Increasing Transparency of PPP Calculation Procedure

Inter Agency Coordination Group meeting

October 20 - 24, 2025

Washington, DC

Purpose of the Session

The purpose of this session is to present the efforts underwent so far to increase the transparency of global PPP procedures, discuss current ongoing efforts as well as providing a recap of the approach for global computation of PPPs for the ICP2024 cycle.

Outline

1. The Work Thus Far

- ICP Governing Board and Technical Advisory Group (TAG) recommended efforts to improve the transparency of ICP methodology, computational procedures and applications.

- WB Data Blog has been one of the main outlet for these efforts:

How does the ICP measure price levels across the world?

MARKO RISSANEN & INYOUNG SONG | AUGUST 25, 2020

This page in: English

International Comparison Program

New results from the ICP including purchasing power parities (PPP), price level indexes and PPP-based expenditures for reference year 2017 are now available at icp.worldbank.org. This blog series, edited by Edie Purdie, covers all aspects of the ICP and explores the use made of these data by researchers, policymakers, economists, data scientists and others. We encourage users to share their data applications and findings in this blog series via icp@worldbank.org.

Demystifying ICP purchasing power parity calculations using Python: Regional results

WILLIAM VIGIL-OLIVER & SHRIYA CHAUHAN | APRIL 07, 2021

This page in: English

International Comparison Program

New results from the ICP including purchasing power parities (PPP), price level indexes and PPP-based expenditures for reference year 2017

Demystifying ICP purchasing power parity calculations using Python: Global results

GIOVANNI TONUTTI | MARCH 23, 2023

This page in: English

International Comparison Program

Results from the ICP are available at icp.worldbank.org. This blog series, edited by Edie Purdie, covers all aspects of the ICP and explores the use made of these data by researchers, policymakers, economists, data scientists, and others. We encourage users to share their data

2. Compendium of the ICP2021 Methodology

- Information on current methodology is spread across the ICP 2011 methodology book; ICP2011, ICP2017 and ICP2021 reports and operational guidelines

- ICP TAG conducted a full methodological review for ICP2017, resulting in various meeting documents and presentations, including on exceptions.

- GO is compiling a paper reporting all steps for the computation of global PPPs with the purpose of:

  i. Providing a single reference source for methodological enquiries

  ii. Increasing the transparency of ICP work

  iii. Archiving the computational procedures of the previous ICP2021 cycle

- Paper will be submitted for TAG review and possibly to a peer review journal

A single source for PPP methodology

The paper aims to provide an exhaustive account of the main theoretical concepts and computational steps for PPPs estimation as follows:

1. **Conceptual framework and input data**
    i.   *Definitions of GDP; description of NAs and price data and their validation*
2. **PPP estimation**
    i.   *Properties (transitivity, base country-invariance, additivity)*
    ii. *BH PPP estimation (CPD, GEKS method).*
    iii. *Reference PPPs*
    iv. *PPP aggregation above the basic headings (GEKS and GK methods)*
3. **Computation of global PPPs**
    i.   *Standard linking procedures*
    ii. *Non-standard linking approaches*
    iii. *Special Linking Cases*
    iv. *Non-benchmark estimation*

Proposed outline

Steps for computing global PPPs

1. **Standard linking procedures**
   i. *Region-Product Dummy at BH level*
   ii. *GEKS aggregation*
   iii. *CAR-Vol for maintaining regional fixity*
2. **Non-standard linking approaches**
   i. *Housing*
   ii. *Government Compensation*
   iii. *Education and health*
   iv. *Construction and civil engineering*
3. ***Special linking regions***
   i. *Latin America and the Caribbean*
   ii. *Special participation countries*
   iii. *Dual participation countries*
   iv. *Pacific Islands (PAS)*

Global linking - recap

- No major changes are expected in the methodology of ICP2024, pending TAG review and recommendations on:

  i. Productivity Adjustment Factors

  ii. Dual participation

  iii. Construction wages PPP.

- Issues to consider include

  i. Linking of PAS

  ii. Linking of EUO with new PPP classification

ICP2024 methodology

3. Discussion

Thank you!