



4.11 Structure of consumption in PPP terms

	Private consumption per capita	Household consumption							
		All food	Bread and cereals	Clothing and footwear	Fuel and power	Health care	Education	Transport and communications	Other consump- tion
		% 1998	% 1998	% 1998	% 1998	% 1998	% 1998	% 1998	% 1998
PPP 1998	1998	1998	1998	1998	1998	1998	1998	1998	1998
Albania	2,156	53	19	15	7	4	10	2	10
Antigua and Barbuda	4,603	40	4	3	9	3	18	4	24
Argentina	7,818	23	3	6	11	2	15	8	35
Armenia	1,658	21	3	8	13	3	15	10	30
Australia	14,890	30	7	6	4	2	16	5	38
Austria	13,886	31	8	5	11	3	9	12	29
Azerbaijan	1,674	56	17	14	9	8	2	1	10
Bahamas, The	10,799	33	10	4	13	2	8	8	32
Bahrain	3,932	30	6	5	16	6	6	11	26
Bangladesh	1,012	17	4	10	24	20	9	6	14
Barbados	10,585	14	2	6	7	2	16	7	47
Belarus	4,272	33	7	11	16	5	10	6	20
Belgium	15,591	44	29	9	7	5	1	5	27
Belize	2,892	32	2	11	14	5	13	8	17
Benin	677	62	17	3	13	3	3	5	10
Bermuda	15,726	29	9	4	10	2	5	20	29
Bolivia	1,878	23	2	11	12	3	14	8	30
Botswana	2,128	36	10	3	8	3	7	9	34
Brazil	3,869	24	6	7	3	1	34	8	24
Cameroon	1,065	30	5	9	17	15	9	5	16
Canada	15,643	21	3	5	12	3	21	8	30
Chile	5,573	12	3	7	7	2	15	13	45
Congo, Rep.	662	52	11	3	18	3	3	4	17
Côte d'Ivoire	1,095	24	3	5	9	2	18	9	34
Croatia	4,925	51	17	5	31	2	3	2	7
Czech Republic	7,592	16	1	7	11	5	12	6	43
Denmark	16,385	22	4	8	25	13	17	5	10
Dominica	3,007	29	6	18	5	2	6	16	24
Ecuador	1,809	32	2	6	17	5	10	8	21
Egypt, Arab Rep.	2,550	20	1	10	11	4	17	9	30
Estonia	5,191	45	11	7	19	6	4	7	11
Fiji	3,039	34	4	2	12	3	13	11	25
Finland	12,958	22	4	8	18	14	15	7	16
France	14,115	26	6	7	17	13	8	7	21
Gabon	2,762	51	25	5	16	9	7	4	9
Georgia	2,732	37	12	3	11	1	4	1	42
Germany	15,577	28	4	4	19	6	10	8	25
Greece	9,873	29	4	8	7	2	14	6	34
Grenada	3,620	10	1	17	4	2	13	6	48
Guinea	1,480	32	6	4	5	3	9	9	40
Hong Kong, China	12,468	30	7	7	4	1	8	8	41
Hungary	6,591	22	2	12	11	5	20	8	21
Iceland	18,387	36	7	7	9	3	10	9	27
Indonesia	1,701	24	3	4	18	4	14	6	29
Iran, Islamic Rep.	3,289	24	4	5	14	5	8	16	28
Ireland	11,560	28	4	11	16	7	7	8	23
Israel	10,847	46	12	13	13	3	6	3	16
Italy	13,415	47	17	9	9	3	17	8	8
Jamaica	1,980	25	3	5	17	6	9	12	26
Japan	13,568	15	2	7	5	3	22	7	40
Jordan	2,832	31	3	13	10	7	8	7	23
Kazakhstan	3,500	26	3	7	16	5	6	10	29
Kenya	677	32	6	7	8	1	8	9	35
Korea, Rep.	6,695	16	1	6	11	3	14	5	46
Kyrgyz Republic	1,713	27	3	8	14	4	22	11	14
Latvia	4,324	33	3	12	11	3	23	8	11
Lebanon	..	33	6	5	13	4	9	9	27



