

Glossary

actual final individual consumption. A measure of the individual goods and services that households actually consume. It includes what households purchase, plus the value of services such as education and health that households receive from the government and nonprofit institutions serving households (NPISH).

additivity. A property of aggregation methods in which the values of the national accounts aggregates of countries participating in a comparison are equal to the sum of the values of their components when both aggregates and components are valued at current national prices. Additivity requires that this identity be preserved when the aggregates and their components are valued at international prices. An aggregation method is additive if, for each country being compared, it provides real values for basic headings that sum to the real values of the aggregates of which they are components. An additive aggregation method provides volumes that satisfy the average test for volumes, but are subject to the Gerschenkron effect.

aggregate. The sum of a set of transactions relating to a specified flow of goods and services in a given period, such as the total purchases made by resident households on consumer goods and services, the total expenditure by government on collective services, or the total value of gross fixed capital formation. The term *aggregate* is also used to refer to the value of the specified set of transactions.

aggregation. The procedure of computing PPPs above the basic heading level. The term also refers to the process of weighting, summing, and averaging basic heading PPPs to obtain PPPs for each level of aggregation up to and including GDP.

base country invariance. The resulting property when the relative PPPs, price level indexes, and volume indexes of countries are not affected by the choice of currency or the choice of country as the reference or base country.

basic heading. The lowest level of aggregation of items in the GDP breakdown for which PPPs are calculated. In theory, a basic heading is a group of similar well-defined goods or services. In practice, it is the lowest level of final expenditure for which explicit expenditure weights can be estimated. Thus an actual basic heading can cover a broader range of products than is theoretically desirable. Basic headings are the building blocks of a comparison. It is at the level of the basic heading that expenditures are defined, products selected, prices collected, prices edited, and PPPs first calculated and averaged.

basket. The common list of well-defined goods and services from which countries participating in a comparison make a selection of products to price for the purpose of compiling PPPs. Also referred to as product list or item list.

basket of construction components (BOCC) approach. An approach to estimating construction PPPs used in the 2005 ICP. It involves collecting prices for a range of major construction components and basic inputs common across countries. The term *construction components* is used to describe specific physical outputs produced as intermediate steps in construction projects. A key element of this process is that the overall price estimated for each component is related to an installed component, including the costs of materials, labor, and equipment—that is, the price is closely related to an output price rather than to an input price.

bias. A systematic error in a PPP or volume index. Bias can arise for a number of reasons, including failure to respect representativity, comparability, or consistency; the price collection and measurement procedures followed; or the calculation and aggregation formula employed.

Big Mac index. An index developed and used by the *Economist* to illustrate the use of PPPs. It is based on the price of a McDonald's Big Mac hamburger compared across countries.

bilateral comparison. See **binary comparison**.

bilateral PPPs. PPPs based on a binary comparison between two countries.

bills of quantities (BOQ) method. An approach used in the Eurostat-OECD comparison to estimate construction PPPs. Product specifications detail the costs of labor, materials, and equipment required to build a standard construction project. They include profit or loss, architect's or engineer's fees, and overhead expenses. The BOQ approach involves pricing detailed bills of quantities for a number of construction projects that are designed to be representative of such projects in the countries being compared.

binary comparison. A price or volume comparison between two countries that draws on data only for those two countries. It is also known as a bilateral comparison—that is, a PPP between two countries calculated using only the prices and weights for those two countries.

bridge country. A country that provides the link or bridge between two separate comparisons or regions involving different groups of countries. The bridge country participates in both comparisons and, by doing so, enables comparison of the countries in one comparison with the countries in the other comparison and vice versa.

characteristicity. The property that requires transitive multilateral comparisons between members of a group of countries to deviate as little as possible from their binary PPP. A transitive multilateral comparison between a pair of countries is influenced by the price and quantity data of all other participating countries. Therefore, a requirement is that these influences be kept to a minimum.

characteristics. The physical and economic attributes of a product that serve to identify it and enable it to be located under some heading of a product classification. The term also refers to the technical parameters and price-determining properties of a product listed in a product specification.

