

## First estimates of gross domestic product (GDP) and actual individual consumption (AIC) per capita in purchasing power standards (PPS) 2019

On 18<sup>th</sup> June 2020, EUROSTAT published the first preliminary estimates of the gross domestic product and actual individual consumption per capita for 2019, expressed in purchasing power standards. MONSTAT has participated in this project together with the national statistical institutes of other European countries.

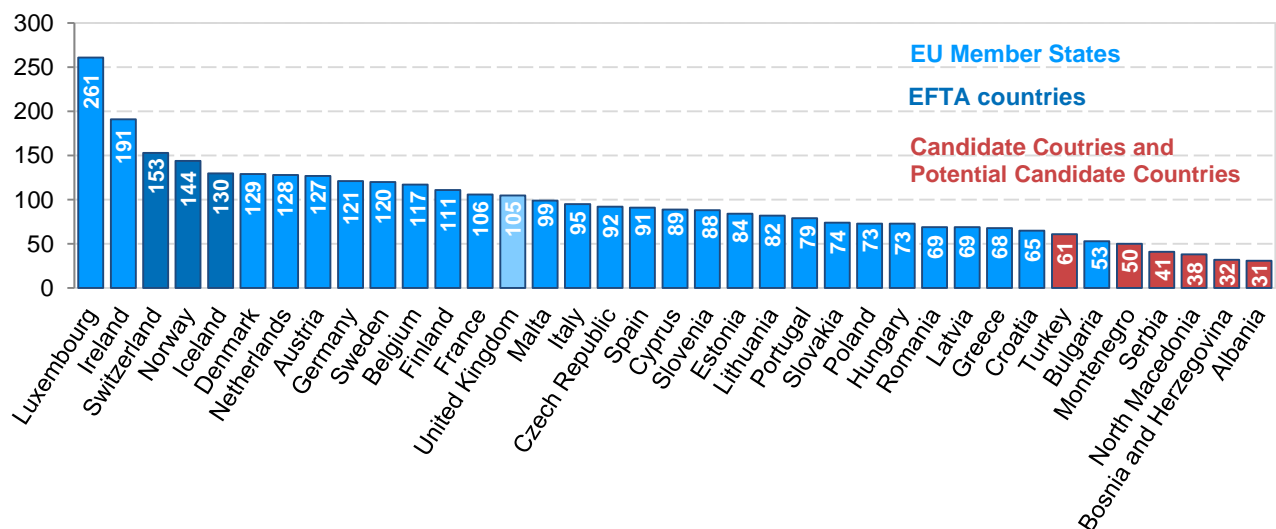
Based on first estimates of EUROSTAT, the gross domestic product per capita in purchasing power standards in Montenegro in 2019 was 50% of the EU average.

Among the Member States, the highest GDP per capita in purchasing power standards is recorded in Luxembourg which level was more than two and a half times above the EU average and it was 261% of the EU average, while Bulgaria was at the lowest level with 53% of the EU average.

Among the neighbouring countries, Croatia recorded the highest GDP per capita in purchasing power standards which is 65% of the EU average, while Montenegro is ranked at the second place with 50% of the EU average. Serbia was on the level of 41% of the European average, North Macedonia was on the level of 38%, Bosnia and Herzegovina was on the level of 32%, while Albania was on the level of 31% of the European average.

Actual individual consumption (AIC) per capita in PPS, based on first estimates among Member States ranged between 41% below the EU average in Bulgaria and 35% above the EU average in Luxembourg.

**Chart 1. First estimates of GDP per capita in purchasing power standards (PPS)  
for 2019 (EU<sup>1</sup>=100)**



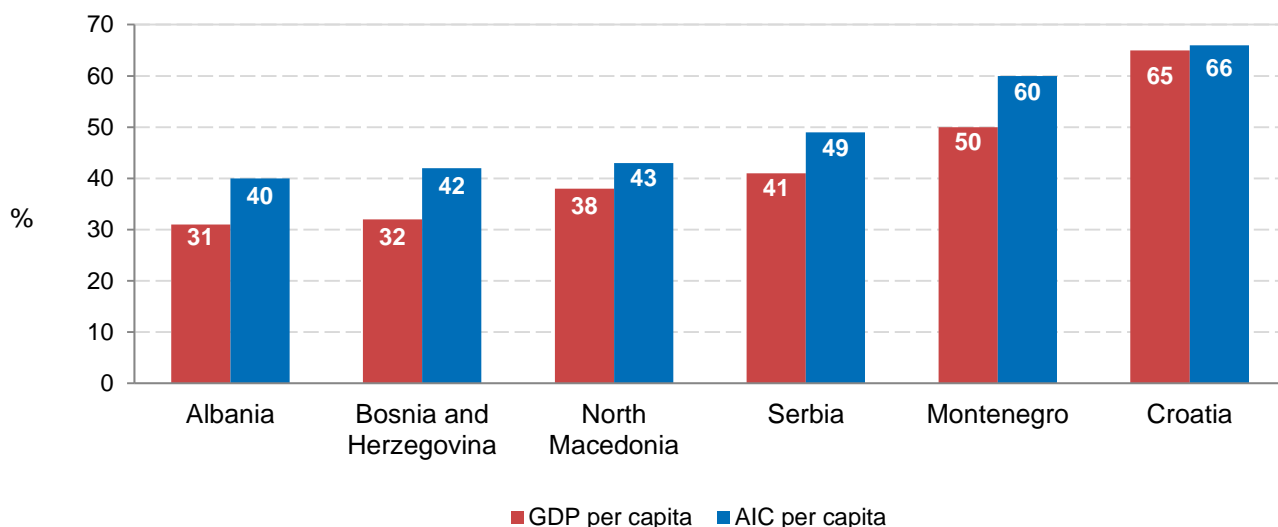
**Table 1. First estimates of gross domestic product and actual individual consumption per capita in purchasing power standards for 2019 (EU<sup>1</sup>=100)**