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	Private consumption per capita	Household consumption							
		All food %	Bread and cereals %	Clothing and footwear %	Fuel and power %	Health care %	Education %	Transport and communications %	Other consumption %
	PPP 1998	1998	1998	1998	1998	1998	1998	1998	1998
Lithuania	4,974	43	12	0	7	4	27	4	15
Luxembourg	18,684	33	9	4	11	5	7	18	21
Macedonia, FYR	3,458	40	5	5	11	4	9	11	19
Madagascar	608	7	4	1	3	1	0	1	88
Malawi	469	5	1	3	60	4	6	4	18
Mali	452	36	7	7	15	7	5	11	19
Mauritius	4,983	17	2	6	8	3	13	7	46
Mexico	5,453	27	8	4	8	2	7	24	28
Moldova	1,572	25	7	7	9	6	15	8	29
Mongolia	1,085	17	2	5	12	4	14	6	42
Morocco	2,062	27	4	10	5	3	15	5	36
Nepal	697	33	6	6	11	3	14	8	25
Netherlands	14,105	19	2	6	9	3	13	8	42
New Zealand	10,915	19	1	3	48	6	2	7	14
Nigeria	448	52	14	5	15	5	8	3	13
Norway	13,833	48	20	7	10	0	4	5	26
Oman	6,750	17	2	8	9	3	21	5	38
Pakistan	1,178	44	13	9	7	3	5	3	30
Panama	3,199	37	14	10	20	9	4	6	14
Peru	2,800	31	12	9	21	2	5	3	29
Philippines	2,524	26	4	9	15	13	14	3	20
Poland	5,532	67	28	6	5	4	1	6	11
Portugal	10,361	23	6	8	5	3	19	11	32
Qatar	7,308	33	6	5	15	6	13	9	19
Romania	4,472	20	3	10	23	5	20	7	15
Russian Federation	4,099	28	4	8	8	3	15	8	31
Senegal	951	16	2	6	12	10	15	6	35
Sierra Leone	404	37	9	6	11	9	13	5	21
Singapore	10,385	41	8	7	24	8	14	9	(3)
Slovak Republic	6,032	45	8	7	18	6	12	2	10
Slovenia	8,910	32	12	6	14	6	16	11	15
Spain	9,718	34	9	5	16	6	5	14	21
Sri Lanka	2,103	35	7	5	19	2	8	4	27
St. Kitts and Nevis	5,443	16	2	6	8	3	13	9	45
St. Lucia	3,376	47	19	3	6	5	17	3	20
St. Vincent and the Grenadines	2,955	20	5	10	32	12	13	9	4
Swaziland	1,872	24	9	5	12	2	13	5	39
Sweden	13,275	14	2	7	9	3	14	6	47
Switzerland	15,536	13	1	9	9	4	18	8	38
Syrian Arab Republic	3,475	61	30	8	4	2	4	5	17
Tajikistan	660	22	5	7	14	11	14	12	19
Tanzania	375	22	4	13	18	15	12	4	15
Thailand	2,051	17	2	4	10	4	13	7	44
Trinidad and Tobago	5,661	21	2	9	10	4	13	10	34
Tunisia	3,139	30	7	6	17	8	12	5	22
Turkey	4,465	34	10	3	13	4	5	9	31
Turkmenistan	1,122	30	9	6	17	16	18	7	8
Ukraine	2,384	49	21	7	15	4	4	6	16
United Kingdom	14,804	25	11	5	26	3	3	5	33
United States	21,515	52	11	10	8	2	6	3	19
Uruguay	5,910	18	4	3	7	5	30	6	32
Uzbekistan	1,572	20	5	10	21	3	7	9	30
Venezuela, RB	3,683	33	7	11	11	3	13	6	23
Vietnam	1,159	22	2	7	9	3	18	12	30
Yemen, Rep.	768	50	20	13	7	2	5	9	14
Zambia	481	33	7	12	8	2	11	8	26
Zimbabwe	1,568	14	2	5	10	4	15	9	43



4.11 Structure of consumption in PPP terms

About the data

This table shows private consumption per capita in 1998 “international” dollars, calculated using purchasing power parities (PPPs), and its allocation among such components as food, clothing, and fuel and power. Cross-country comparisons of consumption expenditures must be made in a common currency. But when expenditures in different countries are converted to a single currency using official exchange rates, the comparisons do not account for the sometimes substantial differences in relative prices. Thus the results tend to undervalue real consumption in economies with relatively low prices and to overvalue consumption in countries with high prices. In addition, differences in the structure of prices distort the apparent structure of consumption. For example, services (although not always such basic provisions as private health care or education) often tend to be relatively cheaper than goods in low- and middle-income economies, so when domestic prices are used to calculate consumption patterns, services appear to be underutilized. The problem of making consistent comparisons of real consumption across countries has led to the use of PPPs to convert reported values to a common unit of account (see box 4.12).

