

Brief Note on the Tables for PWT 7.0- 7.1 (7/2012)

For users of PWT 7.0, there are 2 sources of differences in PWT 7.1: first, in updating to 2010 we introduced a number of revisions of national accounts; and second the initial PPP for investment was revised as discussed in section 3 below. This note sets out the major changes in the Table since PWT 6.3. A Description of PWT 7.0-7.1 with Detailed Documentation is provided separately. The three methods of aggregation discussed in this section are the GEKS method, the CPDW or weighted CPD method and the G-K or Geary Khamis version weighted by country production. These methods are discussed in the documentation of PWT 6.3. The Table covers some or all of the years 1950 to 2010 for 190 countries and territories.¹ A new growth methodology will be introduced later in 2012, which is briefly introduced in the Description. The user is advised that the growth rates in PWT 7.0/7.1 are based on the same methods as PWT 6.3. The next version of PWT, PWT 8.0, will introduce a new methodology and will be produced at the University of California at Davis and the University of Groningen in the Netherlands. The new methodologies to be used in PWT 8.0 will be described when that version of PWT is introduced.

Users of PWT 7.1 are strongly urged to read the Description and Detailed Documentation of PWT 7.0. A list of features and principal changes are:

1. **The reference year** for PWT 7.0 is 2005 corresponding to the reference year for PWT 6.3 and the 146-country benchmark ICP detailed price comparisons. Users can learn about the 2005 ICP and plans for the 2011 ICP at the World Bank website (<http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/ICPEX/T/0,,pagePK:62002243~theSitePK:270065,00.html>) Many differences between PWT 7.0-7.1 and previous versions of PWT arise from the much larger country coverage in the 2005 ICP, the improved price comparisons in the regions and some changes in methodology. One feature of ICP 2005 and as a consequence PWT 7.1 is that differences in per capita

¹ Several less commonly used series will only be updated from 2009 to 2010 by September, 2012 or earlier.

GDP are larger than in earlier Bank publications or earlier PWTs, particularly for African countries. Without applying the same methods as the 2005 ICP in earlier benchmarks, one cannot infer that inter country income differences have increased or decreased. There are also country anomalies that arise in most spatial comparisons, and ICP 2005 is no exception, for example, Qatar or Luxembourg.

2. **The concept of consumption** used in PWT 7.0-7.1 is actual household consumption in contrast to household consumption expenditures, which is the concept used in previous PWTs. The major difference is that government expenditures on education and health are included in actual but not household consumption. As a consequence government expenditures are current expenditures on collective consumption; government capital accumulation as in prior PWTs is investment. More discussion is in Detailed Documentation. In further discussion 'C' refers to actual consumption and 'G' to collective consumption.
3. **Shares of GDP** at reference prices for 2005 are estimated by the GEKS and CPDW methods for consumption and government in 7.0-7.1. The simple average of their PPP with respect to the US\$ were used to obtain the reference PPPs for 2005. However for investment the G-K method (not the average of CPDW and GEKS) was used to obtain the initial 2005 PPP in PWT 7.1. We believe this will lead to improvement in the estimates of investment in 2005 and other years. The results for C, I and G for the reference year 2005 are moved backward and forward from 2005 by the changes of prices of each component for each country. As in previous versions, PWT provides current and constant price estimates of the shares of Consumption, Investment and Government out of GDP. These estimates are based on the G-K method using country GDP as the weight.
4. **A major change** in PWT 6.3 was to provide a current price estimate of Domestic Absorption and GDP is provided in each year based GEKS and CPDW. These were presented in PWT 6.3 as alternative measures of the

variable y , the percent of per capita income to the US. In PWT 7.0-7.1 the GEKS and CPDW average will be provided as one measure, as done for the three components of Domestic Absorption for 2005 as described in (3). The Table entry CGDP2 in PWT 7.0-7.1 corresponds to this measure of GDP along with a corresponding price level, P2.

5. **The estimates for the 43 non-benchmark countries** in 2005 are derived in a similar way to earlier PWTs and discussion is provided in the Detailed Documentation.
6. **Two estimates are provided for China** and their rationale is discussed in the Detailed Documentation. One estimate is based on ICP 2005 and national growth statistics, while the second adjusts both.