Classification of the Functions of Government (COFOG). A classification used mainly to determine which final consumption expenditures of general government benefit households individually and which benefit households collectively. For example, education is individual; police protection is collective.

Classification of Individual Consumption According to Purpose (COICOP). A classification of the individual consumption expenditures of three institutional sectors—households, nonprofit institutions serving households (NPISH), and general government—by the ends they wish to achieve through these expenditures. Individual consumption expenditures are made for the benefit of individual households. All final consumption expenditures by households and NPISH are defined as individual; only the final consumption expenditures by general government on individual services are treated as individual.

collective consumption expenditure by government. Expenditures incurred by general and local governments for collective consumption services such as defense, justice, general administration, and protection of the environment.

comparability. A characteristic achieved by requiring countries participating in a comparison 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 if either their physical and economic characteristics are identical, or they are sufficiently similar that consumers are generally indifferent about the choice of product.

comparison-resistant. A term used to describe nonmarket services that are difficult to compare across countries. Examples are equivalent rents for owner-occupied housing, certain government services, and many construction activities.

compensation of employees. All payments in cash and in kind made by employers to employees in return for work carried out by the employees during the accounting period. These payments comprise gross wages and salaries in cash and in kind, employers' actual social contributions, and imputed social contributions. Compensation of employees is the largest component of the costs of producing government services, and it is the only cost component for which prices were collected in the 2005 ICP round. Compensation of employees was reported for a selection of occupations in government, public education, and public health services.

consistency. A characteristic achieved by requiring 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 the prices collected should be national annual average purchasers' prices. At the basis of a comparison is the identity—expenditure = price × volume—and volumes are obtained by dividing expenditures by prices.

consumer price index (CPI). An index of price changes within a country across time.

consumption of fixed capital. The reduction in the value of the fixed assets used in production during the accounting period resulting from physical deterioration, normal obsolescence, or normal accidental damage.

country. The use of country in this book is inclusive of World Bank member countries as well as economies, such as Hong Kong SAR, China; Macao SAR, China; and Taiwan, China.

Country Product Dummy (CPD) method. The multilateral method used by the ICP to obtain transitive and base country-invariant PPPs at the basic heading level through regression analysis. It treats the calculation of PPPs as a matter of statistical inference—an estimation problem rather than an index number problem. The underlying hypothesis is that, apart from random disturbance, the PPPs for individual products within a basic heading are all constant between any given pair of countries. In other words, it is assumed that the pattern of relative prices of the different products within a given basic heading is the same in all countries. It is also assumed that each country has its own overall price level for the basic heading, and that level fixes the levels of absolute prices of the products in the basic heading for the country.

Country Product Dummy-Weighted (CPDW) method. A modified CPD model in which specific weights are used for “important” or representative products. The results are transitive and base-invariant.

Country Product Representative Dummy (CPRD) method. A modified CPD model in which implied weights are used for representative products. The results are transitive and base-invariant.

country variation coefficient. A measure of dispersion among a country’s PPP ratios for a basic heading. In other words, it measures the variation in a country’s price levels among the products it priced for the basic heading and the reliability of its PPP for the basic heading.

data validation. The statistical process used to review prices and PPPs and expenditure weights at the different levels of aggregation.

deflation. The division of the current value of some aggregate by a price index—described as a deflator—to value its quantities at the prices of the price reference period.

Dikhanov table. A tool for price diagnostics and data validation that is specific to the Country Product Dummy (CPD) methods of calculating PPPs. The Dikhanov table is also used to edit prices within aggregates of several basic headings. It contains much of the same information as a Quaranta table, but it is better-suited to editing prices across the basic headings and products comprising an aggregate.

direct rent approach. An approach to estimating PPPs for owner-occupied housing based on the equivalent rental rates for rented dwellings. This method assumes that the rental rates for rented dwellings by age, size, and amenities can be applied to similar types of owner-occupied housing. The *System of National Accounts* calls for statistical agencies to include in their estimates of expenditures the explicit dwelling services of renters and the implicit dwelling services of owners, including both the site rent and the rent of the structure.

