Linking Reference PPP Headings

ICP Global Office

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Content

- Background
- Linking Reference Headings
The ICP 2017 classification covers 155 basic headings (BHs):

- PPPs for these BHs are based on actual prices collected, or through referencing PPPs for other headings or market exchange rates

**Note:** Regional reference PPP BHs may differ from the global reference PPP BHs; global reference PPP BHs are defined by the unavailability of global core list prices, which are needed for estimating linking factors per the “standard” linking approach.
Linking Reference Headings [1]

Linking reference PPP headings entails the following steps, as agreed by the Computation Task Team (COTT):

- **STEP 1**: Unrestricted global reference PPPs are obtained through a global GEKS aggregation of linked global BH PPPs using their respective national accounts expenditure weights, per the reference mapping.

- **STEP 2**: For each region, geometric means of regional BH PPPs and unrestricted global BH PPPs from Step 1, are calculated.
Linking Reference Headings [2]

- **STEP 3:** Ratios of regional and global geometric means from Step 2 are calculated for each region

- **STEP 4:** Linking factors are calculated by normalizing the ratios from Step 3 relative to Eurostat-OECD

- **STEP 5:** Linked global BH PPPs are calculated by multiplying regional BH PPPs with normalized linking factors from Step 4

**Note:** These steps ensure that the reference PPP BHs are linked, and that fixity of the regional results is maintained
THANK YOU