81.6	104.9	96.6	96.9	90.2	95.6	61.3	92.8	112.7	94.3	101.4	127.9
DK	73.6	100.0	82.1	53.7	60.1	77.2	71.1	71.3	66.4	70.4	45.1	68.3	82.9	69.4	74.6	94.1
D	89.6	121.8	100.0	65.4	73.1	94.0	86.6	86.8	80.8	85.7	54.9	83.1	101.0	84.5	90.8	114.6
GR	136.9	186.1	152.8	100.0	111.7	143.6	132.3	132.7	123.5	130.9	83.9	127.1	154.3	129.1	138.8	175.1
E	122.5	166.5	136.8	89.5	100.0	128.5	118.4	118.7	110.5	117.2	75.1	113.7	138.1	115.6	124.2	156.7
F	95.3	129.6	106.4	69.6	77.8	100.0	92.1	92.4	86.0	91.2	58.4	88.5	107.5	89.9	96.6	122.0
IRL	103.5	140.7	115.5	75.6	84.5	108.6	100.0	100.3	93.4	99.0	63.4	96.1	116.7	97.6	104.9	132.4
I	103.2	140.3	115.2	75.4	84.2	108.2	99.7	100.0	93.1	98.7	63.2	95.8	116.3	97.3	104.6	132.0
L	110.9	150.7	123.8	81.0	90.5	116.3	107.1	107.5	100.0	106.1	68.0	102.9	125.0	104.6	112.4	141.8
NL	104.6	142.1	116.7	76.4	85.3	109.7	101.0	101.3	94.3	100.0	64.1	97.0	117.8	98.6	106.0	133.8
P	163.2	221.8	182.1	119.2	133.2	171.2	157.6	158.1	147.2	156.1	100.0	151.4	183.9	153.9	165.4	208.7
UK	107.8	146.5	120.3	78.7	88.0	113.0	104.1	104.4	97.2	103.1	66.0	100.0	121.5	101.6	109.2	137.8
AUT	88.7	120.6	99.0	64.8	72.4	93.1	85.7	86.0	80.0	84.9	54.4	82.3	100.0	83.7	89.9	113.5
USA	106.0	144.1	118.3	77.4	86.5	111.2	102.4	102.7	95.6	101.4	65.0	98.4	119.5	100.0	107.5	135.6
CAN	98.7	134.1	110.1	72.1	80.5	103.5	95.3	95.6	89.0	94.4	60.5	91.5	111.2	93.1	100.0	126.2
JAP	78.2	106.2	87.3	57.1	63.8	82.0	75.5	75.8	70.5	74.8	47.9	72.5	88.1	73.7	79.2	100.0

M.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 1116 BFR in Germany, of 1049 BFR in France and of 613 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 135.9, for France 104.9 and for Portugal 61.3.

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 1359 BFR in Denmark, 1049 BFR in France and 613 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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