



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

COUNTRY: Germany

2023



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 Federal Statistical Office of Germany (DESTATIS) in the "PPP Inventory of sources and methods", version January 2023, as well as on other data and reports prepared in the context of the PPP programme. In addition, information provided during a videoconference on 27 February 2023 is taken into account.

ORGANISATIONAL ISSUES

4. The PPP work at DESTATIS belongs to the department D "National Accounts, Prices", division D3 "Prices" and section D34, which deals with other spatial comparisons in addition to PPPs. The head of section D34 is also the national PPP coordinator, and the PPP team consists of two senior statisticians, with one additional staff member to join the team in spring 2023, mainly for price collection. Several other sections within DESTATIS provide data for the PPP exercise, cf. the specific thematic sections below. The construction survey is outsourced to a commercial company with long experience in this field. The equipment goods survey, which in recent years has been conducted by the PPP team, will be subcontracted as from 2023.

DESTATIS maintains an active dissemination policy which includes monthly updated PLIs for household consumption, news items based on Eurostat's releases, and special features of particular relevance for holidaymakers.

FINDINGS BY PPP SURVEY

Consumer goods and services

5. The price surveys are carried out by the PPP team, sometimes assisted by apprentices. Prices are collected in Berlin, while the preview and pre-survey is carried out from Wiesbaden, based on information collected from retailers and from the Internet, on transaction data and on team members' experience from previous surveys. The German market is dominated by domestic and international chains, hence the information collected in Wiesbaden can be regarded as representative for Berlin as well. For the price collection, the selection of shop types is based on a weighting scheme developed for CPI purposes. Most major shop chains maintain uniform pricing throughout the country, and



prices in online shops are the same as in traditional outlets. These assumptions are checked explicitly during each survey. Price collection “on the spot” is less important than in the past, but is still needed for certain services and specialised shops. Transaction data is used to varying degrees in several surveys, most notably for food, beverages and tobacco.

Spatial adjustment factors (SAFs) are estimated from CPI data, supplemented with alternative sources whenever necessary. A special survey has been carried out for catering services. Transaction data will open the possibility of calculating national average prices directly, without the need for SAFs.

Housing services

6. Germany uses the price approach. The PPP team fills in the rents questionnaire based on data from the microcensus. The microcensus, covering one percent of households, is an annual survey, but specific questions about housing are included only every four years. The most recent data is from 2018. The data on the dwelling stock and expenditures from the microcensus are rescaled to the dwelling stock data from national accounts in order to calculate the square meter rent that goes into the PPP questionnaire. The same data is used for the imputed rents of owner-occupiers. For the years without fresh microcensus data, the structure of the dwelling stock is kept constant.

Compensation of government employees

7. The DESTATIS section “Public Service Personnel” provides the salary data based on government payroll records, while the social contributions are provided by the section “Compensation of Employees, Social Contributions, Net Wages”. All levels of government are covered, including corporations under public law. For data confidentiality reasons, social contributions are added to the salaries, i.e. they are not shown specifically in the PPP questionnaire. The salaries refer to the month of June, which represents a challenge since Christmas bonuses are not included. These are paid in some federal states, but not in others.

Hospitals

8. Within DESTATIS, the survey is conducted by the section “Health related accounting systems”. The main data source is the DRG database maintained by the Institute for the Hospital Remuneration System (InEK). Another important contributor is the Federal Institute for Drugs and Medical Devices (BfArM), which provides the medical expertise needed for mapping the German classification of procedures to the international classification ICD-9-CM. Due to internal procedures at InEK, the data for the PPP exercise can only be provided with one year delay. Until this issue is resolved, it has been agreed that Eurostat should extrapolate the data from the preceding year using input cost data (salaries).

Education

9. The PPP team checks the results of the Eurostat calculation for plausibility. This includes checking the student numbers and expenditures against DESTATIS data sources.



Equipment goods

10. In recent years, the equipment goods survey has been carried out by the PPP team. Starting from 2023, the work will be outsourced. The new contractor is also working for Belgium and the Netherlands. This is expected to create important synergies.

The main source of product information and price data has been the Internet, but in some cases, suppliers have been contacted directly. Discounts is a problematic issue, in particular for cars, since discounts here can be very substantial. This can create challenges in the inter-country validation if other countries quote pure list prices. For prices collected from the Internet, it is usually assumed that discounts are included.

Construction

11. The construction survey has for many years been outsourced to a private engineering company. Unit prices are collected from existing, quasi-public databases and publications, from the subcontractor's own tenders, and through enquiries with suppliers and manufacturers. Profit margins are estimated to be around three percent.

VAT on capital goods

12. Non-deductible VAT on capital goods is calculated from national accounts data.

Expenditure weights

13. The expenditure weights are prepared by various sections of department D "National Accounts, Prices". For household consumption expenditure, some basic headings cannot be filled in directly from national accounts data. In these cases, CPI weights are applied. These are only updated every five years. Likewise, in gross fixed capital formation, the basic heading breakdown is more detailed than in the standard approach used in national accounts. The detailed breakdown is estimated on the basis of domestic supply. For non-profit institutions serving household, and for government consumption (collective and individual), basic heading data for the PPP calculation can be sourced directly from national accounts.



CONCLUSIONS AND SUMMARY OF ACTION POINTS FOR DESTATIS

Germany 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	None.
2.1 Consumer goods and services	Continue the gradual implementation of transaction data in the PPP surveys. Consider using transaction data to calculate national average prices directly.
2.2 Housing	None.
3.1 Compensation of government employees	Investigate the issue of Christmas bonuses and make sure that these are included in the salaries, if applicable.
3.2 Hospitals	Work with the data provider to improve the timeliness of the data.
3.3 Education	None.
4.1 Equipment goods	Follow up on the issue of discounts with the new contractor.
4.2 Construction	None.
4.3 VAT on capital goods	None.
5. Expenditure weights	None.