Basic information

2006/0042(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Price policy: common rules for the provision of basic information on Purchasing Power Parities PPPs, for their calculation and dissemination **Subject** 5.10.02 Price policy, price stabilisation 8.60 European statistical legislation	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ECON Economic and Monetary Affairs	BOWLES Sharon (ALDE)	03/04/2006

Committee for opinion	Rapporteur for opinion	Appointed
REGI Regional Development	GALEOTE Gerardo (PPE-DE)	25/04/2006

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2828	2007-11-13

European Commission

Commission DG	Commissioner
Eurostat - European statistics	ALMUNIA Joaquín

Key events

Date	Event	Reference	Summary
22/03/2006	Legislative proposal published	COM(2006)0135	Summary
03/04/2006	Committee referral announced in Parliament, 1st reading		
21/03/2007	Vote in committee, 1st reading		
27/03/2007	Committee report tabled for plenary, 1st reading	A6-0077/2007	
26/04/2007	Decision by Parliament, 1st reading	T6-0161/2007	Summary
26/04/2007	Results of vote in Parliament		

13/11/2007	Act adopted by Council after Parliament's 1st reading		Summary
11/12/2007	Final act signed		
11/12/2007	End of procedure in Parliament		
20/12/2007	Final act published in Official Journal		

Technical information

Procedure reference	2006/0042(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Legal basis	EC Treaty (after Amsterdam) EC 285-p1
Stage reached in procedure	Procedure completed
Committee dossier	ECON/6/35195

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee opinion	REGI	PE380.852	19/12/2006	
Committee draft report		PE382.545	21/12/2006	
Amendments tabled in committee		PE384.413	05/02/2007	
Committee report tabled for plenary, 1st reading/single reading		A6-0077/2007	27/03/2007	
Text adopted by Parliament, 1st reading/single reading		T6-0161/2007	26/04/2007	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	03615/2007/LEX	11/12/2007	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2006)0135	22/03/2006	Summary
Follow-up document	COM(2013)0420	17/06/2013	Summary

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary

EESC	Economic and Social Committee: opinion, report	CES1149/2006	13/09/2006	

Additional information		
Source	**Document**	**Date**
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act	
Regulation 2007/1445 OJ L 336 20.12.2007, p. 0001	Summary

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

2006/0042(COD) - 17/06/2013 - Follow-up document

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.

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.

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

2006/0042(COD) - 13/11/2007

Following the priorities set-out in the ECOFIN Council on 8 November 2005 on statistical governance, on 7 November 2006 on the Status Report on Information Requirements in EMU and on the public communication of major statistical revisions, and on 28 November 2006 on the reduction of the administrative burden related to statistics, the ECOFIN Council reviewed progress made in these areas. It adopted the following conclusions:

2007 EFC Status Report on Information Requirements: the Council endorses the 2007 EFC Status Report on Information Requirements in the EMU. In particular, it welcomes the progress achieved with the Principal European Economic Indicators (PEEIs), following the recommendations of the 2006 EFC Status Report. It encourages ongoing efforts to promote best practices and data sharing and reiterates the need to strengthen the accuracy and reliability of the indicators. The Council calls upon the European Statistical System to step up efforts to also ensure the regular availability and high quality of the statistics for structural analysis. Eurostat and the ECB are invited to provide an updated Status Report on the fulfilment of EMU statistical requirements in 2008 and to review the scope, timeliness and quality of the PEEIs in the light of the results achieved, the constraints encountered and the evolving users' needs for economic and monetary policy purposes.

Reduction of statistical burden: noting that available measurements have not indicated a significant reduction in the overall statistical burden since 2006, the Council underlines that the right balance has to be found between minimising the response burden and providing sufficiently high quality statistics for Community policies. The Council in particular: i) emphasises the desirability of respondents to report only once by combining reporting for different purposes and make the best use of the data that is already available by integrating existing statistics, including administrative data, to the extent possible; ii) welcomes the examination by the Commission (Eurostat), the Statistical Programme Committee (SPC) and the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB) regarding the simplification of Intrastat; iii) agrees with the objective to reduce the coverage ratio in the short term while preparing a move to an alternative method in the long term, such as the single flow method, which requires further study; iv) invites the Commission to step up its efforts to enhance the measurement of the statistical response burden with a view to develop agreed criteria to assess progress objectively and to make a further assessment of the change in overall burden by October 2008.

