

Path Towards Annual Global Purchasing Power Parity Estimates

**International Comparison Program (ICP)
Inter-Agency Coordination Group (IACG) Meeting**

Introduction

- **ICP has a long history with nine global ICP comparisons** conducted to date: 1970 | 1973 | 1975 | 1980 | 1985 | 1993 | 2005 | 2011 | 2017 | **2021**
- Since the first phases of the ICP ultimate goal of the has been to **produce and publish annual PPP estimates**
- **ICP production frequency** has accelerated since the ICP 2005
 - **ICP 2005: 12**-year gap between the comparisons, release of results t+3
 - **ICP 2011: 6**-year gap between the comparisons, release of results t+3
 - **ICP 2017: 6**-year gap between the comparisons, release of results t+3
 - **ICP 2021: 4**-year gap between the comparisons, release of results t+?
 - **ICP 2024: 3**-year gap between the comparisons, release of results t+?

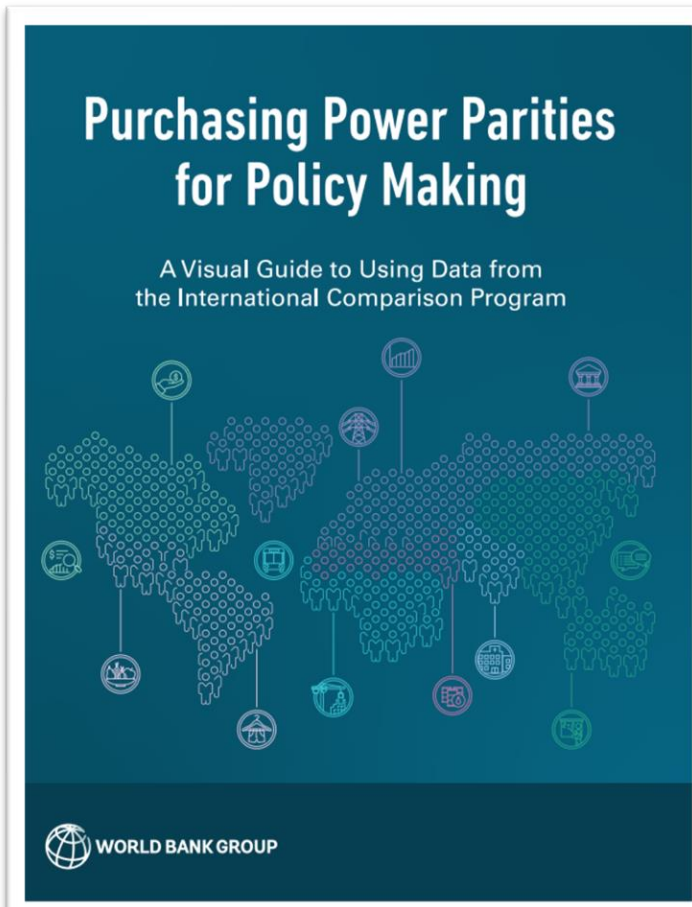
Benefits of (More) Frequent ICP Comparisons

- **Stable methodology**
 - Benefitting from the stable organizational arrangements and earlier methodological developments
- **More stable national / regional / global operations**
 - Reduced “start-up” costs, opportunity to “plan better” and continue existing practices
- **Less reliance on extended extrapolations at aggregate level**

→ MORE STABLE RESULTS

Uses of ICP PPPs and Data has Grown...

- More frequent and stable results, and extensive country coverage, has resulted in “acceptance” for ICP results and wider use of PPPs

