



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

COUNTRY: Norway

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 Statistics Norway in the "PPP Inventory of sources and methods", version January 2024, as well as on other data and reports prepared in the context of the PPP programme. In addition, information provided during a videoconference on 29 February 2024 is taken into account.

ORGANISATIONAL ISSUES

4. The PPP team at Statistics Norway belongs to the Division for Price Statistics in the Department of Economic Statistics. The team consists of the national coordinator, who works 50 percent on PPP and 50 percent on CPI, and one full-time employee. Both team members have long experience in price statistics and in PPP work specifically. Two price collectors are involved in the surveys on consumer goods and services and on equipment goods. Expenditure weights and data on rents, VAT and tips are provided by the Division for National Accounts, while the Division for Labour Market Statistics provides the data for the survey on the compensation of government employees. A different government institution, the Directorate of Health, is in charge of the hospital survey. The only other survey which is outsourced is the construction survey. The total amount of human resources, not including the hospital and construction surveys, is estimated at between 2 and 2.5 full-time equivalents per year.

Statistics Norway has a long established practice of publishing PPP-related articles, mostly following up on Eurostat's news releases in June and December, but occasionally articles on ad hoc topics as well. PPP data is also available in the dissemination database. In dialogue with the Communications Department, they are currently reviewing their practice with a view to making the content more accessible to a wider audience.

FINDINGS BY PPP SURVEY

Consumer goods and services

5. These surveys are carried out by the PPP team assisted by the two price collectors during the pre-survey and price collection phases. There is a high degree of coordination with the CPI as concerns outlet sampling, data sharing (primarily transaction data, but not



exclusively), and the assessment of representativity. Price collection is for the most part based on Internet prices, transaction data and CPI, while “traditional” price collection in shops has almost been eliminated. Transaction data is currently used for the major supermarket chains, liquor shops and pharmacies, with data on consumer electronics, furniture and sports equipment being tested for implementation in the CPI.

Unless transaction data or other nation-wide data sources are available, prices are collected only in the capital region. Many big chains maintain homogenous pricing policies throughout the country, as confirmed by an expert panel survey some years ago. For some basic headings, SAFs can be calculated on the basis of CPI data, but for others, data is not available or too weak to produce reliable results.

Housing services

6. Norway uses the stratification approach in national accounts and the price approach for the calculation of PPPs. The rents questionnaire is filled in by the Division for National Accounts. Actual rents are based on the 2015 Rental Market Survey, while imputed rents are derived from the actual rents via regression analyses. For the subsequent years, actual and imputed rents are extrapolated by the CPI rents survey, which covers a sub-sample of the Rental Market Survey. Dwelling stock estimates are based on census data, extrapolated annually by building statistics and household statistics. While fees for water, sewerage and refuse collection are excluded from the imputed rents, this is not the case for the actual rents, since it is common that these fees are paid by landlords rather than by tenants. It should be investigated whether an adjustment could be made in order to bring the actual rents more in line with the requirements of the PPP rents survey.

Compensation of government employees

7. The salary questionnaire is filled in by the Division for Labour Market Statistics, based on payroll data extracted from a central register maintained by Statistics Norway, the Tax Administration and the Labour and Welfare Administration (NAV). The data covers all levels of government (central, regional and municipal). The data reported in the PPP questionnaire refer to full-time equivalents (FTEs). In line with the survey guidelines, social contributions are taken from national accounts.

Hospitals

8. The Directorate of Health – a government agency under the Ministry of Health – is responsible for providing the data for the PPP hospital survey. Validation questions need to be addressed to the data provider, with whom the PPP team maintains good relations.

Education

9. Data from the UNESCO-OECD-Eurostat education database is provided to the countries by Eurostat for checking. This is especially important if there are gaps in the database and imputations have been made. The PPP team checks the PISA results and consults education experts within Statistics Norway.

Equipment goods

10. The survey is carried out by the PPP team, assisted by price collectors. In the preview and pre-survey stages, the most useful source of information is the Internet, which is used to identify suppliers and to check product availability and technical parameters. More



traditional sources are also used. During price collection, traditional methods are more prominent, with price data gathered mostly by email, often in the form of pro forma orders, in addition to the Internet. Prices for motor vehicles are collected from a centralised source.

Construction

11. The survey is outsourced to two commercial companies, one for the building projects and one for civil engineering. The contractor for the building projects is a consultancy in the field of construction cost analysis. They maintain a comprehensive database of cost components. The civil engineering contractor is a major civil engineering company in Norway. Both contractors have many years of experience in working with Statistics Norway on providing data for the PPP exercise. They also take part in the validation process and in the assessment of new projects.

VAT on capital goods

12. Non-deductible VAT is calculated by the Division for National Account.

Expenditure weights

13. The Division for National Accounts provides unpublished data at 4-digit level to the PPP team for further processing. The expenditure weights at basic heading (5-digit) level are taken from the CPI, based on various sources. For Non-profit Institutions Serving Households and for General Government, there is no need for data below the 4-digit level, while the questionnaire for Gross Fixed Capital Formation is filled in using figures for GFCF by type of asset. The asset types of the final national accounts are sufficiently detailed for this purpose. For the most recent reference year, data from quarterly accounts is used.



CONCLUSIONS AND SUMMARY OF ACTION POINTS FOR STATISTICS NORWAY

Norway 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	Continue to develop the national dissemination policy.
2.1 Consumer goods and services	Continue effort to acquire and implement transaction data in the PPP surveys.
2.2 Housing	Investigate whether charges for water, sewerage and refuse collection can be excluded from the actual rents as reported in the GDP expenditure breakdown.
3.1 Compensation of government employees	None.
3.2 Hospitals	None.
3.3 Education	None.
4.1 Equipment goods	None.
4.2 Construction	None.
4.3 VAT on capital goods	None.
5. Expenditure weights	<p>Clarify the source of the CPI-based weights used at basic heading level.</p> <p>Review the basic headings with zero expenditure in the questionnaire to see if an estimate can be found, in particular as concerns A.07.2.2.3 "Other fuels for personal transport equipment".</p>