

International Comparison Program (ICP) Technical Advisory Group (TAG)

Session V - 5

Global Linking: A suggestion from Late Alan Heston



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Alan Heston's suggestion

This was communicated by email to Prasada on 15th February before TAG meeting on 20-21 February 2024

Regional Shares of World

- There are GCI (Global Core Items) and the non-GCI BHs. My comments will not deal with non-GCI BHs because the GO treats them specially anyway.
- What is done now? Each GCI price is divided the BH PPP of the reference country PPP for each region from the regional comparison. A region-item regression provides estimates of linking factors for each BH.
 - A variant takes the geo-mean of the GCI and Regional positions for each country BHs.

The simplified GCI approach: what I always thought should have been done would begin with GCI prices only. A CPD would be run over all countries for *each* basic heading to yield price levels for each country.

Alan Heston's Suggestion: Global linking

Fixity: Regional Shares

- Combining the expenditures and the GCI price levels and non-GCI BHs PLs and expenditures in an EKS aggregation yields country price levels and GDPs in a common reference currency.
- This directly provides the regional shares of global GDP in the common reference currency...no regional data so far.
- Fixity can now be achieved in each region by distributing the regional total among the countries according to their regional results.

Thank you!

