**Purchasing Power Parities - Frequently Asked Questions (FAQs)**

[1. What are PPPs?](http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ1)

[2. How PPPs are calculated?](http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ2)

[3. What are the major uses of PPPs?](http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ3)

[4. What are the products included in the basket of goods and services used for the calculation of PPPs and how many are they?](http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ4)

[5. Where can I download PPP data?](http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ5)

[6. When are PPPs updated and revised?](http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ6)

[7. Where can I find methodology on PPPs?](http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ7)

[8. What are the differences between PPP for GDP, PPP for private consumption and PPP for actual individual consumption?](http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ8)

[9 How do I read the Comparative Price Level table?](http://www.oecd.org/std/prices-ppp/purchasingpowerparities-frequentlyaskedquestionsfaqs.htm#FAQ9)

***1. What are PPPs?***

PPPs are the rates of currency conversion that equalize the purchasing power of different currencies by eliminating the differences in price levels between countries. In their simplest form, PPPs are simply price relatives that show the ratio of the prices in national currencies of the same good or service in different countries. PPPs are also calculated for product groups and for each of the various levels of aggregation up to and including GDP.

***2. How PPPs are calculated?***

The calculation is undertaken in three stages. The first stage is at the product level, where price relatives are calculated for individual goods and services. A simple example would be a litre of Coca-Cola. If it costs 2.3 euros in France and 2.00$ in the United States then the PPP for Coca-Cola between France and the USA is 2.3/2.00, or 1.15. This means that for every dollar spent on a litre of Coca-Cola in the USA, 1.15 euros would have to be spent in France to obtain the same quantity and quality - or, in other words, the same volume - of Coca-Cola. The second stage is at the product group level, where the price relatives calculated for the products in the group are averaged to obtain unweighted PPPs for the group. Coca-cola is for example included in the product group “Softdrinks and Concentrates”. And the third stage is at the aggregation levels, where the PPPs for the product groups covered by the aggregation level are weighted and averaged to obtain weighted PPPs for the aggregation level up to GDP (in our example, aggregated levels are Non-alcoholic beverages, Food…). The weights used to aggregate the PPPs in the third stage are the expenditures on the product groups as established in the national accounts. You will find detailed information on the calculation in the “EUROSTAT-OECD Methodological manual on purchasing power parities (PPPs)”, Chapter 12, at [www.oecd.org/std/ppp/manual](http://www.oecd.org/std/ppp/manual).

***3. What are the major uses of PPPs?***

The major use of PPPs is as a first step in making inter-country comparisons in real terms of gross domestic product (GDP) and its component expenditures. GDP is the aggregate used most frequently to represent the economic size of countries and, on a per capita basis, the economic well-being of their residents. Calculating PPPs is the first step in the process of converting the level of GDP and its major aggregates, expressed in national currencies, into a common currency to enable these comparisons to be made.There are also other uses and recommendations that can be find in details in the EUROSTAT-OECD Methodological manual on purchasing power parities (PPPs)” Chapter 1, box 1.5, at [www.oecd.org/std/ppp/manual](http://www.oecd.org/std/ppp/manual)

***4. What are the products included in the basket of goods and services used for the calculation of PPPs and how many are they?***

The basket of goods and services priced for the PPP exercise is a sample of all goods and services covered by GDP. The final product list covers around 3,000 consumer goods and services, 30 occupations in government, 200 types of equipment goods and about 15 construction projects. The large number of products is to enable countries to identify goods and services which are representative of their domestic expenditures.

