



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

COUNTRY: Italy

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 the Italian National Statistical Institute (ISTAT) 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 19 December 2022 is taken into account.

ORGANISATIONAL ISSUES

4. The PPP team at ISTAT belongs to the *Division for integrated system for household economic conditions and consumer prices*, which again is part of the Directorate for social statistics and welfare. The CPI/HICP team belongs to the same division, while national accounts is organised in a different directorate. The PPP team consists of five full-time staff, with some additional resources provided by different ISTAT directorates and other public bodies (see the specific sections below). According to agreement, data for the surveys on consumer goods and services are collected by staff of the Municipality of Rome. There is currently no national dissemination policy for PPP statistics.

FINDINGS BY PPP SURVEY

Consumer goods and service

5. The PPP team is responsible for the overall coordination of the surveys. They take care of the preview and pre-survey phases, while 10 – 15 price collectors employed by the Municipality of Rome collect price data from outlets throughout the capital. These price collectors also work for the CPI/HICP. There is no specific price collection in other parts of the country. Instead, spatial adjustment factors (SAFs) at basic heading level are calculated on the basis of CPI data.

The preview and pre-survey are mostly carried out from ISTAT premises, using phone, email, information from the Internet, and interviews with CPI/HICP price collectors. Sometimes, additional information must be obtained by visiting outlets. The price collectors are given a briefing session at the start of each survey. The guidelines and item list is provided in Italian, along with a list of outlets to be visited. This list is based on the CPI sample, but price collectors can adapt it as required. Transaction data, obtained from



commercial companies and covering important retail chains, are used to varying extent in five of the six surveys on consumer goods and services.

Hand-held PCs are used for the price collection. The data is transferred to ISTAT daily and analysed in an application developed specifically for this purpose before being entered into Eurostat's Data Entry Tool (DET).

Housing services

6. Italy uses the price approach. The PPP questionnaire is completed in cooperation with the Household Budget Section of ISTAT, and with National Accounts. Actual rents per dwelling and per square meter are taken from the Household Budget Survey (HBS), while National Accounts provides the dwelling stock data. The sub-set of the HBS data referring to the private market only is used to estimate imputed rents.

The self-reported rents from the HBS are rents actually paid by tenants, and do not include any government subsidies, which apply to dwellings owned by the government. However, this is in line with the expenditure estimates in National Accounts.

Compensation of government employees

7. The salaries that go into the PPP questionnaire come from two sources: Data from the State General Accounting Department (RGS), and the Contractual Wage Data Survey (CWS) undertaken by ISTAT's Employment and Income Statistics Division. The register (payroll) data from RGS is the official source of information on public employment in institutional settings, but does not include arrears and does not cover the most recent reference year required in the PPP exercise. The CWS, on the other hand, does not include wage components based on local or institutional labour agreements. In order to deal with these issues, ISTAT adjusts the salaries from the CWS with a coefficient equal to the relative between salaries as recorded in the RGS data and salaries as recorded in the CWS. Finally, to arrive at the gross salary, arrears from the CWS are added. Information about social security contributions (actual and imputed) and weights are provided by National Accounts.

Hospitals

8. The hospital survey is carried out in cooperation with the Health Planning Directorate in the Ministry of Health. The data source used to estimate quasi-prices by case type, the number of cases and the average length of stay is the *Scheda di Dimissione Ospedaliera*, an information tool for data on individual patients discharged from hospitals. It covers all public and private hospitals in Italy. The quasi-prices are administrative prices, based on DRG tariffs set by the government.

Education

9. Spatial volumes and PPPs for education are calculated by Eurostat based on the UNESCO/OECD/Eurostat (UOE) database. ISTAT checks the data before approval.



Equipment goods

All stages of the equipment goods survey are carried out with internal ISTAT resources. The availability of products is checked online or by contacting businesses which provided information in the previous survey round. For the price collection, an online questionnaire is distributed to respondents, in line with the overall ISTAT policy on business surveys. An advantage of this approach is that information about transport and installation costs, and about discounts, can be obtained directly from the enterprises. Response rates are not optimal, but usually sufficient to comply with the requirements of the survey. The validation application developed for consumer goods and services is used in the equipment goods survey as well.

Construction

10. For the construction survey, ISTAT cooperates with experts in the Ministry of Infrastructure and Transport, which belongs to the national statistical system. Prices are estimated for construction projects in three regions in central Italy, which are assumed to reflect the national average price level. This is done by an ISTAT expert in close cooperation with the Ministry. The main data sources are official tariffs set by the regions (for public works), and national, regional and thematic price lists published by *DEI Tipografia del Genio Civile* (for private construction). This is a private company which develops, manufactures and markets tools for the construction sector. Data from these sources are supplemented with expert opinion, either at ISTAT or in construction companies.

VAT on capital goods

11. ISTAT confirms that only non-deductible VAT is included.

Expenditure weights

12. The breakdown of household final consumption expenditure for the purpose of obtaining the PPP weights is based on national accounts data at three- or four-digit level, and rescaled HICP weights at basic heading level. The HICP weights are in turn taken from the Household Budget Survey. For the other main aggregates (NPISH, general government, gross fixed capital formation), weights at basic heading level are provided by National Accounts.

The Italian expenditure breakdown contains a number of gaps at basic heading level. While many of the basic headings in question are probably marginal in terms of expenditure, it should be investigated if a more complete breakdown can be provided, potentially using ad hoc sources like expert estimates. In particular, if prices are provided for a given basic heading, an explicit weight should be available as well.



CONCLUSIONS AND SUMMARY OF ACTION POINTS FOR ISTAT

Italy complies well with the PPP Regulation. The data is 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	Consider establishing a dissemination policy for PPP statistics at national level.
2.1 Consumer goods and services	Continue exploring and implementing new data sources, notably transaction data.
2.2 Housing	None.
3.1 Compensation of government employees	None.
3.2 Hospitals	None.
3.3 Education	None.
4.1 Equipment goods	None.
4.2 Construction	None.
4.3 VAT on capital goods	None.
5. Expenditure weights	Analyse and if possible fill the gaps at basic heading level in the expenditure breakdown.