direct volume method. A method for estimating PPPs for owner-occupied housing (also known as the **quantity method**). A volume comparison between two or more countries consists of comparing the quantities of housing. The direct volume approach requires census-type information on number, location, and type of structure. The volume of dwelling services is obtained in two stages. First, a simple measure of the quantity of dwelling services is calculated using either the floor space or the number of rooms in all dwellings. Quality indicators referring to amenities such as electricity and running water are then used to convert these quantity measures into volume measures.

economy. Economies include administrative areas such as Hong Kong SAR, China; Macao SAR, China; and Taiwan, China.

European Comparison Program. The ICP regional program for Europe, carried out under the auspices of the United Nations Economic Commission for Europe. It is organized by Eurostat, the Organisation for Economic Co-operation and Development (OECD), the Interstate Statistical Committee of the Commonwealth of Independent States (CISSTAT), and the Federal State Statistics Service of the Russian Federation (Rosstat).

Eurostat-OECD PPP Programme. A program that provides PPPs on a three-year cycle for the European Union and OECD countries under the coordination of Eurostat (the statistical office of the EU) and OECD. The program is closely coordinated with the ICP, which includes the rest of the world, to ensure results are comparable. While separate, the Eurostat-OECD comparison is considered to be a sixth ICP region for discussion purposes in this volume.

exchange rate reference PPP. The type of PPP produced when exchange rates are used as the PPPs for these basic headings: exports of goods and services, imports of goods and services, final consumption expenditure of resident households in the rest of the world, and final consumption expenditure of nonresident households in the economic territory.

Executive Board, ICP. The body that provides strategic leadership and decisions about ICP's priorities, standards, overall work program, and budget (see annex A of chapter 2 for the list of members for the 2005 ICP round). Representation on the Executive Board is agency-based (either an international organization or a national statistics office), with the proviso that representatives be very senior staff.

exhaustiveness. A term that describes the process to ensure the completeness of GDP expenditures by including, for example, expenditures for illicit purchases, home or own production, and animal-drawn vehicles.

expenditure measure of GDP. The expenditure measure of GDP (also known as expenditures in national accounts) derived as the sum of expenditures on final consumption by households and by government added to gross capital formation and exports (minus imports). This measure is based on the principle that all of the final products are either purchased by someone or put into inventories. The breakdown of GDP into aggregates and basic headings for the ICP is based on the expenditure method because it is easier to obtain the underlying prices for these components. The values of final expenditures recorded in the national accounts are closely associated with the data and prices used for the national consumer and producer price indexes for household consumption and equipment purchases by businesses, respectively.

expenditure weight. The share of expenditure components in current-price GDP.

extrapolation. The method used to estimate PPPs for the years between benchmark surveys.

financial intermediation services indirectly measured (FISIM). An indirect measure of the value of the financial intermediation services that financial institutions provide clients but for which they do not charge explicitly. FISIM is paid by everyone (households, unincorporated enterprises, corporations, and government) who use the services of banks and other types of financial institutions.

Fisher-type PPP. The PPP for a basic heading or an aggregate between two countries that is defined as the geometric mean of the Laspeyres-type PPP and the Paasche-type PPP for the basic heading or the aggregate. The formulation depends on whether they are being used to calculate basic heading PPPs or to aggregate basic heading PPPs.

fixity. The convention whereby the price and volume relativities between a group of countries that were established in a comparison covering just that group of countries remain unchanged, or fixed, when the countries of the group are included in comparisons with a wider group of countries. For example, the price and volume relativities of the ICP regions and Eurostat-OECD comparison remain unchanged in the global comparison. If fixity were not imposed, the PPP between any two countries would differ for the regional and global comparisons.

