



Recommendation for Obtaining Interim Estimates for Purchasing Power Parities

CIS-Stat



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- **Initial circumstances for providing recommendation to obtain interim PPPs**
- **Suggested formula**
- **Limitation analysis**
- **Conclusions**



Initial circumstances



Countries' demand for recommendation to obtain intra-round PPPs.

We welcomed it, as we consider it as the sign that the national governments are interested in PPPs.

A common formal recommendation was needed.

In February 2011, the CIS regional coordinators disseminated a short recommendation for obtaining the interim estimates of PPPs.

While developing the recommendation, **a double goal was targeted as priority:**

- **to take the simplest formula;**
- **to emphasize the interim status of estimates.**

Extrapolation of the PPP basing on the GDP deflators ratio:

$$PPP (A/B)t = PPP (A/B)0 \times def A(t/0) : def B(t/0)$$

$PPP (A/B)0$ - purchasing power parity between the currencies of countries A and B in the benchmark year 0 , measured as “quantity of units of national currency of country A for a unit of currency of country B ”

$def A(t/0)$ - deflator in the year t in relation to the year 0 , for country A GDP measured in the national currency of country A

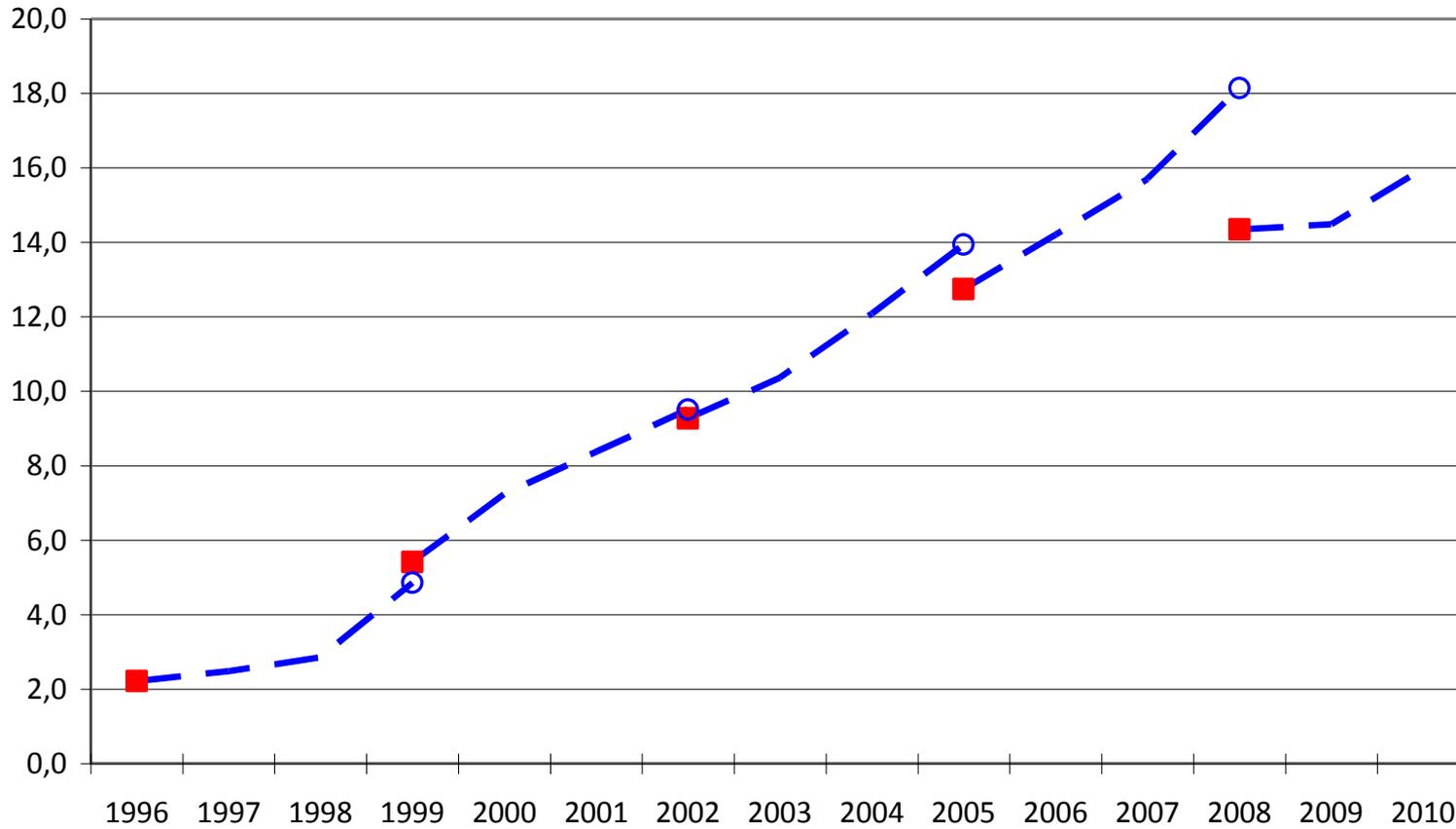


Limitation analysis

Example of Russia



PPP, RUR/USD



Structures of GDP and prices vary between rounds. It affects the PPP, and the extrapolation results may differ from the ICP PPPs.

(The 2008 case for Russia would also need an additional analysis as a shocking year within the crisis.)

■ official PPP resulting from the ICP - - - extrapolation based on the GDP deflators ratio

The extrapolation of the PPPs basing on the GDP deflators ratio was recommended to the countries with a strong reminder:

Indirect PPP estimates and their application for GDP comparisons may be used only as a temporary solution until the results based on direct statistical observation are received.

Indirect estimates may differ from the subsequent official data and should be replaced as soon as the latter are published.



Thank you!