

## ANNEX VI: DIFFERENCES BETWEEN EUROSTAT AND OECD COMPARISONS

### Introduction

- VI.1. Eurostat-OECD comparisons are a combination of two comparisons each involving a separate group of countries.<sup>1</sup> One comparison, the Eurostat comparison, covers the EU Member States and EU associated countries<sup>2</sup>. The other comparison, the OECD comparison, covers the non-European OECD Member Countries and a number of European countries that are not members of either the European Union or the OECD. In this annex, countries participating in Eurostat comparisons are called “Eurostat countries” and countries participating in OECD comparisons are called “OECD countries”<sup>3</sup>.
- VI.2. Eurostat co-ordinates the collection and validation of data in Eurostat countries and calculates their PPPs and real final expenditures. The OECD does the same for OECD countries. The OECD is also responsible for combining the PPPs and real final expenditures for Eurostat countries with those for OECD countries when it calculates the PPPs and real final expenditures for all countries included in a Eurostat-OECD comparison. Eurostat and the OECD use the same methodology for their comparisons, but there are differences in their approaches. Most of these have already been identified either in the text or in footnotes to the text in the relevant chapters of the manual. This annex provides a summary of the differences between the two comparisons.

### Timetable and organisation

- VI.3. Eurostat comparisons are made every year while OECD comparisons are made every three years. This is the principal difference between the two comparisons. It arises because of the different institutional arrangements that exist between the two organisations and their members. Price collections in Eurostat countries<sup>4</sup> are either partially or wholly funded by Eurostat. Price collections in OECD countries are funded by the countries themselves. Data requirements of three-yearly comparisons are less demanding than are those of annual comparisons. By making comparisons every three years, the OECD reduces the financial burden and the response burden on OECD countries. Three-yearly comparisons also allow participants greater flexibility in implementation.
- VI.4. Eurostat and the OECD follow the rolling benchmark approach for their comparisons.<sup>5</sup> The approach involves continuous data collection over a three-year period or cycle. A cycle consists of fifteen surveys: ten price surveys and five other surveys. Depending on the frequency that surveys are conducted, comparisons can be made either every year or every three years. Box VI.1 lists the surveys, their frequency and their organiser. From the Box, it can be seen that OECD countries do not apply the rolling benchmark approach in its entirety. The price surveys for consumer goods and services are spread over three years as they are for Eurostat countries. But the remaining surveys occur only every third year whereas for Eurostat countries they take place every year or, as in the case of the price surveys for capital goods, every other year.
- VI.5. Because of their large number, Eurostat countries are divided into smaller, more manageable country groups for the surveys of consumer prices. One of the countries in the group acts as group leader and it is the group leader who organises the consumer price surveys for the country group. All other surveys are managed centrally by Eurostat. OECD countries are not broken down into country groups. All surveys are co-ordinated by the OECD. It serves as the group leader and as the centre. Because OECD countries are linked to Eurostat countries at the product level, the OECD is also responsible for ensuring that there are sufficient overlaps between the product lists priced by OECD countries and those priced by Eurostat countries.

### Expenditures

- VI.6. Eurostat and the OECD use the same classification of final expenditure on GDP. The classification follows the definitions, concepts, classifications and accounting rules of the SNA 93<sup>6</sup> and the ESA 95<sup>7</sup>. Eurostat countries report the details of their final expenditure annually. OECD countries report their detailed expenditures every three years. Both groups of countries experience difficulties providing expenditures at the basic heading level. OECD countries find it particularly difficult to identify the expenditures of non-profit institutions serving households and to break down the expenditures on health and education. When OECD countries report expenditures at an aggregation level above the basic heading level and the OECD is unable to disaggregate these expenditures further<sup>8</sup>, the unweighted PPPs for OECD countries are calculated at the aggregation level at which the expenditures are reported and not at the basic heading level.

**Box VI.1: Data requirements of Eurostat and OECD comparisons**

Data	Survey	Frequency of collection for		Organised by
		Eurostat countries	OECD countries	
Prices	01. Food, drinks and tobacco	Every three years	Every three years	Group leader or OECD
	02. Personal appearance	..	..	..
	03. House and garden	..	..	..
	04. Transport, restaurants and hotels	..	..	..
	05. Services	..	..	..
	06. Furniture and health	..	..	..
	07. Equipment goods	Every two years	..	Eurostat or OECD
	08. Construction projects	..	..	..
	09. Actual and imputed rents <sup>(1)</sup>	Every year	..	..
	10. Compensation of employees	..	..	..
Expenditure weights	11. Final expenditure on GDP	..	..	..
Other	12. Annual average exchange rates	..	..	..
	13. Mid-year resident population	..	..	..
	14. Temporal adjustment factors	..	Every year	..
	15. Spatial adjustment factors	Every six years	Not required	..

<sup>(1)</sup> Countries with small or unrepresentative rent markets provide data on the housing stock instead of prices.