Country	GDP per capita	AIC per capita
<b>EU<sup>1</sup></b>	<b>100</b>	<b>100</b>
<b>Euro-area</b>	<b>106</b>	<b>106</b>
Luxembourg	261	135
Ireland	191	97
Denmark	129	116
Netherlands	128	114
Austria	127	118
Germany	121	123
Sweden	120	112
Belgium	117	115
Finland	111	113
France	106	109
Malta	99	80
Italy	95	99
Czech Republic	92	85
Spain	91	91
Cyprus	89	95
Slovenia	88	81
Estonia	84	75
Lithuania	82	90
Portugal	79	86
Slovakia	74	73
Poland	73	79
Hungary	73	67
Romania	69	79
Latvia	69	71
Greece	68	77
Croatia	65	66
Bulgaria	53	59
United Kingdom	105	115
Switzerland	153	124
Norway	144	128
Iceland	130	119
Turkey	61	68
<b>Montenegro</b>	<b>50</b>	<b>60</b>
Serbia	41	49
North Macedonia	38	43
Albania	31	40
Bosnia and Herzegovina	32	42

Source: EUROSTAT

<sup>1</sup> EU represents the European Union of 27 Member States after 1 February 2020.

**Chart 2. First estimates of GDP and AIC per capita in purchasing power standards for 2019, comparison with neighbouring countries (EU<sup>1</sup>=100)**



Observing the neighbouring countries, based on the first estimates provided by EUROSTAT, actual individual consumption per capita in purchasing power standards are ranged from 40% to 66% of EU average. The actual individual consumption per capita according to the purchasing power standards in Montenegro was 60% of the average EU in 2019. Among the neighbouring countries, AIC per capita in PPS was highest in Croatia with 66% of EU average, while the lowest AIC was in Bosnia and Herzegovina and Albania, with 42% and 40% of EU average.

GDP per capita is mainly used as indicator reflecting the level of economic activity, while actual Individual Consumption (AIC) per capita is an alternative indicator better adapted to describe the material welfare situation of households.

Generally, levels of AIC per capita are more homogeneous than those of GDP but still there are substantial differences across the EU Member States. The structure of actual individual consumption is based on homogeneous sets of products and services that households consume, but there are still evident differences between AIC per capita levels among Member States.

## METHODOLOGICAL NOTES

Purchasing Power Standard (PPS) is an artificial reference currency unit that eliminates price level differences between countries. Such one PPS buys the same volume of goods and services in all countries. This unit allows meaningful volume comparison of economic indicators across countries.

This indicator, among other things, is used for spatial comparison of the size of GDP, the size of the economy and economic welfare.

The size of GDP per capita expressed in the purchasing power standard is largely influenced by the volume of GDP calculated by the expenditure method, the level of consumer prices and the number of inhabitants.

Purchasing Power Parities (PPPs) are currency conversion rates that applied in order to convert economic indicators from national currency to an artificial common currency - the Purchasing Power Standard (PPS), which equalizes the purchasing power of different national currencies and enables meaningful volume comparison between countries.

For example, if the GDP per capita expressed in the national currency of each country participating in the comparison, is divided by its PPP, the resulting figures neutralise the effect of differences in price levels and thus indicate the real volume of GDP or AIC at a common price level. When divided by the nominal exchange rate of a given year, the PPP provides an estimate of the price level of a given country relative to, for instance, the EU-28 total.

Price level indices provide a comparison of the countries price levels relative to the EU average. If the price level index is higher than 100, the country concerned relatively expensive compared to the EU average and opposite.

Actual individual consumption, refers to all goods and services actually consumed by households. It encompasses consumer goods and services purchased directly by households, as well as services provided by non-profit institutions and the government for individual consumption (e.g., health and education services).

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