

Influence of effects that are exogenous to the education system on some education finance statistics indicators:

Effects that are exogenous to the education system, but are contained in auxiliary indicators (e.g. Gross Domestic Product, Gross National Income, GDP-Deflator or Purchasing Power Parity) used to calculate indicators on education finance statistics may sometimes bias the interpretation of some indicators.

From a methodological point of view, the use of the GDP-deflator to deflate the prices of educational goods and services can be considered as problematic as prices in education may develop differently than those of the whole economy. Therefore, the use of the GDP deflator will only allow to approximately determine the expenditure on education in constant prices. However, this will be merely a temporary solution anyway as National Accounts experts in EUROSTAT are currently developing a deflation method to measure the non-market output in education in constant prices. Once this deflation method will be developed, it could be adapted to the needs of education finance statistics in order to deflate more accurately the educational expenditure in the future.

The GDP-Deflator is considered in general to be of sufficient accuracy when deflating temporarily the prices of educational goods and services. However, in countries with economies, that are heavily dependent on the export of a limited number of natural resources (e.g. Iceland and Norway), the export prices have a significant impact on the GDP-Deflator. As a result the interpretation for some indicators on education finance using GDP-Deflator (e.g. index of educational expenditure in constant prices) should be done with utmost care.

Purchasing Power Parities (PPP) are considered in general to be of sufficient accuracy when deflating spatially the prices of educational goods and services. However, in countries with economies, that are heavily dependent on the export of a limited number of natural resources (e.g. Iceland and Norway), the export prices have a significant impact on the PPP. As a result the interpretation for some indicators on education finance using PPP (e.g. expenditure per pupil/student in EUR PPS) should be done with utmost care.

In small open economies (e.g. Ireland, Luxembourg, Hungary and Estonia) large over-sea companies have their production plants and expatriate their profits abroad. This may influence to a certain extent the interpretation of indicators expressed as a percentage of Gross Domestic Product, therefore it is sometimes argued that it would be preferable to relate the expenditure to the Gross National Income.