**Consumer goods and services**

- VI.7. OECD countries observe the same cycle of price surveys as Eurostat countries. But, as OECD comparisons are only made every third year, at the end of the cycle, OECD countries do not adhere strictly to the survey schedule established for Eurostat countries. Both groups of countries conduct two price surveys a year, but OECD countries have greater leeway as to when they collect and report prices. There are no intermediate deadlines for OECD countries within a cycle because the OECD, unlike Eurostat, does not publish survey results. OECD countries report prices at diversely different times and this delays editing. The validation of the various surveys takes considerably longer for OECD countries than it does for Eurostat countries.
- VI.8. OECD countries are not as actively involved in product selection as Eurostat countries. Before each price survey, Eurostat countries first carry out a pre-survey to ascertain how their markets have evolved in the three years since the survey was last held. They then attend a group meeting to finalise the product list that the group leader has drafted based on their replies to the pre-survey questionnaire. OECD countries meet once a year to discuss, among other things, the product lists for forthcoming surveys. There are no pre-surveys beforehand. Instead, using the experience gained from the last time the surveys were conducted, the OECD identifies those basic headings where there is a need to add products that are representative for OECD countries. The specifications for these additional products are developed by the countries and the OECD together. If the products are also representative for Eurostat countries, they are added to Eurostat product lists. Otherwise, they stand alone as “P products” – that is, their code numbers have the single suffix “P”.
- VI.9. The product lists for OECD countries consist of the product lists of the three Eurostat country groups plus the list of additional P products. OECD countries are faced with product lists that are much longer than those faced by Eurostat countries, but they have a greater choice of products which improves representativity. To guide OECD countries in their selection of products to be priced, the OECD adds a “P” to the suffixes of some of the Eurostat products. This indicates that either the product has been included on the Eurostat list at the request of the OECD or the product has a generic specification which the OECD feels that OECD countries should at least consider pricing. In general, when selecting products to price, OECD countries are required to give priority to overlap products. To facilitate this, OECD countries are permitted more flexibility when pricing brand and model specifications. Eurostat countries have to price the brands and models specified. Often it is not possible for OECD countries to find these brands or models on their markets.<sup>9</sup> When this happens, OECD countries are allowed to price brands and models that are equivalent to those specified.
- VI.10. Eurostat countries report individual prices observations. For the majority of countries, these price observations have been collected in the capital city. Eurostat countries reporting capital city prices have to provide spatial adjustment factors with which to convert their capital city prices to national prices. OECD countries report national average prices, so spatial adjustment factors are not required. Both groups of countries report point-in-time prices, so both have to provide temporal adjustment factors with which to convert the point-in-time prices to annual prices.

- VI.11. To enable Eurostat to obtain annual average prices for seasonal food products, Eurostat countries are expected to supply monthly quantity weights in addition to temporal adjustment factors. OECD countries are required to report annual average prices for seasonal food products. It is left to the countries to decide how the averages are derived.
- VI.12. Eurostat countries report their individual price observations by means of an electronic reporting form that is programmed to edit the price observations entered on it. This enables the intra-country editing of the price observations to be reviewed by the country and by the group leader. OECD countries report national average prices on the understanding that they edit the price observations on which the averages are based before reporting them. OECD countries have a much simpler electronic reporting form to complete than Eurostat countries.
- VI.13. To edit the national average prices reported by OECD countries, the OECD uses a simplified version of the Quanta table that Eurostat and the group leaders employ to edit the average survey prices of Eurostat countries. The principal difference between the two versions is that the variation coefficients of the Eurostat version are omitted from the OECD version.

## Rents

- VI.14. Eurostat countries complete the rent survey every year. OECD countries complete the survey every three years. Both groups of countries report actual and imputed rents that are national annual averages.
- VI.15. The OECD reporting form for actual and imputed rents covers a longer list of dwellings than the Eurostat reporting form. This is to accommodate the various circumstances of OECD countries. The definitions of these additional dwellings specify numbers of rooms or numbers of bedrooms. They do not specify the age of dwelling or the useable floor space as do the Eurostat definitions.
- VI.16. The OECD reporting form on the quantity and quality of the dwelling stock does not make a distinction between houses and apartments as does the Eurostat reporting form.

## Government services

- VI.17. Eurostat countries provide data on the compensation of employees paid by general government to a selection of occupations in defence, collective services other than defence, health and education every year. OECD countries provide such data once every three years. Both groups of countries report compensation of employees for the same list of occupations and both groups report compensation of employees that are national annual averages.
- VI.18. The majority of OECD countries do not determine the compensation of employees paid for a selected occupation as recommended in Chapter 5 of the manual – that is, by first identifying the modal category for an occupation within a grade and then establishing the step within the modal category according to the seniority specified for the occupation. (Many Eurostat countries also experience difficulties applying the recommended approach.) In some countries, government salary scales as described in Chapter 5 do not exist, while in others, seniority is irrelevant as progression through grades, categories and steps depends on performance rather than years of service. Often the data required are extracted from government payroll statistics.
- VI.19. In addition to the compensation of employees paid to each occupation, Eurostat and OECD countries provide the actual hours worked by employees in each occupation. Eurostat uses this information to standardise the working hours of occupations in defence, collective services other than defence, and health. The OECD only uses it to standardise the working hours of occupations in collective services other than defence. Neither Eurostat nor the OECD standardise the working hours of occupations in education.
- VI.20. Unlike Eurostat countries, OECD countries do not provide the percentage shares of selected occupations within their basic headings and their PPPs for these basic headings are unweighted. Such weights are difficult to obtain and are considered unreliable. Lack of detailed expenditure data also means that the PPPs for education for OECD countries are not broken down by level of education.

