



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

COUNTRY: Finland

2016



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 National Statistical Office of Finland (Statistics Finland) in the "PPP Inventory of sources and methods", version February 2016, as well as on other data and reports prepared in the context of the PPP programme. In addition, the information provided during a visit to Statistics Finland on 2 October 2015 is taken into account.

ORGANISATIONAL ISSUES

4. In Finland, the PPP team belongs to the department of Economic and Environmental Statistics. Data for PPP purposes are provided by different units in this department (e.g. National Accounts unit, Consumer and Housing Prices unit) or in cooperation with other departments (e.g. department of Business Statistics). Therefore, the good working relations are maintained and all processes relating to the PPP exercise are well coordinated and monitored by the PPP national coordinator and three members of the PPP team (all work full time on the PPP project). Generally, staff involved in the PPP exercise shows a very good understanding of the specific PPP requirements.
5. The members of the PPP team are responsible for the coordination and conduction of all consumer goods price surveys in collaboration with three surveyors from the Field Interview Unit of Data Collection Department.
6. Data for housing price surveys are provided by the Housing Price Team of the Consumer and Housing Prices unit and the National accounts unit (data required for price approach) and by Population and Social Statistics Department (data required for quantity approach).
7. Information on compensation of government employees is provided by the Business Statistics Department.
8. The equipment goods price survey is carried out by members of the PPP team, while the construction price survey is outsourced to an external expert who is responsible for price collection and data validation while the coordination of the survey and the submission of the data are divided between the staff of the Business Statistics Department and the PPP team.



9. The GDP expenditure weights, non-deductible VAT and tips are provided by the National Accounts unit while the CPI questionnaire is filled in by the Consumer Price Index team. Where necessary, data are further processed by the PPP team.
10. Data for the hospital survey is provided by the Institute of Health and Welfare.
11. Statistics Finland publishes once a year data on comparative price levels of goods and services for household consumption, and every third year, data on comparative price level of food, beverages and tobacco. Both releases are available on Statistics Finland's website in Finnish language.

Findings by PPP survey

Consumer goods and services

12. The PPP team organises and conducts the consumer goods price surveys following the methodological rules in order to ensure reliable information necessary for production of PPPs. The PPP team has a good knowledge of the consumer goods markets. The market for the majority of consumer goods products is dominated by shop chains with uniform pricing policy.
13. Finland provides prices for consumer goods and services collected in Greater Helsinki area which includes towns of Helsinki, Vantaa and Espoo. In most cases the spatial adjustment factors (SAF) for consumer goods are equal to 1 and reported prices are considered as national average prices. However, the area where price differences exist across the country is services. In 2014, the PPP team conducted a special research study for calculation of SAFs for the Services survey. In 2015 additional research was carried out for the calculation of SAFs for services in the Personal appearance survey.

Housing services

14. Finland provides information on housing services using both price and quantity approaches. For actual rents only the weighted average rents per square meter are calculated, while the imputed rents are copied from of the actual rents. The quantity and quality indicators are based on the last Census of Population and Housing and they are consistent with the national stocks underlying the reported national accounts rent expenditures.
15. Finland should examine the validity of the assumption that the structure of the rented dwellings is the same as the structure of owner-occupied dwellings and that therefore the imputed rents can be copied from the actual rents.
16. Finland should investigate if the full price concept is followed in the case of the actual rents.



17. Finland should define and review the possibility of inclusion of secondary residences in housing.

Government services (salary survey only)

18. The Business statistics department is responsible for the provision of data for the salary survey. The data on compensation of government employees is derived from the State's Personnel Register maintained by the State Treasury and administrated by the Ministry of Finance. Reported average annual gross salaries for occupation are obtained from the government payroll records.

CONCLUSIONS AND SUMMARY OF ACTION POINTS FOR NSO

19. Finland complies well with the PPP Regulation. Its data is 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> | None |
| <i>Consumer goods and services</i> | 1. Spatial Adjustment Factors – to continue with investigation and calculation of the regional price differences at basic heading level of different surveys. |
| <i>Housing services</i> | 2. Investigate the validity of the assumptions underlying the estimation of imputed rents as a copy of actual rents. 3. Investigate if in the case of the actual rents the full price concept is followed. 4. Define and review the possibility of inclusion of secondary residences. |
| <i>Compensation of government employees</i> | None |
| <i>Gross fixed capital formation</i> | None |
| <i>Expenditure weights</i> | None |