



**Assessment of sources and methods used in
the provision of basic information for
Purchasing Power Parities (PPPs)**

COUNTRY: Estonia

2022



CONTEXT

1. This report is written in the context of the implementation of article 7 (on quality criteria and control) of Regulation (EC) No 1445/2007 of the European Parliament and of the Council of 11 December 2007 establishing common rules for the provision of basic information on Purchasing Power Parities and for their calculation and dissemination (the "PPP Regulation").
2. The PPP Regulation requires all Member States to maintain documentation which gives a full description of the manner in which the Regulation has been implemented (the "PPP Inventory"). It requires Eurostat to assess each Member State's compliance with the PPP Regulation at least once every six years and to publish a report, based on the assessment, on its website.
3. The current assessment report is based on the information presented by Statistics Estonia in the "PPP Inventory of sources and methods", version January 2022, as well as on other data and reports prepared in the context of the PPP programme. In addition, information provided during a videoconference on 8 April 2022 is taken into account.

ORGANISATIONAL ISSUES

4. The PPP work at Statistics Estonia is fully integrated in the Economic and Environmental Statistics Department (EESD). No formal organisational sub-division exists below the level of the departments. This ensures that synergies between the various statistical domains can be easily exploited. The head of the Consumer Price Statistics team is also the PPP national coordinator. There is one staff member who works full-time on the PPP project, assisted by other staff members on a part-time basis. Staff in the EESD are in charge of the surveys on consumer goods and services, compensation of government employees, equipment goods, dwelling stock data and the GDP expenditure weights. In total, the labour resources devoted to PPPs within Statistics Estonia are estimated at 25.9 months per year, measured in full-time equivalents. The construction survey and the hospital survey are outsourced, and not included in this estimate.
5. Statistics Estonia does not currently disseminate PPP data or PPP-related articles or news releases. It is however noted that Estonian media often take an interest in Eurostat's releases. To further enhance the visibility and relevance of PPP statistics, all National Statistical Institutes are encouraged to develop a dissemination policy at national level.



FINDINGS BY PPP SURVEY

Consumer goods and services

6. The surveys on consumer goods and services are carried out by the PPP team, with up to four staff members involved. Although the CPI employs dedicated price collectors, these are not used for the purpose of the PPP surveys. This is partly due to language issues, but also because the PPP surveys entail many tasks that go beyond just price collection. The Internet is an important source of information during the presurvey stage, and has also become a more important source of price information, especially during the pandemic. Traditionally, prices have been collected by phone, by questionnaire and by visiting outlets. Price collection takes part in the capital only. Due to the small size of the country and the high degree of market concentration in chains, capital city prices are assumed to reflect national averages.
7. Statistics Estonia currently receives transaction data from two of the six major supermarket chains. The plan is to gradually increase the amount of such data and implement them in the CPI and eventually in the next PPP survey on food, beverages and tobacco.

Housing services

8. Estonia uses the quantity approach. The 2011 census is the basis for the dwelling stock data and the quality indicators until 2021 census data becomes available. For the intermediate years, data from the buildings register is used as extrapolation factor.

Compensation of government employees

9. Wages and salaries statistics is part of the EESD at Statistics Estonia. The PPP survey on the compensation of government employees is based from the quadrennial European Structure of Earnings Survey (SES) and extrapolated for intermediate years by data from the European Labour Cost Survey (LCS). Overtime payments are included in the salaries and the working time is adjusted accordingly. Social contributions are taken from the LCS. Statistics Estonia is recommended to look into the possibility of using estimates of social contributions from National Accounts (aggregates D.121 and D.122), in line with the survey guidelines.

Hospitals

10. The hospitals survey in Estonia is based on data from the Estonian Health Insurance Fund (EHIF). Experts at the National Institute for Health Development (NIHD) – an agency under the Ministry of Social Affairs – compiles a data request to the EHIF based on the survey material received from Eurostat. The NIHD subsequently categorises the case types, analyses the data to ensure the overall quality, and compiles the final tables. One challenge is that the EHIF data is provided at patient level, and that the results per surgical or medical case can sometimes have a very high variance.

Education

11. Spatial volumes and PPPs for education are calculated by Eurostat based on the UNESCO/OECD/Eurostat (UOE) database. Since there are gaps in the UOE data for Estonia, Statistics Estonia should check the plausibility of the imputations made by



Eurostat. At the general level, countries are encouraged to check the data with their education experts.

Equipment goods

12. The pre-survey and survey is carried out by Statistics Estonia staff in the Economic and Environmental Statistics Department (EESD). The work is led by an experienced analyst who is responsible for the entire survey, including preview, pre-survey, data collection and validation. Challenges are mainly related to the fact that the domestic market for e.g. specialised machinery is very small. Installation cost can sometimes be hard to identify specifically, this should then be specified in the price report.

Construction

13. Statistics Estonia (SE) sub-contracts the data collection to two construction experts, who collect unit prices from providers of products and services used in actual construction projects. An analyst in the EESD is closely involved in the survey, both administratively, and in validating and transmitting the data.

VAT on capital goods

14. Statistics Estonia confirms that only non-deductible VAT is included.

Expenditure weights

15. The expenditure breakdown for the years t-2 and t-3 are based on annual accounts, while preliminary quarterly accounts underlie the breakdown for the year t-1. The detailed breakdown of Household Final Consumption Expenditure is based on the Household Budget Survey (HBS), which is normally carried out at two-year intervals. Detailed CPI data are used as extrapolation factor for the years without HBS data. For Non-Profit Institutions Serving Household and for General Government, expenditures are derived directly from National Accounts. This is also the case for some basic headings in Gross Fixed Capital Formation, but here the estimates rely on foreign trade statistics as well.



CONCLUSIONS AND SUMMARY OF ACTION POINTS FOR STATISTICS ESTONIA

Estonia complies well with the PPP Regulation. The data are generally of good quality and the resulting PPPs are plausible. Some potential improvement points raised during the discussions are summarised in the table below.

Topic	Action points
1 Organisation	Develop a dissemination policy for PPP statistics at national level.
2.1 Consumer goods and services	Continue efforts to explore and implement new data sources, especially transaction data.
2.2 Housing	None.
3.1 Compensation of government employees	Look into the current practice of using data from the labour cost survey in estimating social contributions, and consider using aggregates D.121 and D.122 from NA instead, in line with the survey guidelines.
3.2 Education	Check any imputations made by Eurostat to the original UOE data, if applicable.
3.3 Hospitals	None.
4.1 Equipment goods	None.
4.2 Construction	None.
4.3 VAT on capital goods	None.
5. Expenditure weights	None.