Geary-Khamis (GK) method. An average-price method to compute PPPs and real final expenditures above the basic heading level that are additive across the aggregates. It entails valuing a matrix of quantities using a vector of international prices. The vector is obtained by averaging national prices across participating countries after they have been converted to a common currency with PPPs and weighted by quantities. The PPPs are obtained by averaging within participating countries the ratios of national and international prices weighted by expenditure. The international prices and the PPPs are defined by a system of interrelated linear equations that must be solved simultaneously. The GK method produces PPPs that are transitive and real final expenditures that are additive. Among its disadvantages, a change in the composition of the group can change significantly the international prices, as well as the relationships between countries, and the real final expenditures are subject to the Gerschenkron effect, which can be large. The result is that the price structures of poor countries are raised because the larger richer countries receive a greater weight. GK results are considered better-suited to the analysis of price and volume structures across countries.

general government. The institutional sector that consists of central, regional, state, and local government units, together with the social security funds imposed and controlled by those units. It includes nonprofit institutions engaged in nonmarket production that are controlled and mainly financed by government units or social security funds. Also referred to as government.

Gerschenkron effect. An effect applicable only to aggregation methods that use either a reference price structure (i.e., each country's quantities are valued by a uniform set of prices) or a reference volume structure (i.e., each country's prices are used to value a uniform set of quantities) to compare countries. For methods employing a reference price structure, a country's share of total GDP (i.e., the total for the group of countries being compared) will rise as the reference price structure becomes less characteristic of its own price structure. For methods employing a reference volume structure, a country's share of total GDP will fall as the reference volume structure becomes less characteristic of its own volume structure. The Gerschenkron effect arises because of the negative correlation between prices and volumes. Per capita expenditures in poor countries become larger because the higher prices from the larger countries receive more weight. The Geary-Khamis and Iklé-Dikhanov-Balk methods are subject to this effect.

Gini-Éltető-Köves-Szulc (GEKS) method. Formerly known as the Éltető-Köves-Szulc (EKS) method, a procedure whereby any set of intransitive binary index numbers are made transitive. The GEKS method is based on averaging the direct PPPs between any two countries with the PPPs that can be obtained indirectly. The resulting GEKS PPPs provide real final expenditures that are not additive but, more important, are not subject to the Gerschenkron effect. All countries are treated equally at each stage of aggregation regardless of the size of their GDP. The GEKS* method is the same as the GEKS method but with the addition of implied weights for importance or representativity.

global core list. The set of 601 items added to the regional lists of goods and services to be priced for the main price survey on household consumption. This common list will provide the basis to link the within-region PPPs across regions for the 2011 ICP.

Global Office, ICP. The office established in 2002 in the World Bank to carry out the day-to-day work required to implement the ICP worldwide. The global manager is responsible for its operations, supported by a team of professional statisticians and administrative staff. The Global Office reports regularly to the Executive Board on work programs and budgets. It is subject to the World Bank's administrative and fiduciary rules and regulations, including all requirements related to the confidentiality of data. On day-to-day activities, the Global Office reports to the director of the World Bank's Development Data Group.

government final consumption expenditure. Expenditure, including imputed expenditure, incurred by general government on both individual consumption goods and services and collective consumption services.

gross domestic product (GDP). A measure that can be estimated using three approaches that, in theory, yield the same result. The expenditure approach used for the ICP is the summation of all the final expenditures incurred by the country's resident institutional sectors during the accounting period. The main aggregates of GDP are individual consumption expenditure by households, individual consumption expenditure by government, collective consumption expenditure by government, and gross fixed capital formation.

gross fixed capital formation. An aggregate that includes the basic headings for construction, machinery and equipment, and other products such as software.

gross operating surplus. A term that refers to net operating surplus plus consumption of fixed capital. In most countries, the net operating surplus is insignificant or zero, and so this item consists only of consumption of fixed capital. Consumption of fixed capital is the decline in value through wear and tear and obsolescence of government-owned buildings, roads, bridges, and other structures and of machinery and equipment such as computers, motor vehicles, and diagnostic equipment used in government hospitals. Reference PPPs are used for this basic heading.

health. The aggregate that includes expenditures by households on medical products, appliances and equipment, outpatient services, and hospital services. It also includes expenditures by government on health benefits and reimbursements and on production of health services.

household. A small group of persons who share the same living accommodation, who pool some or all of their income and wealth, and who consume certain types of goods and services collectively, mainly food and housing. A household can consist of only one person.

household final consumption expenditure. 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.