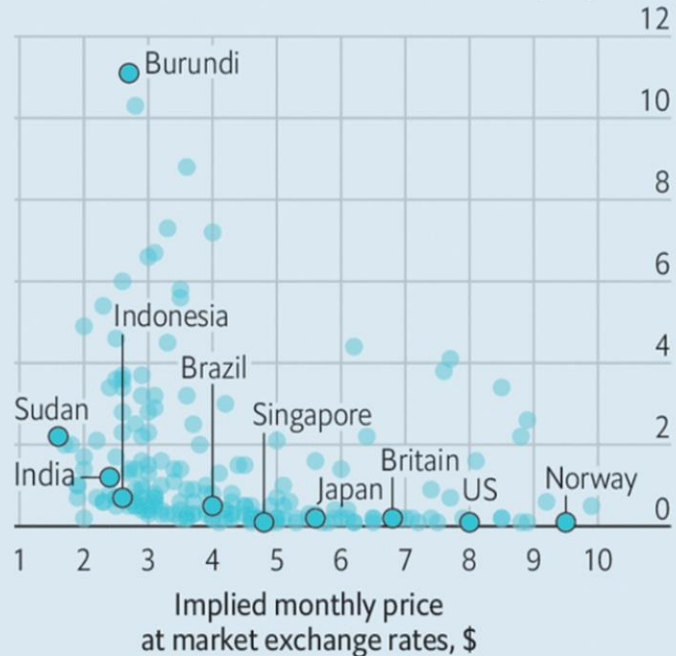


...Expectations on ICP PPPs and Data Have Also Grown

Tweeting-power parity

Twitter, proposed monthly blue-tick fee of \$8 at purchasing-power parity, 2022

Annual cost as % of GDP per person



Sources: IMF; *The Economist*

The Economist

- However, **users expect recent and frequent data**
- Today (May 2023) the most recent global PPPs are referenced to 2017 (published in 2020)
- Extrapolations at the aggregate level published by the World Development Indicators (WDI) (et. al.)
 - “Regional” results for Eurostat-OECD are updated
 - Current approach does not allow for incorporating other regional results beyond the most recent global ICP benchmark
- **Question:** Can we “**enhance**” the **ICP** even further (in keeping with the resources)?

Examples of (Current) Annual Regional PPP Programs

- **Eurostat-OECD PPP Programme**

- HHC surveys divided into 6 surveys, 2 surveys per year
- Non-HHC surveys and data collections annually or biennially
- Expenditures compiled every year
- Publication every June, December and March (flash estimates)

- **Western Asia PPP Program**

- HHC surveys every 3 years | detailed extrapolations for non-surveys years & selected HHC surveys every year | selected countries conduct annual surveys
- Non-HHC surveys every year
- Expenditures compiled every year
- Varying publication schedule

Annual Global PPP Program Requirements: For Each Year t...

■ Regional data

- Annual HHC and non-HHC data
 - Actual year t survey data or extrapolations
 - Following regional survey schedules (within a 3-year update window ?)
- Annual expenditures: compiled for year t / revised for years t-1 and t-2
- Regional PPPs: estimated for year t / revised for years t-1 and t-2
- Earlier discussion on regional survey schedule “options” at the ICP TAG [PRESENTATION](#) | [DOCUMENT](#)

■ Global data

- Global PPPs for year t
- Revised results for t-1 / t-2 (only expenditure and regional PPP updates)
- Global forecast for t+1 / t+2

Annual Global Operational Materials

- Annual **HHC** item list: only essential updates (FETP products etc.)
- **Housing** rentals and volumes: No updates (in principle)
- **Private education**: No updates (in principle)
- **Government compensation**: No updates (in principle)
- **Machinery**: Biennial updates (in principle)
- **Construction**: No updates (in principle)
- Additional considerations
 - **Classification**: No updates (in principle)
 - **Productivity adjustment**: No updates for the application approach
 - **Submission forms** etc.: Only necessarily updates

→ **Guiding principle: only essential data requirements and updates**

Global Forecast t+1 / t+2

- **PPP timeseries approach, without interpolation**

- Extrapolation of BH PPPs
- GDP forecasts and most recent “benchmark” structures
- “Standard” annual estimation methodology
- Incorporation of regional forecast, if available
- GDP, AIC and HHC (?)
- Earlier discussion at the ICP TAG: “Estimating PPPs beyond the current benchmark year” [PRESENTATION](#)

1990 – 2010

WDI extrapolations

2011 – 2021

PPP timeseries

2022 –

Annual PPPs

Annual t+2

Forecast

Example Data Submission and Release Schedule

	2023	2023	2024	2024	2024	2025	2025	2025	2026	2026	2026	2027
	JUL	DEC	MAR	JUL	DEC	MAR	JUL	DEC	MAR	JUL	DEC	MAR
CY2021 results	P	F	R									
CY22-23 forecasts		F ^a	R									
CY18-20 revised^b		F	R									
CY2022 results				P	F	R						
CY23-24 forecasts					F ^a	R						
CY19-21 revised					F	R						
CY2023 results							P	F	R			
CY24-25 forecasts								F ^a	R			
CY20-22 revised								F	R			
CY2024 results										P	F	R
CY25-26 forecasts											F ^a	R
CY21-23 revised											F	R

P = Preliminary submission | **F** = Final submission | **R** = Release
^a If l produced by the region | ^b t-2 used for the example as "oldest" revision

Concluding Remarks

- **ICP has improved its frequency and reliability; however, demand for more frequent and recent data are mounting**
 - Many regions are **already** either producing annual PPPs or working on annual datasets, especially as a response to the Covid-19 pandemic impact on the ICP 2021 cycle (expenditures and prices)
 - ...What is needed is a joint plan for production of global annual PPPs
 - ...and supporting production systems



Monumental opportunity to ensure RELEVANCE and LONGEVITY of the ICP for the years to come

