

Improved Methods to Estimate PPPs for ICP 2011 and Possible Impact on Results

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Abstract

A challenge facing the implementation of each round of the International Comparison Program (ICP) is to use methodology that is consistent over time; but to also use lessons learned from the past to improve results from the current round. The purpose of this paper is to provide an overview of major methodological changes being implemented in the 2011 ICP and their impact on the final results. The most significant change is moving from a list priced by only a few countries in each region to link regional Purchasing Power Parities (PPPs), to a set of global core products priced by every country as part of their regional price collection. Once basic heading PPPs are linked across regions, they will be linked at higher levels of the GDP using a global aggregation rather than the two stage aggregation used in the past. In the 2005 ICP, only a few regions used productivity adjustments for the within region PPPs for government services and no adjustments were made for the linking process; this made it difficult to compare these PPPs and real expenditures between countries in different regions. To a lesser extent, methods to improve PPPs for housing are also being implemented.

Key words: Global Core List, Productivity, Purchasing Power Parities