Iklé-Dikhanov-Balk (IDB) method. A method of computing weighted averages of PPPs that produces additive results. However, the results are not consistent with economic comparisons of utility across countries. In addition, large countries have a greater impact on the final results. If large countries have higher prices, then the impact is to raise the price levels of the poorer, smaller countries. The IDB method has a smaller large-country effect (Gerschenkron effect) than the GK method, which is also additive.

importance. A characteristic applied to products. An important product is one that has a large expenditure share within the basic heading to which it belongs. An important product may have a very small expenditure share within household consumption as a whole but still be important within its basic heading.

imputation. A statistical method applied when data values are missing. In the 2005 ICP, PPPs at the level of GDP were imputed for countries that did not participate. When participating countries were not able to provide data for some basic headings, the basic heading PPPs were imputed.

income in kind. Free or subsidized housing, meals, transport allowance, uniforms, and other items of clothing. These items are valued at the cost to the employer of providing them—that is, the cost of production when the items were produced by the employer and the purchaser's price when they were bought by the employer and passed on to the employee.

indirect comparison. A price or volume comparison between two countries made through a third country. For example, for countries A, B, and C the PPP between A and C is obtained by dividing the PPP between A and B by the PPP between C and B: $PPP(A/C) = PPP(A/B) \div PPP(C/B)$.

individual consumption expenditure by government. The actual and imputed final consumption expenditure incurred by general government on individual goods and services.

individual consumption expenditure by households. The actual and imputed final consumption expenditure incurred by households on individual goods and services. It also includes expenditure on individual goods and services sold at prices that are not economically significant. By definition, all final consumption expenditures of households are for the benefit of individual households and are individual. Also referred to as the final consumption expenditure of households and household final consumption expenditure.

individual consumption expenditure by NPISH. The actual and imputed final consumption expenditure incurred by nonprofit institutions serving households (NPISH) on individual goods and services. In practice, most final consumption expenditures of NPISH are individual in nature, and so for simplicity's sake all final consumption expenditures of NPISH are treated by convention as individual. Also referred to as the final consumption expenditure of NPISH and social transfers in kind.

input pricing. The approach used to obtain PPPs for nonmarket services. For government, the input price is compensation of employees. The basket of construction components (BOCC) method for estimating construction PPPs is based on prices of all major material and labor inputs for a range of different types of construction projects.

intermediate consumption. The value of the goods and services, other than fixed assets, that are used or consumed as inputs by a process of production.

International Comparison Program (ICP). A research project launched in the 1960s with the ultimate goal of establishing a regular program providing worldwide PPP comparisons of GDP. Comparisons were organized for 1970 (10 countries), 1973 (16), 1975 (34), 1980 (60), 1985 (64), and 1993 (83). The responsibility for these comparisons was shared by the United Nations Statistics Division and the University of Pennsylvania. The World Bank coordinated the 2005 ICP round and continues with the 2011 round.

international dollars. A term used to describe the currency unit based on PPP exchange rates to the U.S. dollar. The purchasing power parities at the global level for each economy are com-

puted at United States = 1.00, making the U.S. dollar the numeraire currency. These PPP conversion factors transform GDP and aggregates in national currency into a common world currency referred to as real expenditures in international dollars.

item. A good or service precisely defined for use in price collection, or a good or service defined by an item specification and included in an item list.

Jevons index. The geometric average of individual product PPPs between two countries that becomes the basic heading PPP. If the matrix is full (no missing prices), the basic heading PPP is transitive.

Jevons-GEKS index. The Jevons index made transitive by the Gini-Éltető-Köves-Szulc (GEKS) method with less than a full price table. Jevons-GEKS* is the Jevons index made transitive when implied weights are used for representative or important products.

