

## **Abstract**

Undisputedly, including price levels should be an integral part of any regional analysis. Currently, at the country level, purchasing power parities (or, in the case of the European Union, purchasing power standards) are used. However, these measures account only for one national parity in each country and do not reflect inter-regional price differentials. Consequently, this approach distorts the information value of the indicators (regional GDP per capita, disposable income per capita, et cetera) since the majority of countries are definitely not homogenous from the perspective of prices. Therefore, the aim of this thesis is to estimate regional price levels across the EU regions using an econometric model, which is based on available data on regional price levels for six countries in Europe. After estimating a regression equation and checking for the predictive power, regional price levels for the rest of EU regions at NUTS 2 level are estimated for the first time. Subsequently, they are used for recalculation of socio-economic indicators. The results imply that significant differences between analyses with one national price level and actual regional levels exist. This raises also several issues for policy implications (for instance potential sub-optimality of the European Cohesion policy, which is analysed as well) and shows the necessity and importance of precise estimation of regional price disparities. A part of the thesis also comprises the graphical visualisation of the estimated price levels in the form of two maps.