Statistical Governance: the Council welcomes the agreement reached with the European Parliament and the Commission on the establishment of the European Statistical Governance Advisory Board (ESGAB) and the European Statistical Advisory Committee (ESAC), and anticipates their swift establishment. Furthermore, it welcomes the initiative to modernise the current legal framework governing the development, production and dissemination of European Statistics and takes note that the Commission forwarded to the Council, in accordance with the procedure laid down in article 251 of the Treaty (co-decision), a proposal for a Regulation on European Statistics. The Council recognises the major efforts required by National Statistical Institutes and Eurostat in the peer review exercise, as well as the high commitment of the partners involved. It looks forward to the report to the European Parliament and the Council on progress with the compliance with the European Statistics Code of Practice in 2008 and underlines the importance that all Member States provide the necessary input to Eurostat according to the agreed timetable.

Communication of Major Statistical Revisions: the Council underlines that major revisions of macro-economic and social statistics in Member States can have substantive implications for European economic policies and for the credibility of the European Statistical System as a whole. It believes that a proper communication of the impacts of major revisions within the EU is crucial. Therefore, the Council welcomes the guidelines on the public communication of major statistical revisions in the European Union as set up by the CMFB, in response to the conclusions of the Ecofin Council of 7 November 2006. Lastly, it invites Member States to follow these guidelines.

The Council also adopted, without discussion, a regulation establishing common rules for the **provision of basic information on purchasing power parities (PPPs)** and for their calculation and dissemination. It approved all of the European Parliament's amendments in first reading. The regulation codifies what has already been in practice for several years, during which time member states have provided information on a voluntary basis within the European statistical system. PPPs need to be produced in accordance with a harmonised methodology, consistent with the Community system of national and regional accounts. The regulation is aimed at improving the transparency, timeliness and quality of the process, also in the context of international cooperation on PPPs, in which the EU plays a leading role.

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

2006/0042(COD) - 11/12/2007 - Final act

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

LEGISLATIVE ACT: Regulation (EC) No 1445/2007 of the European Parliament and of the Council establishing common rules for the provision of basic information on Purchasing Power Parities (PPPs) and for their calculation and dissemination.

CONTENT: The objective of this Regulation is to establish common rules for the provision of basic information on PPPs, and for their calculation and dissemination.

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, the Community needed to have Purchasing Power Parities (PPPs) which reflected 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 (Eurostat) collected basic information on PPPs from the Member States on a voluntary basis. Whilst this operation had become an established practice in the Member States, a legal framework was necessary to ensure the sustainable development, production and dissemination of PPPs. This regulation prvides such a framework. Its purpose is to codify what was already being done by the Member States and Eurostat to calculate annual PPPs, and hence to give the work a statutory basis. 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.

Member States will receive from the Commission a financial contribution of a maximum of 70 % of the costs eligible under the Commission's grant rules. The amount of such financial contribution shall be fixed as part of the annual budgetary procedures of the EU. The budget authority shall determine the appropriations available each year.

The provisions of the Regulation shall be reviewed five years after its entry into force. It shall be revised, if appropriate, on the basis of a Commission report and proposal, submitted to the European Parliament and the Council.

ENTRY INTO FORCE: 09/01/2008.

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

2006/0042(COD) - 26/04/2007 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Sharon **Bowles** (ALDE, UK) and made some amendments to the proposal:

- changes are proposed that update the references to relevant Council Regulations and to clarify that the provision of preliminary results on a regular basis, as is currently the practice, will be maintained in order to keep the freshest possible figures available;

- a new recital states that Member States are encouraged to produce data for regional PPPs;

- a maximum time period of one month for Member States to provide written approval of the survey results once they have been validated is introduced in order to avoid delay;

- the minimum frequencies given for collection of data should not be increased without good reason, so as not to cause excessive burden. One amendment states, therefore, that data shall be collected with the minimum frequency provided in Annex I. More frequent collection of data shall be planned only in exceptional and justified circumstance;

- "Item" means a good or service precisely defined for use in price observation;

- the new comitology procedures will apply. The Commission will have the power to adapt the definitions, to adjust the basic headings in Annex II and to define quality criteria. Since those measures are of general scope and designed to amend non-essential elements or supplement the Regulation by the addition of new non-essential elements, they will be adopted in accordance with the regulatory procedure with scrutiny laid down in Article 5a of Council Decision 1999/468/EC.

- to provide maximum transparency, interim figures and assessment and compliance reports are to be made available on website;

- on financing, a new clause provides that Member States shall receive from the Commission a financial contribution of a maximum of 70% of the costs eligible under the Commission's grant rules. The amount of such financial contribution shall be fixed as part of the annual budgetary procedures of the European Union. The budget authority shall determine the appropriations available each year.