Laspeyres price index. Weighted averages of the elementary basic heading PPPs using the expenditure shares of the base country as the weights.

linking methods. The methods used when PPPs are first computed between countries within the same region and then calibrated to the rest of the world. The linking method provides PPPs between countries in different regions. The Ring and bridge methods were used for the 2005 ICP.

machinery and equipment. The aggregate that includes fabricated metal products, general-purpose machinery, special-purpose machinery, electrical and optical equipment, transport equipment, and other manufactured goods.

max-min ratio test. Method used to identify values that are outliers based on comparing the maximum to the minimum value.

multilateral comparison. A price or volume comparison of more than two countries simultaneously that produces consistent relations among all pairs of countries (i.e., one that satisfies the transitivity requirement). The PPPs between any two countries are influenced by their respective PPPs to all of the other countries.

national coordinating agencies. In most countries or economies, several different agencies provide the national accounts and price data for the ICP. In such cases, one agency is nominated as the national coordinating office, and within that agency a national ICP coordinator is appointed.

nominal expenditures. National GDP values converted to a common currency using exchange rates. These values reflect both volume and price differences between countries.

nonprofit institutions serving households (NPISH). 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. Their main resources are voluntary contributions by households.

nonresidential buildings. Buildings other than dwellings, including fixtures, facilities, and equipment that are integral parts of the structures.

numeraire currency. The term used for the 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 U.S. dollar), but it can be an artificial currency unit developed for the purposes of PPP comparisons.

other products. The basic heading that includes products of agriculture, forestry, fisheries, and aquaculture, as well as software products.

overall variation coefficient. A measure of dispersion among all the PPP ratios for a basic heading. In measuring dispersion, the coefficient also measures the homogeneity of the price structures of the countries covered by the basic heading and the reliability of the PPPs calculated for the basic heading. The higher the value of the coefficient, the less homogeneous are the price structures and the less reliable are the PPPs.

Paasche-Laspeyres spread (PLS). The ratio of the Paasche price index to the Laspeyres price index.

Paasche price index. Weighted averages of the elementary basic heading PPPs using the expenditure shares of the nonbase country as the weights. It can be viewed as the harmonic average of the individual PPPs using the expenditure shares of the nonbase country as the weights.

poverty line. An income level that is based on the cost of a quantity of food for a minimum diet of the poor that provides adequate nutrition plus an allowance for nonfood spending. Purchasing power parities are used to adjust national poverty lines to the international dollar.

price level index (PLI). The ratio of the basic heading PPP to the exchange rate. It is expressed as an index on a base of 100.

productivity adjustment. An adjustment made to the prices paid by nonmarket producers for labor, capital, and intermediate inputs, so that the prices correspond to a common level of multi-factor productivity. In practice, it is an adjustment made to the prices (compensation of government employees) paid by nonmarket producers (government entities) for labor, so that they represent the same level of labor productivity.

product specification. A description or list of characteristics derived from the structured product definitions that can be used to identify a product selected for pricing. It ensures that countries price comparable items. A product specification can be either brand- and model-specific (i.e., a specification in which a particular brand and model or a cluster of comparable brands, and possibly models, is stipulated) or generic (i.e., a specification in which only the relevant price-determining and technical characteristics are given and no brand or cluster of brands is designated).

purchaser's price. Amount paid at market prices by the purchaser, excluding any deductible value added taxes or similar deductible tax, 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.

purchasing power parity (PPP). A price ratio that measures the number of units of country A's currency needed to purchase in country A the same quantity of an individual good or service that can be purchased by one unit of country B's currency in country B. PPPs are currency converters that eliminate the effects of the differences in price levels between countries.

quantity method. A method used to indirectly estimate PPPs for dwellings where there is no rental market. Relative measures of quantities of housing between countries and the relationship of expenditures equal to price times quantities in the national accounts are used to indirectly estimate PPPs.

