



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

COUNTRY: Cyprus

2014



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 States' 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 Statistical Service of Cyprus (CYSTAT) in the "PPP Inventory of sources and methods", version February 2014, as well as on other data and reports prepared in the context of the PPP program. In addition, the information provided during a visit to the CYSTAT on 4 February 2014 is taken into account.

ORGANISATIONAL ISSUES

4. In Cyprus, the PPP Section is part of the "Methodology, Statistical Dissemination, Prices and ICT Surveys" Division and consists currently of 3 permanent employees. The PPP team maintains working relations to National Accounts Division, 3 persons from this Division are responsible for the GDP Expenditure, VAT questionnaires and Tips data required for the PPP exercise.
5. The price collection for consumer goods price surveys are conducted by 4 persons (temporary staff), 1 taking part in all the consumer surveys plus the Equipment Goods survey. For the Equipment Goods survey one additional person is recruited for the price collection. Prices are collected in Nicosia, the capital of Cyprus which is divided in four regions. Due to the small size of the country, it can be assumed that no regional differences in prices exist. The spatial adjustment factors are therefore equal to 1.
6. The construction survey is outsourced to a quantity surveyor located in Nicosia while the surveys on rents and compensation of government employees are completed by the PPP team with the assistance of the National Accounts Division and Earnings Unit.
7. CYSTAT does not disseminate the results of the PPP exercise in their national publications but a widget was added recently on their website with a link to GDP per capita in PPS on Eurostat's website.



FINDINGS BY PPP SURVEY

Consumer goods and services

8. The price collection is conducted for all the available items included in the lists of each consumer survey. Starting from 2014 the surveys will be conducted on the basis of one European list which will be somewhat longer than the previous groups lists. It is advisable to make a pre-selection of items to be priced, to obtain a sufficient and balanced number of representative and non-representative products for each basic heading.

Housing services

9. One of the sources used for deriving data for Housing services is the Census of Population. The last survey was conducted in 2011 but data was not included in the calculations for Rents questionnaire yet. It is expected that CYSTAT will use this latest data started with 2014 for the reference years 2011, 2012, 2013.

Education

10. There is an inconsistency regarding the treatment of expenditure of students studying abroad between the two sources used for the Education data. The national accounts expenditure includes the expenditure of students abroad while the expenditure extracted from the education data, as well as the number of students does not include the students studying abroad and neither their expenditure. A solution for consistency between the two sources will need to be found together with Eurostat.

Hospitals

11. The current sample for hospital prices is insufficient, due to lack of data. A new National Health System in Cyprus is currently being implemented. It is expected to be completed by the end of 2015 and will be DRG-based. This should provide the information required to provide reliable input data for the hospital price survey from 2017 onwards.

CONCLUSIONS AND SUMMARY OF ACTION POINTS FOR CYSTAT

12. Cyprus complies well with the PPP Regulation. Its data are in general of sufficient quality and the resulting PPPs are plausible. In the previous sections, nevertheless, some improvement points were raised which are summarised in the table below.



Area	Action points
<i>Organisation</i>	<i>None</i>
<i>Consumer goods and services</i>	<i>None</i>
<i>Housing services</i>	(1) Use the 2011 census for the 2013 Rents questionnaire.
<i>Compensation of government employees</i>	<i>None</i>
<i>Education</i>	(2) Find an optimal solution for the treatment of expenditure and number of students studying abroad.
<i>Hospitals</i>	(3) Improve the sample of hospitals following the implementation of the new National Health System
<i>Gross fixed capital formation</i>	<i>None</i>
<i>Expenditure weights</i>	<i>None</i>