The Next Generation of the Penn World Table

Robert Inklaar
University of Groningen

Robert Feenstra
University of California, Davis

Marcel Timmer
University of Groningen

For over four decades, the Penn World Table (PWT) has been a standard source of data on real GDP across countries. Making use of prices collected across countries in benchmark years by the International Comparisons Program (ICP), and using these prices to construct purchasing-power-parity exchange rates, PWT converted GDP at national prices to a common currency making them comparable across countries. In 2012, the construction of these data will pass to the University of California, Davis and the University of Groningen, while retaining the PWT initials.

In this paper we describe the changes to the measurement of real GDP that will be introduced in this “next generation” of PWT. The first major change is explicitly accounting for differences in terms of trade across countries and over time, by measuring relative export and import prices from (quality-adjusted) trade unit values. This will allow for comparisons of productive capacity across countries, compared with the current PWT that is most-suited for comparisons of standards of living. The second major change is to incorporate all earlier price comparisons in the estimation of relative GDP. This will allow for a more consistent comparison of GDP, simultaneously across countries and over time. Moreover, this will do away with a current drawback of PWT, namely that economic history is rewritten at every new benchmark comparison. Taken together, this next generation of the PWT should be an important step forward in the comparison of income and output across countries.