

GLOSSARY

Term	Definition
Acquisitions	Goods (including assets) and services acquired by institutional units when they become the new owners of the goods or when the delivery of services to them is completed.
Actual final consumption expenditure (AFCE)	Total value of household final consumption expenditures including nonprofit institutions serving households, and of expenditures by government on services provided to households.
Additivity	Additivity means that the real expenditures for higher-level aggregates can be obtained simply by adding the real expenditures of the subaggregates of which they are composed.
Base-country invariance	The property whereby the relativities between the PPPs, the price level indexes, and the volume indexes of countries are not affected by either the choice of currency as numeraire or the choice of reference country.
Basic heading	In principle, a group of similar well-defined goods or services for which a sample of products can be selected that are both representative of their type and of the purchases made in countries. In practice, a basic heading is defined as the smallest aggregate for which expenditure data are available.
Binary comparison	A price or volume comparison between two countries that draws on data only for those two countries. Also referred to as a “bilateral comparison”.
Bridge country	A country that provides a “bridge” between two regions by pricing two lists—one relating to its own region and the other containing products from the second region. The relationships between the PPPs derived from the two sets of prices are used to link together the two regions so that any country in one region can be compared with any country in the other region.

Term	Definition
Changes in inventories	Consist of changes in (i) stocks of outputs that are still held by the units that produced them prior to their being further processed, sold, delivered to other units, or used in other ways; and (ii) stocks of products acquired from other units that are intended to be used for intermediate consumption or for resale without further processing. They are measured by the value of the entries into inventories less the value of withdrawals and the value of any recurrent losses of goods held in inventories.
Characteristicity	The property that requires transitive multilateral comparisons between members of a group of countries to retain the essential features of the intransitive binary comparisons that existed between them before transitivity. A transitive multilateral comparison between a pair of countries is influenced by the price and quantity data of all other countries. Characteristicity requires that the impact of these influences should be kept to a minimum when they are introduced into the intransitive binary comparison. In other words, the multilateral PPP between two countries should deviate as little as possible from their binary PPP.
Classification of Individual Consumption by Purpose (COICOP)	A classification used to identify the objectives of both individual consumption expenditure and actual individual consumption.
Collective consumption service	A service provided by general government simultaneously to all members of the community or to all members of a particular section of the community, such as all households living in a particular region. It is the same as collective consumption expenditure by general government.
Comparability	A requirement for countries to price products that are identical or, if not identical, equivalent. Pricing comparable products ensures that differences in prices between countries for a product reflect actual price differences and are not influenced by differences in quality. Two, or more, products are said to be comparable either if their physical and economic characteristics are identical, or if they are sufficiently similar that consumers are indifferent between them.
Comparative price levels (CPLs)	See “Price level index” below.
Comparison resistant	A term first used to describe nonmarket services that are difficult to compare across countries because they have no economically-significant prices with which to value outputs, or their units of output cannot be otherwise defined and measured, or the institutional arrangements for their provision and the conditions of payment differ from country to country, or their quality varies between countries but the differences cannot be identified and quantified. Increasingly, the term is being used to describe capital goods and many market services whose complexity, variation, and country specificity make it difficult for them to be priced comparably across countries.

Term	Definition
Consistency	The requirement that the prices collected by countries are consistent with the prices underlying their estimates of final expenditure on GDP. In most cases this means that they should be national annual purchasers' prices. As the basis of comparison is the identity: expenditure = price x volume, volumes are obtained by dividing expenditures by prices; using prices that do not correspond to those used to derive the expenditures will result in the volumes being either underestimated or overestimated.
Consumer durables	Durable goods acquired by households for final consumption (i.e., those that are not used by households as stores of value or by unincorporated enterprises owned by households for purposes of production); they may be used for purposes of consumption repeatedly or continuously over a period of 1 year or more.
Country-product-dummy (CPD) method	The CPD method is a generalized multilateral method that uses regression techniques to obtain transitive PPPs for each basic heading. The data for a given category consist of all the prices available for the various specifications for the entire collection of countries in the region.
Country-product-representativity-dummy (CPRD) method	The CPRD method is an extension of the CPD method. Unlike the CPD method, which assumes that all products priced are equally representative in each country, the CPRD method explicitly takes into account whether each product is representative or nonrepresentative in each country in which it is priced.
Disposals of assets	Disposals of assets (inventories, fixed assets or land or other non-produced assets) by institutional units occur when one of those units sells or transfers any of the assets to another institutional unit. When the ownership of an existing fixed asset is transferred from one resident producer to another, the value of the asset sold, bartered or transferred is recorded as negative gross fixed capital formation by the former and as positive gross fixed capital formation by the latter.
Durable good	A good that may be used repeatedly or continuously over a period of more than 1 year, assuming a normal or average rate of physical usage. A consumer durable is a good that may be used for purposes of consumption repeatedly or continuously over a period of 1 year or more.
Eltető-Köves-Szulc (EKS) method	A procedure that enables binary PPPs, which are nontransitive when more than two countries are involved in the comparison, to be transformed into transitive PPPs, so that comparisons made between any pair of countries are mutually consistent. The EKS method produces transitive PPPs that are as close as possible to the nontransitive PPPs originally calculated in the binary comparisons. In practice, the EKS method is relevant only to the second part of this process (i.e., making the PPPs transitive). Real expenditures obtained using EKS-based PPPs are not additive, so the sum of the real expenditures for the components of GDP does not equal the real expenditure on GDP.

