



### Theory of PPP

- Goal is to maintain underlying consumption ... how eliminate (measure) the element which is simply due to price change?
- Movement  $Y_1$  to  $Y_2$

$$= \frac{P_1 \times Q_0}{P_0 \times Q_0} \text{ or } = \frac{P_1 \times Q_1}{P_0 \times Q_1} \text{ or } = ?$$

(Laspeyres) (Paasche) (vast academic literature "superlative")

- Eurostat method is adopted by A6465WG since many years.
- Fisher =  $\sqrt{\text{Laspeyres} \times \text{Paasche}}$

