

# ICP AND THE ROLLING PRICE SURVEY APPROACH (RPSA)

Country Operational Guidelines and Procedures Task Force,  
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# UNSC RECOMMENDATIONS

- ICP to increase the frequency of its comparisons: interval between reference years to be reduced from six to three years: ICP 2017 to be followed by ICP 2020
- ICP to adopt the RPSA which was specifically designed to increase the frequency of comparisons while easing the response burden of participants
- RPSA to be introduced during ICP 2020

# DATA COLLECTION UNDER RPSA

Surveys	Year t-1	Year t	Year t+1	Year t+2	Year t+3	Year t+4
<b>Household consumption</b>						
01. Prices consumer goods and services	X→			X→		
02. Prices consumer goods and services		X			X	
03. Prices consumer goods and services			←X			←X
<b>Other surveys</b>						
04. Housing services		X			X	
05. Government services		X			X	
06. Prices capital goods		X			X	
<b>Other data</b>						
07. Temporal adjustment coefficients	X	X	X	X	X	X
08. GDP expenditure weights		X			X	
09. Annual average exchange rates		X			X	
10. Annual average resident population		X			X	

“X” prices with no year-to-year extrapolation or retropolation, “X→” prices with year-to-year extrapolation; “←X” prices with year-to-year retropolation.

# ESSENTIAL FACTS

- RPSA is used only for household final consumption expenditure (HFCE)
- Prices of consumer goods and services are surveyed over three years: one third of the product list priced each year
- Price collection is continuous and cyclical: surveys repeated every three years
- Basic heading PPPs for non-reference years centred on reference year with temporal adjustment coefficients (TACs) usually extracted from the CPI
- No changes in current methodology required
- Tried and tested: used by Eurostat and the OECD since 1991

# ADVANTAGES OF THE RPSA

- Comparisons can be made at least once every three years
- Eases (not reduces) response burden
- Easier for countries to integrate ICP data collections in their national data collection programs
- Fosters continuity of expertise in their NSIs: expertise which is often dissipated when there is a long gap between reference years
- More time for the creation of product lists leading to a more balanced selection of products and better product specifications
- Greater flexibility in survey framework design: better tailored to the outlet distribution profiles of the products surveyed

# ACHILLES HEEL

- TACs (CPI sub-indexes) are used to either extrapolate or retropolate the PPPs of basic headings priced in non-reference years to the reference year
- PPPs so adjusted will be close to the PPPs that would have been calculated had prices been collected in the reference year if there is a strong correlation between the coverage of the TAC and the coverage of the basic heading
- Greater the difference in coverage weaker will be the correlation between them and the accuracy of the adjusted PPPs suspect
- A country's PPPs depend on the data of all countries and can be adversely affected by errors in the price data of other participants: they can also be influenced by the suitability of the TACs employed by others
- Key consideration: do countries in the region have CPIs with the depth to provide TACs with a strong correspondence to the basic heading PPPs they are adjusting?

# IMPLEMENTATION

- Straight forward for a region if only regional products are priced: a matter of replacing one large survey by three smaller surveys
- But regions have also to price core products – the goods and services that are priced across regions to generate the linking factors that combine the regional comparisons to produce the global comparison
- The quality of the linking factors, and ultimately that of the global comparison, depends on the quality of the core product prices
- It is important that regions have a harmonized approach to the pricing of core products and allow time for a rigorous inter-region validation of core product prices
- More specifically regions should collect and validate the prices of core products at the same time

## IMPLEMENTATION (contd.)

- If regions price core products in different years it may be too late to verify prices collected in earlier years: the prices will need to be extrapolated before validation: are disparities due to the price observations underlying the average prices or to the TACs used to adjust them?
- EU experience with groups (1999 -2013) reinforces the proposition that, if the six regions are to be combined in a global comparison employing the RPSA, all regions will have to adopt the approach, work in unison and respect the global timetable
- Among the issues that regions will need to reach agreement on are:
  - the division of HFCE into three equal parts
  - the year in the survey cycle each part is to be surveyed
  - the matching of basic headings and TACs
  - the detailed regional and global timetables

# ICP 2020

- Implementation of the RPSA requires all regions to apply the approach and, according to the draft timetable in the paper, preparatory work should start in the first half of the year t-2 with price collection beginning in the first quarter of the year t-1
- Currently regions plan to collect the prices of consumer goods and services for ICP 2020 as follow:
  - Africa, Asia, CIS, Western Asia in 2020
  - LAC, EU-OECD in 2019, 2020 and 2021
- Only two regions are employing the approach and to date no preparatory work has been undertaken at the global level
- Conclusion: as principal requirement not met and too late to start, the adoption of the RPSA by the ICP should be postponed to ICP 2023

# ICP 2023

- Preparatory work: 2021
  - Dividing HFCE into three equal parts
  - Selecting the year in the survey cycle each part is to be surveyed
  - Matching basic headings and TACs
  - Drawing up regional and global timetables
  - Revising regional and global product lists for 2022
- Price collection for household consumption: 2022 to 2024
- Other surveys (housing, government, capital goods): 2023 (or retrospectively 2024)
- Other data collections: 2023  
(TACs 2022, 2023, 2024; GDP 2024, 2025)
- Publication: 2025

# SOME OTHER CONSIDERATIONS

- EU-OECD survey cycle
- Special survey to collect core product prices
- Capital city pricing
- Point-in-time pricing
- Peru's proposal

PERU's PROPOSAL	ICP 2020 ROUND						
	2019	2020				2021	2022
		Q1	Q2	Q3	Q4		
Household consumption		1/4	1/4	1/4	1/4		PUBLICATION OF 2020 RESULTS
Housing volumes and rentals			X				
Government compensation			X				
Machinery and equipment			X				
Construction and civil engineering			X				
CPIs and national account deflators	X		X			X	
National account expenditures	X		X			X	

# PERU'S PROPOSAL

- All prices (consumer products, housing services, government services, capital goods) are surveyed in the reference year: leaves time for the validation of core product prices
- The basket of consumer products is divided into four parts and a different part is priced each quarter: each item would be surveyed only once (seasonal products would be an exception and priced each quarter)
- The single quarter average prices would be converted to annual prices with TACs: point-in-time pricing like EU-OECD
- The advantages of pricing the whole basket quarterly are lost but to some extent the loss is offset by the reduction in response burden

Now it is over to you