Building PPP Time Series

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Work to date

- Analytical work on the level at which interpolations are made
- Analytical work on the method of interpolation of PPPs at the desired level
- Extrapolations from 2011 to 2012 and 2013 – results presented at earlier TAG meetings
- Interpolated time series from 2011 to 2017 using Eurostat-OECD comparisons – results presented at the May TAG meeting
- No further work has been undertaken on this project since the May TAG meeting
In the case where availability and quality of data vary across countries, our approach is to use all the available information rather than to operate at the level of the lowest common denominator.

Will work with data at the lowest level where reliable deflators are available. This means that we have different levels for Eurostat-OECD compared to Africa and other regions.
General approach

• All the data used for interpolation purposes will be provided by the Global ICP Unit.

• Only PAF’s will be drawn from Inklaar’s work. This means that we will not explore meaningful alternatives to deflators for government compensation, M&E or Construction other than what is available from the Global Unit.

• Our interpolated series methodology allows us to make use of any additional information available from different regions – 2014 benchmark for WAS and annual series for Eurostat-OECD and any for CIS?
General approach

Interpolation of BH-PPPs (or at whatever level) is done using weighted geometric averages of forward and backward interpolations.

Interpolation of expenditure share weights: – if countries are able to provide expenditure share weights for the intermediate years at whatever level they can provide, we can interpolate weights at BH level or lower levels using: (i) structures observed in 2011 and 2017; and (ii) weighted arithmetic means of weights in the benchmark years
General approach

Interpolation to mimic the current global comparisons.

i. Interpolate regional PPPs first – this allows us to make use of additional information we have.

ii. Link at basic heading level (or any other level we may be working with)

iii. Linking factors – updating linking factors can be done using ratios of geometric averages of inflation within region. If we do this at the BH level, we do not need to be concerned about expenditure weights. If we do it at higher levels we may need to use expenditure share weighted average of inflations.
General approach

Interpolation to mimic the current global comparisons:

• This approach means that we automatically generate regional comparisons as a by-product. These will be used for enforcing fixity.
• Application of PAF’s – start with PPPs for government compensation and then apply linking factors than to interpolate PAF adjusted PPPs. May not make much difference here which way it is done.
• Linking of housing – depends on TAG recommendation
• Use CAR method for final global comparisons.
Several issues about linking were discussed yesterday:
• CIS with Eurostat-OECD using a partial multilateral linking procedure;
• Linking CAR with LAC;
• Countries changing membership of regions – Nada listed all the changes from 2011. A difficult problem but Francette’s presentation is a bit reassuring!