

Improving the measurement of PPPs for housing services

Joint Consultation on the European Comparison
Programme

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I Countries with a rent market

Two issues to be addressed:

1. Adjustment of prices to the level of the NA
2. Adjustment of prices due to differences in the coverage of rents between countries

I Countries with a rent market

1. Adjustment of prices to the level of NA:

	Rent/m2		Weights (in m2)		Total
Dwelling 1					
Dwelling 2					
Dwelling 3					
.					
.					
.					
.					
.					
.					

Total: Average rent/m2 in the PPP rent survey:

P1

Average rent/m2 in the NA:

P2

Ratio by which rent/m2 (the first column) are adjusted:

P2 / P1

I Countries with a rent market

2. Adjustment for the coverage of rents:

- Prices are adjusted downwards when rents include services that are paid separately in other countries

Why the adjustment is necessary due to differences in the coverage of rents?

			Not adjusted		Adjusted	
	Expenditure		PPP	Volume in B	PPP	Volume in B
	A	B	B/A	in prices of A	B/A	in prices of A
Rent	100	110	1.1	100	1.0	110
Services	10	0	1.0	0	1.0	0
Total	110	110		100		110

Assumption: countries A and B are identical - only the coverage of rents differ

The adjustment ensures that the volume becomes the same for the countries in spite of institutional differences

Coverage of rents in some countries

AUT	BEL	DNK	FRA	FIN	GRC	SWE	UK	CHE	NOR
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Apartments:

Heating	no	no	no	no	yes	no	no	no	no	no
Water supply	no	no	no	no	yes	no	yes	no	no	no
Refuse collection	no	no	no	no	yes	no	yes	no	no	no
Sewerage	no	yes	partly	no	yes	no	yes	no	yes	no

Houses:

Heating	no	no	no	no	no	no	no	no		no
Water supply	no	no	no	no	yes	no	yes	no		no
Refuse collection	no	no	no	no	yes	no	yes	no		no
Sewerage	no	yes	partly	no	yes	no	yes	no		no

II Countries with no rent market

PPPs in the present method:

- Based on quantity and quality indicators:
 - Quantity indicator is estimated by multiplying dwelling stock data in m² by a price vector that shows the dependency of rent/m² on the size of dwelling. The data is obtained from a survey covering 15 European cities.
 - Quality indicator is based on the existence of various facilities.
 - Volume indicator is derived by multiplying the two indicators and PPPs are then derived indirectly by dividing expenditures by the volume indicator

II Countries with no rent market

Disadvantages of the present method:

- Results are based on a different method than for countries with a rent market

Consequently:

- Not comparable
- Poor transparency

II Countries with no rent market

1. Adjustment of prices to the level of NA:

	Rent/m2		Weights (in m2)		Total
Dwelling 1	Taken from countries with rent market	x	Countries provide	=	
Dwelling 2					
Dwelling 3					
.					
.					
.					

Total: Weighted average of rent/m2:

P1

Average rent/m2 in the NA:

P2

Ratio by which proxy rents/m2 are adjusted:

P2 / P1

Quality of results

- The rent questionnaire does not capture properly all qualitative differences in the dwelling stock and cannot be significantly improved

Therefore:

- It should be considered to keep the adjustment coefficient in force.

However:

- To achieve a better comparability, it should be used also for countries with a rent market.

Main discussion points

- Should we go to a direction where rents for all countries are estimated within the same framework?
- It is hardly possible to develop a rent questionnaire that captures properly all qualities of dwellings. Therefore, should rent data be adjusted separately based on the existence of various facilities and apply adjustment for all countries?