

## **Regional price differences and their impact on regional macro-aggregates**

Topic: Regional input-output modeling 2

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This paper aims at the estimate of regional price levels and their impact on regional macro aggregates. Economic development of regions is usually assessed by GDP per inhabitant in purchase power standard (PPS). The estimate of PPS in the European Union is based on average prices in countries, local differences within country are not taken into account.

Regional GDP is estimated in the Czech Republic by output and income approach, but expenditure approach is not used. Theoretically, it is the question of produced and used product. Practically, it means that the main differences among the regions can be found in household consumption. For example prices in the capital city (e.g. rents, personal services) are supposed to be higher than in the rest of country.

The paper shows approach based on households using data on final household expenditure. Other components of GDP are not included and EKS method is used with several adjustments. Regional indicators concerning households are recalculated and compared with the original ones. Average income or net disposable income are adjusted to local price level and should provide more reliable data on living conditions in regions. The results can potentially be used to adjust regional policy decisions.