Term	Definition
Expenditure relatives	Real measures expressed in index form with the level of an individual country or an average for a group (such as Asia and the Pacific region) set to a value of 100.
Final consumption	Goods and services used by individual households or the community to satisfy their individual or collective needs or wants.
Final expenditure	The sum of final consumption expenditures of households, nonprofit institutions serving households, and general government; and of expenditures on gross fixed capital formation.
Fisher-type PPP	The geometric mean of the Laspeyres-type PPP and the corresponding Paasche-type PPP.
Fixity	The principle that the PPPs between countries in a region (and therefore the volume relativities based on the PPPs) do not change when the results from that region are combined with those from another region (or regions).
Geary-Khamis (GK) method	A method for aggregating basic headings and above in which category international prices (reflecting relative category values) and country PPPs (depicting relative country price levels) are estimated simultaneously from a system of linear equations. In practice, it involves valuing a matrix of quantities by applying a vector of international prices. The GK method produces PPPs that are transitive and real final expenditures that are additive.
General government	The sector consisting of the totality of institutional units which, in addition to fulfilling their political responsibilities and their role of economic regulation, produce principally nonmarket services (possibly goods) for individual or collective consumption and redistribute income and wealth.

Term	Definition
Gini coefficient (of inequality)	<p>The Gini coefficient is the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality, and 1, which indicates complete inequality (i.e., one person has all the income or consumption, all others have none). Graphically, the Gini coefficient can be represented by the area between the Lorenz curve and the line of equality, as follows:</p> <div data-bbox="602 516 1203 1020" data-label="Figure"> <p>The figure is a line graph titled "Lorenz Curve of Income Distribution". The vertical axis is labeled "Cumulative income share (%)" and ranges from 0 to 100 in increments of 10. The horizontal axis is labeled "Cumulative population share (%)" and also ranges from 0 to 100 in increments of 10. A straight diagonal line from (0,0) to (100,100) represents the line of total equality. A curved line below it represents the actual Lorenz curve. The area between the diagonal and the curve is shaded and divided into two regions, A and B, by a vertical line at approximately 40% on the x-axis. Region A is the triangle formed by the diagonal, the vertical line, and the curve. Region B is the area under the curve to the right of the vertical line.</p> </div> <p>In the figure above, the Lorenz curve maps the cumulative income share on the vertical axis against the distribution of the population on the horizontal axis. In this example, 40% of the population obtains around 20% of total income. If each individual had the same income, or total equality, the income distribution curve would be the straight line in the graph—the line of total equality. The Gini coefficient is calculated as the area A divided by the sum of areas A and B. If income is distributed completely equally, then the Lorenz curve and the line of total equality are merged and the Gini coefficient is zero. If one individual receives all the income, the Lorenz curve would pass through the points (0,0), (100,0) and (100,100), and the surfaces A and B would be similar, leading to a value of one for the Gini coefficient.</p>
Government final consumption expenditure (GFCE)	Or final consumption expenditure of government, consists of expenditure, including imputed expenditure, incurred by general government on both individual consumption goods and services and collective consumption services.
Gross capital formation (GCF)	Measured by the total value of gross fixed capital formation, changes in inventories, and acquisitions less disposals of valuables for a unit or sector.

Term	Definition
Gross domestic product—expenditure based	Total final expenditures at purchasers' prices (including the free-on-board value of exports of goods and services), less the free-on-board value of imports of goods and services.
Gross fixed capital formation (GFCF)	Measures the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period. It includes certain additions to the value of nonproduced assets (such as subsoil assets or major improvements in the quantity, quality, or productivity of land) realized by the productive activity of institutional units.
Household final consumption expenditure (HFCE)	Or final consumption expenditure of households, consists of the expenditure, including imputed expenditure, incurred by resident households on individual consumption goods and services, including those sold at prices that are not economically significant.
Laspeyres-type PPP	In a binary comparison between two countries, A and B, country A's Laspeyres-type PPP measures country B's price level relative to that of country A (the reference country), using country A's expenditures as the weights.
Local currency unit (LCU)	Or national currency unit, is the monetary unit in which economic values are expressed in an economy.
Multilateral comparison	A price or volume comparison of more than two countries simultaneously that produces consistent relations among all pairs of countries—that is, one that satisfies the transitivity requirement.
National annual average price	A price that has been averaged both over all localities of a country so as to take account of regional variations in prices and over the days, weeks, months, or quarters of the reference year so as to allow for seasonal variations in prices as well as general inflation and changes in price structures.
Net expenditures of residents abroad (NERA)	The final consumption expenditure of resident households in the rest of the world less final consumption expenditure of nonresident households in the economic territory.
Nondurable good	A good that may be used only once because its initial use results in it being completely used up or consumed. Food products are examples of consumer nondurables.
Nonprofit institutions serving households (NPISHs)	Consist of nonprofit institutions that are not predominantly financed and controlled by government and that provide goods or services to households free or at prices that are not economically significant.
Nonresident	A unit is nonresident if its center of economic interest is not in the economic territory.

