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## First estimates of gross domestic product (GDP) and actual individual consumption (AIC) per capita in purchasing power standards (PPS) for 2017

On 19<sup>th</sup> June 2018, EUROSTAT published the first preliminary estimates of the gross domestic product and actual individual consumption per capita for 2017, expressed in purchasing power standards. MONSTAT has participated in this project together with the national statistical institutes of other European countries.

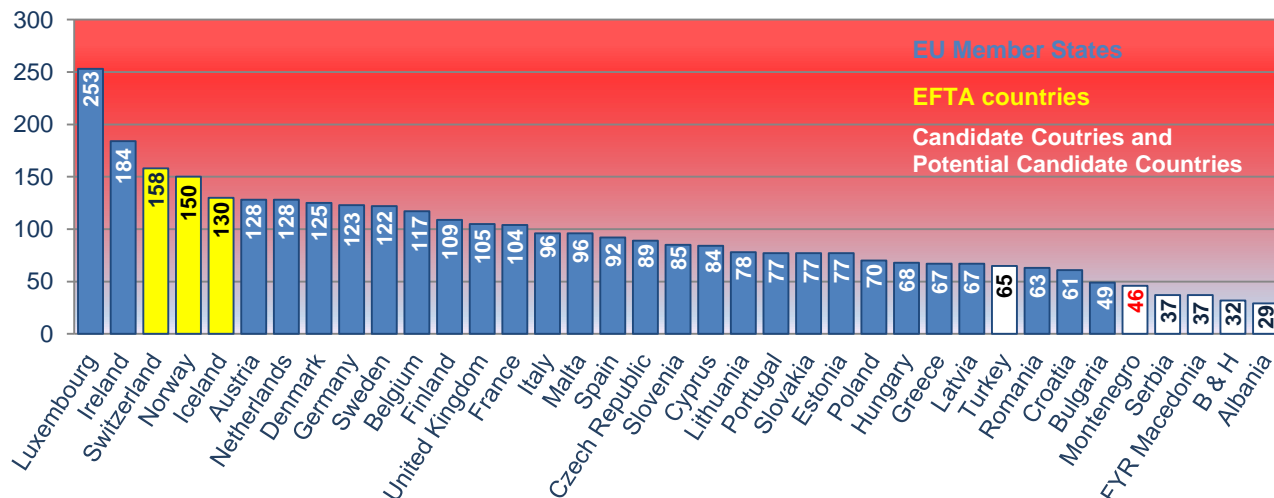
Based on first estimates of EUROSTAT, the gross domestic product per capita in purchasing power standards in Montenegro in 2017 was 46% of the EU28 average.

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 EU28 average and it was 253% of the EU average, while Bulgaria was at the lowest level with 49% of the EU average.

Among the neighbouring countries, Croatia recorded the highest GDP per capita in purchasing power standards which is 61% of the EU average, while Montenegro is ranked at the second place with 46% of the EU average. Macedonia and Serbia were on the level of 37% of the European average, Bosnia and Herzegovina on 32% while Albania was on the level of 29% of the European average.

Actual individual consumption (AIC) per capita in PPS, based on first estimates among Member States ranged between 45% below the EU average in Bulgaria and 30% above the EU average in Luxembourg.

**Chart 1. First estimates of GDP per capita in purchasing power standards (PPS) for 2017, EU28=100**

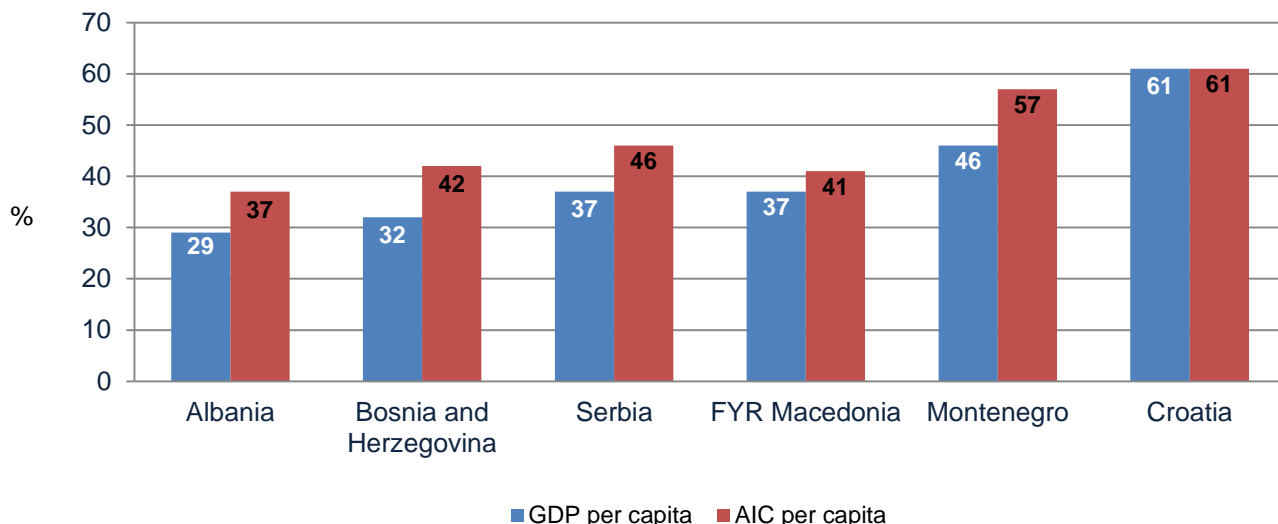


**Table 1. First estimates of gross domestic product and actual individual consumption per capita in purchasing power standards for 2017, EU28=100**

Country	GDP per capita	AIC per capita
<b>EU28</b>	<b>100</b>	<b>100</b>
<b>Euro-area</b>	<b>106</b>	<b>105</b>
Luxembourg	253	130
Ireland	184	94
Austria	128	118
Netherlands	128	110
Denmark	125	112
Germany	123	122
Sweden	122	109
Belgium	117	112
Finland	109	113
United Kingdom	105	114
France	104	109
Italy	96	98
Malta	96	78
Spain	92	90
Czech Republic	89	80
Slovenia	85	77
Cyprus	84	92
Lithuania	78	88
Portugal	77	83
Slovakia	77	76
Estonia	77	72
Poland	70	76
Hungary	68	63
Greece	67	77
Latvia	67	70
Romania	63	68
Croatia	61	61
Bulgaria	49	55
Switzerland	158	126
Norway	150	132
Iceland	130	117
Turkey	65	68
<b>Montenegro</b>	<b>46</b>	<b>57</b>
Serbia	37	46
FYR Macedonia	37	41
Albania	29	37
Bosnia and Herzegovina	32	42

Source: EUROSTAT

**Chart 2. First estimates of GDP and AIC per capita in purchasing power standards for 2017, comparison with neighbouring countries, EU28=100**



For EU Candidate Countries, based on the first estimates provided by EUROSTAT, AIC per capita in purchasing power standards are ranged from 37% to 57% of EU average. The actual individual consumption per capita according to the purchasing power standards in Montenegro was 57% of the average EU28 in 2017. Among the neighbouring countries, AIC per capita in PPS was highest in Croatia with 61% EU average, while the lowest AIC was in Albania and Bosnia and Herzegovina, with 37% and 42% EU28 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.

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.

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

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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