## Capital goods

- VI.21. Eurostat countries survey the prices of capital goods every two years. OECD countries survey them every three years. Both groups of countries follow the same approach.
- VI.22. Equipment good prices are collected through specification pricing. Eurostat countries price the brands and models specified, but OECD countries generally price products that are equivalent to those specified.<sup>10</sup> The basis of the price collections in the two groups of countries is the product list drawn up by Eurostat. There is also a supplemen-

tary product list for OECD countries that has been drawn up by the OECD. It contains products specifically representative of OECD countries.

- VI.23. Construction prices are obtained by countries pricing a set of standard construction projects each of which is defined in a bill of quantities. The OECD set of projects is larger than the Eurostat set. It contains four additional projects that improve its representativity for OECD countries. These are a North American single-family house, a Japanese single-family house, an Australasian single-family house and a Japanese factory.
- VI.24. Eurostat countries report national average prices for capital goods that refer to April of the survey year. The prices are net of non-deductible taxes and data on non-deductible taxes is provided later as part of a separate exercise. OECD countries also report national average prices for capital goods. But the prices refer to July of the survey year and include non-deductible taxes.
- VI.25. When the PPPs for capital goods are calculated, the representativity of the products priced is taken into account for Eurostat countries, but not for OECD countries.

## Calculation and aggregation of PPPs

- VI.26. Eurostat and the OECD use the Èltetö-Köves-Szulc or EKS method to calculate and aggregate PPPs. Both apply the same reference PPPs for basic headings for which no prices are collected. The EKS PPPs and real final expenditures are the official results for Eurostat comparisons and for OECD comparisons. The results of the two comparisons are “fixed” when they are combined in a Eurostat-OECD comparison. The Geary Khamis or GK method is also used to aggregate PPPs for Eurostat-OECD comparisons. The GK results are secondary to the EKS results and only the indices that assist the analysis of price and volume structures are published.

## Presentation of results

- VI.27. The results of Eurostat-OECD comparisons are published jointly. To do this, Eurostat and the OECD have adopted a standard set of tables covering the same analytical categories, the same countries and the same country groups. But, for their users, each has retained their own numéraire and reference country. The publication has two parts: one presenting the results with the European Union (EU 25) as reference country and the euro as numéraire; the other presenting the results with the OECD (OECD 30) as reference country and the US dollar as numéraire.
- VI.28. Eurostat also disseminates results for Eurostat countries through its public database. The database covers more analytical categories than the joint publication. The OECD does not disseminate detailed results separately either for OECD countries or for the OECD as a whole.

## Updating PPPs for GDP between benchmark calculations

- VI.29. As the OECD makes benchmark calculations every three years, it estimates PPPs for GDP for the years between benchmark calculations by global extrapolation – that is, extrapolation at the level of GDP. Eurostat, following the rolling benchmark approach, makes benchmark calculations every year. Even so, seven months before the new benchmark calculation is first made, it makes a “nowcast”. This involves the extrapolation of PPPs at aggregation levels below GDP and the aggregation of the extrapolated PPPs by the EKS method to obtain PPPs for GDP.

<sup>1</sup> Box 2.3 of Chapter 2 lists the countries participating in the 2005 Eurostat-OECD comparison.

<sup>2</sup> The EU Candidate Countries – Bulgaria, Croatia, Romania and Turkey – and the EFTA countries - Iceland, Norway and Switzerland.

<sup>3</sup> Box 2.4 of Chapter 2 shows the OECD to be responsible for two groups of countries. The first group has the OECD as group leader. The second group has Slovenia as group leader. “OECD countries” refers to countries in the first group: Australia, Canada, Israel, Japan, Korea, Mexico, New Zealand, Russian Federation and United States. Countries in the second group are a sub-group of Eurostat’s Central group and, although overseen by the OECD, are Eurostat countries in all but name.

<sup>4</sup> Other than the EFTA countries.

<sup>5</sup> The rolling benchmark approach is described in Box 2.2 of Chapter 2.

<sup>6</sup> *System of National Accounts 1993*, Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank, 1993.

<sup>7</sup> *European System of Accounts 1995*, Eurostat, Luxembourg, 1996.

<sup>8</sup> See paragraphs 3.45 and 3.46 of Chapter 3.

<sup>9</sup> In general, markets are less homogeneous among OECD countries than they are among Eurostat countries. More specifically, many of the brands specified are European brands that are not available in OECD countries or, if available, are not representative.

<sup>10</sup> For the reasons given in footnote 9.