Term	Definition
Numeraire currency	A currency unit selected to be the common currency in which PPPs and final expenditures on GDP (nominal and volumes) are expressed. The numeraire is usually an actual currency (such as the United States dollar) but it can be an artificial currency unit developed for the purposes of PPP comparisons. The Hong Kong dollar is the numeraire currency for ICP Asia Pacific comparisons.
Owner-occupied housing	Dwellings owned by the households that live in them. Owner-occupiers use the dwellings to produce housing services for themselves. The imputed rents of these housing services should be valued at the estimated rent that a tenant pays for a dwelling of the same size and quality in a comparable location with similar neighborhood amenities.
Paasche-type PPP	In a binary comparison between two countries, A and B, country A's Paasche-type PPP measures country B's price level relative to that of country A (the reference country), using country B's expenditures as the weights.
Per capita volumes	Standardized measures of real expenditure (or volume). They indicate the relative levels of the product groups or aggregates being compared after adjusting for differences in the size of populations between countries. At the level of GDP they are often used to compare the economic well-being of populations. They may be presented either in terms of a particular currency or as an index number.
Price level index (PLI)	The PLI for a basic heading (or broader aggregate) is the ratio of the relevant PPP to the exchange rate. It is expressed as an index on a base of 100. A PLI greater than 100 means that, when the national average prices are converted at exchange rates, the resulting prices tend to be higher on average than prices in the base country (or countries) of the region (and vice versa). At the level of GDP, PLIs provide a measure of the differences in the general price levels of countries. PLIs are also referred to as "comparative price levels".
Price relative	The ratio of the price of an individual product in one period to the price of that same product in some other period. In the ICP context, a price relative refers to the price of a product in one country to that of the same product in another country.
Principal component analysis (PCA)	A technique that uses mathematical procedures to recognize patterns in a complex dataset in order to simplify the dataset. PCA enables any correlated variables to be identified so that the dataset can be collapsed into a smaller number of variables, which are not correlated with each other, so that the dataset can be more readily analyzed. The principal components are ranked in the order of the extent to which they explain the variability in the data.
Purchaser's price	The amount paid by the purchaser, excluding any deductible value-added tax or similar deductible tax, in order to take delivery of a unit of a good or service at the time and place required by the purchaser. The purchaser's price of a good includes any transport charges paid separately by the purchaser to take delivery at the required time and place.

Term	Definition
Purchasing power parity (PPP)	A PPP is a price relative that measures the number of units of country B's currency that are needed in country B to purchase the same quantity of an individual good or service, which one unit of country A's currency can purchase in country A.
Real expenditure	Measures obtained by using PPPs to convert final expenditures on product groups, major aggregates, and GDP of different countries into a common currency, by valuing them at a uniform price level. They are the spatial equivalent of a time series of GDP for a single country expressed at constant prices. They provide a measure of the relative magnitudes of the product groups or aggregates being compared. At the level of GDP, they are used to compare the economic size of countries. They may be presented either in terms of a particular currency or as an index number. See "Price relative".
Reference PPPs	Used for basic headings for which no prices are collected; they are based on prices collected for other basic headings.
Relative price levels	The ratios of PPPs for components of GDP to the overall PPP for GDP for a country. They indicate whether the price level for a given basic heading or aggregate is higher or lower relative to the general price level in the country. The relative price levels in this publication are based on the Geary-Khamis method because they must be calculated using an additive aggregation method.
Representative product	An item that accounts for a significant share of the expenditures within a basic heading in the country in question.
Representativity	Representative products are those that figure prominently in the expenditures within a basic heading within a country. They are therefore products that are frequently purchased by resident households and are likely to be widely available throughout the country.
Resident	An institutional unit is resident in a country when it has a center of economic interest in the economic territory.
Rest of the world	The rest of the world consists of all nonresident institutional units that enter into transactions with resident units, or that have other economic links with resident units.
Semidurable good	A good that can be used multiple times over a period of more than 1 year. But it has an expected lifetime of use significantly shorter than that of a durable good and its purchaser's price is substantially less than that for a durable good.

Term	Definition
Services	Outputs produced to order, which cannot be traded separately from their production. Ownership rights cannot be established over services and by the time their production is completed they must have been provided to the consumer.
Transitivity	The property whereby the direct PPP between any two countries (or regions) yields the same result as an indirect comparison via a third country (or region). It is sometimes referred to as “circularity”.
Volume	See “Real expenditure”.

The definitions in this Glossary are based on definitions from Eurostat/OECD (2006), Kravis et al. (1982), OECD (2001), and World Bank (2007a).

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