PPPs measure the relative purchasing power of different currencies over equivalent goods and services. They are international price indexes that allow comparisons of the real value of consumption expenditures between countries in the same way that consumer price indexes allow comparisons of real values over time within countries. To calculate PPPs, data on prices and spending patterns are collected through surveys in each country. Then prices within a region, such as Africa, or a group, such as the Organisation for Economic Co-operation and Development (OECD), are compared. Finally, regions are linked by comparing regional prices, to create a globally consistent set of comparisons. The resulting PPP indexes measure the purchasing power of national currencies in “international dollars” that have the same purchasing power over GDP as the U.S. dollar has in the United States.

Because the goods and services that make up consumption are valued at uniform prices, PPP-based expenditure shares also provide a consistent view of differences in the real structure of consumption between countries. In other words, the shares shown in the table reflect the relative quantities of goods and services consumed rather than their nominal cost. Table 4.12 provides the corresponding data on the structure of prices for components of private consumption and for the other main national accounts aggregates within countries.

Private consumption refers to private (that is, household) and nonprofit (nongovernmental) consumption as defined in the United Nations System of National

Accounts (SNA). Estimates of private consumption of education and health services include government as well as private outlays. The International Comparison Programme’s (ICP) concept of enhanced consumption, or total consumption of the population, focuses on who consumes goods and services rather than on who pays for them. That is, it emphasizes consumption use rather than expenditure (payments). This approach, adopted in the 1993 SNA, improves international comparability because aggregate measures based on consumption are less sensitive to different national practices of financing health and education services.

Because national statistical offices tend to concentrate on the production side of national accounts, data on the detailed structure of consumption in low- and middle-income economies are generally weak. Estimates of the structure of consumption are typically obtained through household surveys. These surveys are carried out irregularly and may be targeted to specific income groups or geographic areas. In some countries surveys are limited to urban areas or even to capital cities and so do not reflect national spending patterns. Urban surveys tend to show lower-than-average shares for food and higher-than-average shares for gross rent, fuel and power, transport and communications, and other consumption. Controlled food prices and incomplete accounting of subsistence activities may also contribute to low measured shares of food consumption.

The ICP collects price data from different outlets on several hundred consumption items that are carefully reviewed to ensure comparability. ICP surveys are conducted about every five years, but because not all countries have participated in all surveys, regression methods are used to extrapolate results from earlier surveys and to provide a complete set of estimates in a given year. See Ahmad (1994) for an extensive discussion of the ICP and its methods.

Although PPPs are more useful than official exchange rates in comparing consumption patterns, caution should be used in interpreting PPP results. PPP estimates are based on price comparisons of comparable items, but not every item can be matched perfectly in quality across all countries and over time. Services are particularly difficult to compare, in part because of differences in productivity. Many services, such as government services, are not sold on the open market and so are compared using input prices (mostly wages). Because this approach ignores productivity differences, it may inflate estimates of real quantities in low-income countries.

Definitions

- **Private consumption** includes the consumption expenditures of individuals, households, and non-governmental organizations. The ICP includes in private consumption goods and services accruing to households whether financed by individuals, governments, or nonprofit institutions. Thus as defined by the ICP private consumption includes government expenditures on education, health care, social security, and welfare services.
- **Household consumption** shows the percentage shares of selected components of consumption computed from details of GDP converted using PPPs.
- **All food** includes all food purchased for household consumption.
- **Bread and cereals** comprise the main staple products—rice, flour, bread, and all other cereals and cereal preparations.
- **Clothing and footwear** include purchases of new and used clothing and footwear and repair services.
- **Fuel and power** exclude energy used for transport (rarely reported to be more than 1 percent of total consumption in low- and middle-income economies).
- **Health care and education** include government as well as private expenditures.
- **Transport and communications** cover all personal costs of transport, telephones, and the like.
- **Other consumption** covers gross rent (including repair and maintenance charges); beverages and tobacco; non-durable household goods, household services, recreational services, services (including meals) supplied by hotels and restaurants, and purchases of carryout food; and consumer durables, such as household appliances, furniture, floor coverings, recreational equipment, and watches and jewelry.

Data sources

PPP data come from the ICP, which is coordinated by the United Nations regional economic commissions and other international organizations. The World Bank collects detailed ICP benchmark data from regional sources, establishes global consistency across the regional data sets, and computes regression-based estimates for nonbenchmark countries. For detailed information on the regional sources and the compilation of benchmark data see the World Bank’s *Purchasing Power of Currencies: Comparing National Incomes Using ICP Data* (1993b) and *Purchasing Power Parities: International Comparison of Volume and Price Levels* (forthcoming b).