***5. Where can I download PPP data?***

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| >> | **For OECD countries and accession countries**  PPP data for the latest benchmark results at a detailed level can be downloaded from the dataset "Purchasing Power Parities (PPP) Statistics" in OECD.Stat Extracts at [http://stats.oecd.org](http://stats.oecd.org/) under the theme “Prices and Purchasing Power Parities”. |
|  | You can also get annual PPP time series from the "Annual National Accounts" dataset for GDP, Actual individual consumption and Private consumption. At [http://stats.oecd.org](http://stats.oecd.org/) browse the theme: Prices and Purchasing Power Parities >> Purchasing Power Parities (PPP) Statistics >> 4. PPPs and exchange rates |
|  | In OECD.Stat Extracts you can modify the current data selection by using the top navigation bar to select specific "Subject", "Country" and "Time & Frequency". You may also consult the [OECD.Stat Extracts' user guide](http://stats.oecd.org/ModalHelp/OECD/WBOS%20User%20Guide%20(EN).PDF). |
|  | PPPs for historical series should be read with the following information: |
|  | **Years prior to 1995**: The 1995 PPPs for all countries have been backdated using the relative rates of inflation between countries as measured by their implicit price deflators for GDP. |
|  | **1999, 2002, 2005, 2008, 2011, 2014**: PPPs for all OECD countries and the Russian Federation are triennial benchmark results calculated jointly by the OECD and Eurostat. Note that results for non-European OECD countries for the year 2014 are still very provisional and new estimates will be available during the first quarter 2016. |
|  | **1995-1998, 2000-2001, 2003-2004, 2006-2007, 2009-2010, 2012-2013**: PPPs for European countries are annual benchmark results provided by Eurostat. PPPs for non-European countries and the Russian Federation are OECD estimates. |
|  | **Chile (before 2011)**: Data for Chile for 2005 are ICP results from the World Bank. PPPs from 2006 to 2010 are OECD estimates and have been revised with the introduction of the 2011 benchmark results |
| >> | **For non-OECD European countries** You can find PPP results for European Countries on the Eurostat internet site at <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>. |
| >> | **For non-European non-OECD countries** The World Bank conducts a PPP programme called International Comparison Programme (ICP) and you can find data and all related information on their site at <http://siteresources.worldbank.org/ICPEXT/Resources/ICP_2011.html>. The International Monetary Fund publishes also data on Purchasing Power Parities in the World Economic Outlook and you can find data and related information at <http://www.imf.org/external/data.htm>. |

***6. When are PPPs updated and revised?***

PPPs are calculated for all OECD countries every three years for the benchmark years. The results are published at the end of year t+2 for year t. Last calculated results are for 2014.

Between benchmark years, PPPs for European countries are annual results calculated by Eurostat and PPPs for non European OECD countries are estimated by the OECD. The method of estimation for years after 2011 has changed in 2014;  [click here](http://www.oecd.org/std/prices-ppp/change-methodology-note-ppp-Dec14.pdf) to read the note presenting these changes (PDF).

Historical series for PPPs for OECD countries are revised in December. In June, only PPPs for the years following the last benchmark year are revised.

In February, a new year is added for PPP for GDP only.

Please note that this timetable is indicative.

***7. Where can I find methodology on PPPs?***

You can find extensive information in the “EUROSTAT-OECD Methodological manual on purchasing power parities (PPPs)” at [www.oecd.org/std/ppp/manual](http://www.oecd.org/std/ppp/manual). You can also find information on the Eurostat site and on the World Bank site.

***8. What are the differences between PPP for GDP, PPP for private consumption and PPP for actual individual consumption?***

The PPP for GDP covers both final consumption expenditure (household and government) and gross capital formation. The PPP for actual individual consumption covers all households consumption expenditure and that part of government final expenditure which covers services it supplies to individual households, for example housing, health, education, social protection etc ... (in other words, it does not include government final expenditure on those services it supplies to household collectively such as defence, police, environment protection ...). If you need more detailed definitions, you can refer to the glossary of the PPP Methodological Manual at [www.oecd.org/std/ppp/manual](http://www.oecd.org/std/ppp/manual).

***9. How do I read the Comparative Price Level table?***

[Monthly comparative price levels](http://stats.oecd.org/Index.aspx?DataSetCode=CPL) are defined as the ratios of PPPs for private final consumption expenditure to exchange rates. The monthly PPPs used to derive the table are OECD estimates. The table is to be read vertically. Each column shows the number of specified monetary units needed in each of the countries listed to buy the same representative basket of consumer goods and services. In each case the representative basket costs a hundred units in the country whose currency is specified. Let’s take an example. If you are a Canadian citizen and you want to know the price level in Canada when compared to other countries, you have to look at the column Canada, where the price level is set at 100 for the whole column. If you have 120 for Finland, it means that the price level in Finland is 20% higher than in Canada. It means that you would spend 120 dollars in Finland to buy the same basket of goods and services when you spend 100 in Canada.