Price policy: common rules for the provision of basic information on Purchasing Power Parities PPPs, for their calculation and dissemination

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The Commission presents its report on the implementation of Regulation (EC) No 1445/2007 establishing common rules for the provision of basic information on Purchasing Power Parities (PPPs) and for their calculation and dissemination. The report summarises the state of implementation of the Regulation and various developments since its adoption. It proposes a revision of the regulatory framework for PPPs to reflect those developments, as well as to align it with the Lisbon Treaty.

Transmission of basic data: all EU Member States and EFTA countries comply fully with the requirements regarding data transmission stipulated in the Regulation. This includes their completeness, frequency, timeliness and adherence to the minimum quality standards defined in Annex I of the Regulation.

All acceding and candidate countries (except Montenegro) are also already fully compliant. Montenegro and the two Western Balkan countries that are potential candidate countries are medium to highly compliant with the requirements. The main weaknesses identified for these countries lie in the provision of detailed national accounts data.

Calculation and dissemination of PPPs: Eurostat calculates and disseminates PPPs on an annual basis, going beyond the minimum requirements of the Regulation. No further revisions are made to these final PPPs, in accordance with the Regulation. Eurostat publishes PPPs, price level indices, per capita volume indices and a number of other indicators for 60 categories.

Methodological manual: the Regulation requires Eurostat to produce and maintain a methodological manual. The first version of the 'Eurostat-OECD Methodological Manual on Purchasing Power Parities' was published at the end of 2006. In 2012, it was completely revised and fully updated to reflect the most recent methodology. It is available on Eurostat's website.

Quality control: the Regulation introduced a formal process of quality control into the PPP programme. All countries provided a structured set of documentation on their sources and methods for the collection and provision of basic data. Eurostat started formal assessments of Member States' practices in 2011 after a period in which countries drafted their Inventories. By the end of 2012, 10 countries had been visited and assessed. The assessment reports are available on Eurostat's website.

Financing: PPPs are fundamentally **international statistics** and have limited national purposes. That is why the Regulation stipulates that Member States shall receive a financial contribution from the Commission. This contribution amounts to a maximum of 70 % of the costs eligible under the Commission's grant rules. The Commission proposes to maintain this financial support, which is necessary to ensure the sustainability of the PPP programme.

Developments since the adoption of the PPP Regulation:

- A **Rolling Review** on the PPP programme was carried out in 2010 in the context of Eurostat's Quality Assurance Framework. The Review report formulated a set of recommendations that Eurostat is following up.

- The **methodology** for comparing prices and volumes of different goods and services across countries is evolving continuously. The improvement in methodology is on-going and will continue. However, whenever a new method is introduced, there is a break in the time series of PPPs, as data preceding the innovation are no longer strictly comparable to data compiled after it. The Regulation states that published final PPPs are generally not revised which effectively prevents Eurostat from providing users with a better service, which would be possible if the new method were to be applied as far back in the series as possible.

- **Classification of Individual Consumption according to Purpose (COICOP):** for the purpose of PPP calculations, household consumption expenditure is broken down into categories derived from the COICOP. The introduction of the harmonised five-digit COICOP in the PPP exercise requires an adaptation of the basic heading classification in annex II of the Regulation.

- **European System of Accounts 2010:** the Regulation ensures that the definitions used in the PPP programme are fully in line with those of the European System of Accounts 1995 (ESA 95). The ESA 95 is currently being updated and a new ESA Regulation ('ESA 2010') will be applied by the Member States from September 2014.

- **Classification of Products by Activity (CPA):** a revision of annex II of the Regulation is required to align the PPP classification with the new CPA 2008.

- The Regulation also needs to be adapted to take into account the entry into force of the **Lisbon Treaty** in 2009. In particular, the 'comitology' articles need to be reviewed to bring them into line with new procedures.