CLASSIFICATIONS USED FOR THE PPP PROGRAMME

All countries follow the SNA 1993 with the exception of Australia, Canada and the United States who have already switched to the SNA 2008. The expenditure breakdown will be changed for the 2014 benchmark results when most of the countries will have switched to the SNA 2008.

The 1993 SNA classifications

The 1993 SNA classifies final consumption expenditure in two ways. One is by reference to type of consumption - that is by whether the purchase is consumed by households individually or collectively (lines 1 to 27 of the table below). The other is by reference to the purchaser - that is by whether the purchase is made by households, NPISHs or government (lines 34 to 38). The essential difference between these two classifications is how government final consumption expenditure is treated.

By definition, household final consumption expenditure (line 35) benefits individual households. And, by national accounting convention, all final consumption expenditure by NPISHs (which is not shown separately because it is not identified uniformly in the national accounts of participating countries) also benefits individual households. But government final consumption expenditure (line 36) can benefit households either collectively or individually and is divided between collective consumption expenditure (line 37), which is expenditure on collective services, and individual consumption expenditure (line 38), which is expenditure on individual services. Collective services principally cover general public services, defence, public order and safety, economic affairs, environment protection, and housing and community services. Individual services comprise the provision of most services relating to housing, health, recreation and culture, education and social protection.

When final consumption expenditure is classified by purchaser, government final consumption expenditure is considered in its entirety. However, when final consumption expenditure is classified by type of consumption, the individual consumption expenditure by government (line 38) is removed from government final consumption expenditure (line 36) and added to the final consumption expenditure of households and NPISHs to obtain actual individual consumption (line 2). The government final government expenditure that remains is the expenditure on collective services, otherwise known as “actual collective consumption” (line 28) or “collective consumption expenditure” (line 37).

The division of government expenditure between individually-consumed services and collectively-consumed services is necessary because of the various ways the former are financed in different countries. Under the classification by purchaser, households in countries where government directly provides individually-consumed services will appear to consume a smaller volume of goods and services than households in countries where households themselves pay directly for these services. Hence, while the aggregate, household final consumption expenditure (line 35), is a better measure of the total volume of goods and services purchased by households in different countries, the aggregate, actual individual consumption (line 2), is a better measure of the actual volume of goods and services consumed by these households.
### Analytical categories

**1993 SNA – 1995 ESA**

1. **Gross domestic product**
2. **Actual individual consumption**
3. Food and non-alcoholic beverages
4. Food
5. Bread and cereals
6. Meat
7. Fish
8. Milk, cheese and eggs
9. Oils and fats
10. Fruits, vegetables, potatoes
11. Other food
12. Non-alcoholic beverages
13. Alcoholic beverages, tobacco and narcotics
14. Alcoholic beverages
15. Tobacco
16. Clothing and footwear
17. Housing, water, electricity, gas and other fuels
18. Household furnishings, equipment and maintenance
19. Health
20. Transport
21. Personal transport equipment
22. Communication
23. Recreation and culture
24. Education
25. Restaurants and hotels
26. Miscellaneous goods and services
27. Net purchases abroad
28. **Actual collective consumption**
29. **Gross fixed capital formation**
30. Machinery and equipment
31. Construction
32. Changes in inventories and valuables (1)
33. **Balance of exports and imports**

   Of which

34. **Final consumption expenditure (2)**
35. Household final consumption expenditure
36. Government final consumption expenditure
37. Collective consumption expenditure
38. Individual consumption expenditure
Analytical categories (contd)

<table>
<thead>
<tr>
<th>TYPE OF PRODUCT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>39 Total goods</strong></td>
</tr>
<tr>
<td>40 Consumer goods</td>
</tr>
<tr>
<td>41 Non-durable goods</td>
</tr>
<tr>
<td>42 Semi-durable goods</td>
</tr>
<tr>
<td>43 Durable goods</td>
</tr>
<tr>
<td>44 Capital goods</td>
</tr>
<tr>
<td><strong>45 Total services</strong></td>
</tr>
<tr>
<td>46 Consumer services</td>
</tr>
<tr>
<td>47 Government services</td>
</tr>
<tr>
<td>48 Collective services</td>
</tr>
<tr>
<td>49 Individual services</td>
</tr>
</tbody>
</table>

(1) Includes statistical discrepancy.
(2) Includes the final consumption of NPISHs.

1.1 Classification by type of product

This classification first distinguishes between final expenditure on goods (line 39) and final expenditure on services (line 45). Final expenditure on goods is divided between consumer goods (line 40) and capital goods (line 44) with expenditure on consumer goods being broken down into expenditure on non-durable goods (line 41), semi-durable goods (line 42) and durable goods (line 43). Final expenditure on services is divided between consumer services (line 46) and government services (line 47) with expenditure on government services being broken into expenditure on collective services (line 48) and expenditure on individual services (line 49).

The distinction between non-durable goods and durable goods is based on whether the goods can be used only once or whether they can be used repeatedly or continuously over a period of considerably more than one year. Moreover, durable goods have a relatively high purchasers’ price. Semi-durable goods differ from durable goods in that their expected lifetime of use, though more than one year, is often significantly shorter and that their purchasers’ price is substantially less. The distinction between collective services and individual services is explained in the previous section.

The classification by type of product was made at the level of the basic heading. For government services and capital goods, this was straightforward; for consumer goods and services it was not always so. Most basic headings comprising household final consumption expenditure could be classified as containing either goods or services but, for practical reasons, some basic headings contained both goods and services. Similarly, there were basic headings that contained either both non-durable and semi-durable goods or both semi-durable and durable goods. These basic headings were classified according to which type of product was considered to be predominant.

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1 Paragraph 9.38 of the 1993 SNA and paragraph 6.93 of the 1968 SNA.