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# **TASK FORCE 1 – PPP COMPILATION AND COMPUTATION: PROGRESS REPORT**

**2<sup>ND</sup> Meeting of the ICP Technical Advisory Group**

**May 23, 2018  
Washington, DC**

# Outline

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## TF01 PPP COMPILATION AND COMPUTATION: PROGRESS REPORT

- Introduction
- Progress
- Next steps

# Introduction

## **TF01: TASK FORCE ON PPP COMPILATION AND COMPUTATION**

1. Linking interim regional updates into a global comparison
2. Building PPP time series for the interim period
3. Fine-tuning global linking procedures
4. Productivity adjustment for government and construction

## **TENURE AND MEETINGS**

- Fixed tenure from July 2017 to December 2019
- 1<sup>st</sup> meeting October 26, 2017; 2<sup>nd</sup> meeting March 13, 2018
- 3<sup>rd</sup> meeting scheduled for fall 2018

## **TASK FORCE SPECIFICITIES**

- Overlap of the assigned research topics and related tasks
- Achievable progress depends on the data availability & quality

# Topic 1: Tasks and Progress

## LINKING INTERIM REGIONAL UPDATES INTO A GLOBAL COMPARISON

- **Africa:** 2015-2016 updates for HHC
- **Asia and the Pacific:** 2016 update for GDP
- **CIS:** 2014 comparison for GDP
- **Latin America and Caribbean:** No interim updates or comparisons
- **Western Asia:** 2012-2016 comparisons for GDP
- **Eurostat-OECD:** 2012-2016 comparisons for GDP

### A. VALIDATING AVAILABLE INTERIM GLOBAL DATA

Implementing Agencies are in process of validating and updating the interim data; submission of all available interim and 2017 cycle data by end-July 2018

Review and discussion at the 6<sup>th</sup> IACG and 3<sup>rd</sup> TF meetings (fall 2018)

### B. DETERMINING THE MOST FEASIBLE APPROACH FOR LINKING INTERIM REGIONAL RESULTS

Approach is subject to the final data availability and comparability

Incorporating the regional interim results is expected to improve the consistency of the global PPP time series

# Topic 2: Tasks and Progress [1]

## BUILDING PPP TIME SERIES FOR THE INTERIM PERIOD

### A. UPDATING, VALIDATING AND ENHANCING THE GLOBAL EXTRAPOLATION DATABASE

Global extrapolation database (CPIs, NA DEF, NA EXP, Pop. & XRs) has been compiled; the level of detail and coverage varies between the years & countries

Task Team (IMF, UNSD, WB) has been established to assess and improve the data

Implementing Agencies are continuing their efforts to expand and improve the data

### B. UPDATING THE PAPER “A MOVE TOWARDS THE COMPILATION OF PPPS AND REAL EXPENDITURES ON AN ANNUAL BASIS” BY RAO

Several iterations of the paper have been submitted to the TF

Completion of the paper & related proposals depends on the data availability

### C. DETERMINING OPTIMAL LEVEL FOR EXTRAPOLATION AND PUBLICATION OF INTERIM RESULTS

Optimal level depends on the data availability and quality

# Topic 2: Tasks and Progress [2]

## BUILDING PPP TIME SERIES FOR THE INTERIM PERIOD

### **D. DETERMINING THE MOST FEASIBLE APPROACH FOR PRODUCING INTERPOLATED 2012-16 PPP TIME SERIES**

Proposal has been drafted by Rao & Inklaar (*refer to the meeting topic 1.1*)

### **E. DEVELOPING AN APPROACH TO PRODUCE BENCHMARK AND PPP TIME SERIES FOR NON-PARTICIPATING COUNTRIES**

Work on this task has not yet been initiated

2005 & 2011 ICP rounds introduced approaches to impute result for non-participating countries; PPP time series is a “new” problem

### **F. DETERMINING THE NEED TO RECALCULATE THE GLOBAL ICP 2011 RESULTS**

TF has initiated the discussion on the need, feasibility and possible approach to recalculate the 2011 results