Quaranta table. A tool that provides measures of price variation for products and countries in order to validate prices within a basic heading.

real final expenditures. National final expenditures on GDP that have been converted to a com-

mon currency and valued at a uniform price level with PPPs. Expenditures so converted reflect only volume differences between countries. Also referred to as real values.

reference PPPs. PPPs used for basic headings for which no prices are collected. These PPPs are based on prices collected for other basic headings. Reference PPPs can be categorized as (1) price-based reference PPPs (including specific and neutral), (2) volume-based reference PPPs, and (3) exchange rate reference PPPs.

reference volume method. Method used to estimate PPPs for housing in the Africa and Asia regions. The relative volumes for housing are made equal to the relative volumes of household consumption, excluding housing.

representative product. Product that accounts for a large expenditure share in the basic heading and also reflects the overall price levels of all products in the basic heading.

Ring product. A product in the Ring list, which is a composite of items priced in each region for the 2005 ICP. The Ring countries first priced their regional list and then the Ring list. The Ring prices were used to compute the between-region PPPs used to calibrate within-region PPPs to a global currency.

services. Outputs produced to order that 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 consumers. An exception to this rule is a group of industries generally classified as service industries. Some of outputs of these industries have the characteristics of goods. These industries are concerned with the provision, storage, communication, and dissemination of information, advice, and entertainment in the broadest sense of those terms. The products of these industries, where ownership rights can be established, may be classified as either goods or services, depending on the medium by which these outputs are supplied.

standard error. A statistical measure that shows the inherent variability of prices resulting from different marketing, packaging, and location attributes. Also used to estimate the sampling error, which is the variability resulting when a sample of prices is observed rather than based on a complete census. Errors may be random or systematic. Random errors are generally referred to as standard errors. Systematic errors are called biases.

structured product description (SPD) method. A new method introduced for the 2005 ICP that provides a systematic, consistent way to describe the price-determining characteristics of products. SPDs provide all possible combinations of characteristics such as package type, package size, various qualities, and brands. The specifications of the products actually priced are derived from the SPDs.

supply and use tables. Tables that provide a convenient way of summarizing and presenting a coherent set of economic transactions within a country. A supply table indicates for each product where it comes from (domestically produced or imported); a use table provides information on product use as intermediate or final consumption.

survey framework. A framework that includes the processes used (1) to describe the price-determining characteristics of each product to ensure that like products are priced across countries, (2) to determine the number of products to be priced, and (3) to select the sample of outlets where the prices will be obtained.

System of National Accounts. A coherent, consistent, and integrated set of macroeconomic accounts, balance sheets, and tables based on a set of internationally agreed-on concepts, definitions, classifications, and accounting rules.

taxes on production. Taxes on the goods and services produced as outputs by resident enterprises that become payable as a result of the production of these goods or services (i.e., taxes payable per unit of good or service produced, such as excise duties and nondeductible value added taxes), plus taxes that resident enterprises may pay as a consequence of engaging in production (e.g., payroll taxes and taxes on motor vehicles). The former are called taxes on products, and the latter are called other taxes on production.

Technical Advisory Group (TAG), ICP. The group responsible for providing advice on technical issues related to the International Comparison Program. It resolves conceptual and methodological matters (see annex B of chapter 2 for the membership list for the 2005 ICP round). TAG members, appointed by the Executive Board, are all internationally known experts in the fields of prices or national accounts.

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.

transport. An aggregate that includes expenditures on the purchase of vehicles, operation of personal transport equipment, and transport services.

user cost method. A method to estimate the costs that owners of dwellings would have to take into account in fixing a market rent if they decided to rent their dwellings to other people.

valuables. Produced assets that are not used primarily for production or consumption, that are expected to appreciate (or at least not decline in real value), that do not deteriorate over time under normal conditions, and that are acquired and held primarily as stores of values.

value added tax (VAT). A tax on products collected in stages by enterprises. This wide-ranging

tax is usually designed to cover most or all goods and services. Producers are obliged to pay to government only the difference between the VAT on their sales and the VAT on their purchases for intermediate consumption or capital formation. The VAT is not usually levied on exports.