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

2006/0042(COD) - 22/03/2006 - Legislative proposal

PURPOSE : to establish common rules for the provision of basic information on Purchasing Power Parities and for their calculation and dissemination.

PROPOSED ACT : Regulation of the European Parliament and of the Council.

CONTENT : PPPs are currency conversion rates that convert economic indicators expressed in national currencies to a common currency and, at the same time, take account of price level differences and thus allow pure volume comparisons of Gross Domestic Product (GDP) and its aggregates between countries.

In order to obtain a comparison of Gross Domestic Product (GDP) in volume terms between Member States, there is an essential need for the Community to have Purchasing Power Parities (PPPs) which reflect the differences in the level of prices between Member States. Economic aggregates converted into a common currency using PPPs have a wide range of uses in the Commission. PPPs are economically and politically vital indicators for the EU.

The Commission has a statutory responsibility for calculating GDP on a purchasing power basis, however, the Member States currently have no legal obligation to co-operate. Given that the very nature of this work is multilateral, if only one country withdrew its support the validity of the whole exercise would be impaired. It is therefore important to provide a stable, binding and reliable legal framework capable of ensuring the timely availability of these data.

The purpose of a PPP Regulation would be to codify what is already being done by the Member States and Eurostat to calculate annual PPPs, and hence to give the work a statutory basis. It would not call for any new work to be done, except to introduce new elements of quality control; nor would it seek to encompass other matters, such as price comparisons in general.

The setting-up of a legal basis for PPPs should improve the transparency, timeliness and quality of the entire process of PPP production, both within the national statistical institutes (NSIs) and in Eurostat.

For further information concerning the financial implications of this measure, please refer to the financial statement.