# Topic 3: Tasks and Progress [1]

## FINE TUNING GLOBAL LINKING PROCEDURES

### A. FINE TUNING THE LINKING OF HARD-TO-MEASURE HEADINGS: HOUSING

Separate TF for housing related issues has been established

### B. COMPILING 2015-17 ICP GOVERNMENT COMPENSATION (HEALTH, EDUCATION AND COLLECTIVE SERVICES) DATA AND EXPENDITURES FOR EUROSTAT-OECD

Eurostat & OECD have initiated the work to compile data as per the ICP requirements

### C. – E. FINE TUNING THE LINKING OF HARD-TO-MEASURE HEADINGS: HEALTH, EDUCATION, COLLECTIVE SERVICES

Work on these tasks has not yet been initiated

### F. COLLECTING 2017 ICP CONSTRUCTION DATA FOR A SELECTION OF EUROSTAT-OECD COUNTRIES

Eurostat & OECD have initiated the work to collect and compile data as per the ICP requirements

# Topic 3: Tasks and Progress [2]

## FINE TUNING GLOBAL LINKING PROCEDURES

### **G. EXAMINING POSSIBLE OPTIONS FOR FINE-TUNING LINKING OF HARD-TO-MEASURE HEADINGS: CONSTRUCTION**

Work on this task has not yet been initiated

### **H. ASSESSING THE IMPACT OF CHANGING LINKING APPROACH: CIS**

Preliminary note on the impact of revised linking approach has been drafted; the TF is foreseen to review and discuss the draft at its next meeting

### **I. ASSESSING THE IMPACT OF COUNTRIES MOVING FROM ONE REGION TO ANOTHER: LAC**

OECD & ECLAC will share information for assessing the impact of Colombia and Costa Rica moving from the LAC region to the OECD comparison

# Topic 3: Tasks and Progress [3]

## FINE TUNING GLOBAL LINKING PROCEDURES

### J. EXAMINING POSSIBLE OPTIONS FOR PRODUCING GLOBAL RESULTS FOR DUAL-PARTICIPATING COUNTRIES: AFRICA & WESTERN ASIA

AfDB & ESCWA will share information for the dual-participant countries (Egypt, Libya, Morocco & Sudan) to reduce the data collection burden and to examine options for producing global results

Meeting between the Implementing Agencies has been scheduled for June 2018

### K. RESEARCHING ALTERNATIVE LINKING APPROACHES

Two topics by Hill have been presented to the TF:

- *A least-squares approach to imposing within-region fixity in the ICP and Spatial Chaining of Price Indexes*
- *Price Indexes at Basic Heading Level: Within-Region Comparisons and Global Linking*

# Topic 4: Tasks and Progress

## PRODUCTIVITY ADJUSTMENT FOR GOVERNMENT & CONSTRUCTION

### A. DOCUMENTING THE ICP 2011 APPROACH FOR APPLYING PRODUCTIVITY ADJUSTMENT FOR GOVERNMENT SECTOR

Initial review on the approach was presented at the 1<sup>st</sup> meeting of the TF; the documentation is yet to be extended

### B. UPDATING THE PRODUCTIVITY ADJUSTMENT FACTORS FOR THE 2017 COMPARISON AND DEVELOPING AN ESTIMATION APPROACH FOR THE INTERIM YEARS

Proposal for updating the productivity adjustment factors for the 2017 cycle has been drafted by Inklaar (*refer to the meeting topic 1.2*)

### C. ASSESSING THE FEASIBILITY AND IMPACT OF APPLYING PRODUCTIVITY ADJUSTMENTS FOR CONSTRUCTION SECTOR

Work on this task has not yet been initiated; the difficulty of making reasonable adjustment was commented on at the 1<sup>st</sup> meeting of the TF

# Next Steps

## **2<sup>ND</sup> TECHNICAL ADVISORY GROUP MEETING**

- Topic 1.1 – Interpolation between benchmark years
- Topic 1.2 – Productivity adjustment factors for labor

## **3<sup>RD</sup> TASK FORCE MEETING (FALL 2018)**

- Review of the interim data available to date
- Review of the ICP 2017 data available to date
- Review of the extrapolation data available to date

## **RESULTS: 2011 + 2012-2016 PPP TIME SERIES & 2017 CYCLE**

- Mid-2019 preliminary results
- End-2019 final results

