Linking Regional Results into a Global Set of Results

ICP Global Office

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- ICP 2011 linking approach
- ICP 2017 linking approach
ICP 2011/2017 standard linking process is based on the global core list (GCL) approach:

- Countries price regional (region-specific) and global (common across regions) items

- Regional and global item prices are used to calculate regional PPPs

- Global item prices are used to calculate inter-regional linking factors (LFs)

- LFs are used to link the regional PPPs into a global set of PPPs
ICP 2011 Linking Approach [1]

5 regions were involved in the global linking: Africa (AFR); Asia and the Pacific (ASI); Eurostat-OECD (EUO); Latin America (LAT); Western Asia (WAS)

The “standard” linking approach at the basic heading (BH) level entailed the following steps:

- **STEP A1:** ICP regions and EUO calculated regional BH PPPs using the weighted and unweighted CPD or weighted and unweighted GEKS methods + referencing (reference PPPs)

- **STEP A2**: GCL item prices in national currency were converted into a common regional numéraire using the country’s regional BH PPPs from step A1.

- **STEP A3**: Inter-regional LFs for each BH were estimated using the weighted* or unweighted** CPD methods based on converted GCL prices from step 2.

- **STEP A4**: Countries’ regional BH PPP from step A1 were multiplied by the inter-regional LFs resulting from step A3 to arrive at linked BH global PPPs in world numéraire, with fixity.

* Household consumption
** Non-household consumption
ICP 2011 Linking Approach [3]

The “standard” linking approach above the BH level entailed the following steps:

- **STEP B1**: ICP regions and EUO aggerated regional BH PPPs using the GEKS method
- **STEP B2**: Countries’ volume shares in regional comparisons were obtained for each level of aggregation from step B1
- **STEP B3**: BH PPPs in world numéraire from step A4 were aggregated using the GEKS method

- **STEP B4**: Regional volume totals in global comparison were obtained by summing the volumes for individual countries in each region from step B3.
- **STEP B5**: Regional volume totals for each region from step B4 are divided using the countries’ shares in regional comparison from step B2.
- **STEP B6**: PPPs in world numéraire for each country are derived indirectly by dividing countries' nominal expenditures by the volumes derived from step B5 for each level of aggregation up to GDP.
Exceptions to the “standard” approach include heading exceptions and regional/country exceptions.

**Heading exceptions**
- Housing
- Health and education
- Government compensation
- Construction and civil Engineering
Regional/country exceptions

- CIS: Linked through Russia as a bridge to OECD at the BH level, and through EUO at the aggregated levels (PPPs US=1)
- CAR: Linked through LAT
- GEO and UKR: Linked through EUO (PPPs DEU=1)
- IRN: Linked through WAS
- Dual-participation countries: EGY, SUD, MAR, RUS

All these exceptions are discussed in subsequent presentations.
ICP 2017 Linking Approach

The ICP 2011 standard linking approach is applied in the ICP 2017 without modifications.

The heading and regional/country exceptions remain the same.

However, adjustments to the treatment of some of these exceptions will be proposed in subsequent presentations, for TAG consideration.
THANK YOU