

## CLASSIFICATIONS USED FOR THE PPP PROGRAMME

### The 2008 SNA classifications

The 2008 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 28 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 35 to 39). 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 37) can benefit households either collectively or individually and is divided between collective consumption expenditure (line 38), which is expenditure on collective services, and individual consumption expenditure (line 39), 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 39) is removed from government final consumption expenditure (line 37) 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 29) or “collective consumption expenditure” (line 38).

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 36), 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

### 2008 SNA – 2010 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 Hospital services

21 Transport

22 Personal transport equipment

23 Communication

24 Recreation and culture

25 Education

26 Restaurants and hotels

27 Miscellaneous goods and services

28 Net purchases abroad

**29 Actual collective consumption**

**30 Gross fixed capital formation**

31 Machinery and equipment

32 Construction

**33 Changes in inventories and valuables(1)**

**34 Balance of exports and imports**

**Of which**

**35 Final consumption expenditure(2)**

36 Household final consumption expenditure

37 Government final consumption expenditure

38 Collective consumption expenditure

39 Individual consumption expenditure

**Analytical categories (contd)**

<b>TYPE OF PRODUCT</b>
<b>40 Total goods</b>
41 Consumer goods
42 Non-durable goods
43 Semi-durable goods
44 Durable goods
45 Capital goods
<b>46 Total services</b>
47 Consumer services
48 Government services
49 Collective services
50 Individual services

(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 40) and final expenditure on services (line 46). Final expenditure on goods is divided between consumer goods (line 41) and capital goods (line 45) with expenditure on consumer goods being broken down into expenditure on non-durable goods (line 42), semi-durable goods (line 43) and durable goods (line 44). Final expenditure on services is divided between consumer services (line 47) and government services (line 48) with expenditure on government services being broken into expenditure on collective services (line 49) and expenditure on individual services (line 50).

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. The classification by type of product is the same for all countries with the exception of health: all expenditures on health are classified as services for the twelve countries coordinated by the OECD (Australia, Canada, Chile, Israel, Japan, Korea, Mexico, New-Zealand, United-States, Colombia, Costa Rica and Federation of Russia).