

The Ring Comparison

The Division of Labor

1. The TAG recommended that the Global Office and Regional Coordinators continue organizing a multilateral ring comparison that Fred will describe.
2. I will introduce the basic framework of ring methods at the BH level and Bettina Aten will illustrate the Ring procedures at the BH level.
3. I will discuss the CPRD approach that arose in the process of the drafting of Ch. 10 by Peter Hill.
4. Subsequent Sessions will deal with the following subjects.

Ring Comparison-A

- 1. List of Items. How should it be related to the Regional lists? What is the role of the Global Office, the Regional Coordinators and the Countries.
- 2. What will be the process of formulating the Ring list of items?
- 3. When will pricing take place? Seasonal Issues
- 4. Where in the Ring Countries will pricing take place? How are national average prices to be obtained.

Ring Comparison-B

- 5. What will be done in those areas where methods in the Regions may be different from those in the Ring? For example, house rents, machinery and equipment and construction.
- 6. How will the Ring countries be linked to the Regions at the basic heading level? There existed a procedure used in the 1980 UNICP benchmark. Its drawbacks is that there seemed to be an arbitrary character to the influence a particular ring country.
- 7. The procedure to be described by Bettina Aten emerged in the TAG discussions of papers by Diewert, Dikhanov, Rao, Hill and others.

Ring Comparison-C

- 1. The TAG recommends that at the Basic Heading the preferred method is CPRD. Essentially this is a CPD procedure that takes account of the representivity of items by introducing an additional variable into CPD regressions. Item characteristics like # of bathrooms, in a CPD on dwelling rents are usually termed hedonic regressions.
- 2. The TAG recognizes that regions may prefer other methods like EKS and as Bettina will show, this does not affect Ring Comparisons at the BH level.

Ring Comparison-D

- 3. The TAG also recognized that within the EKS and CPD procedures treating representivity and weighting in different ways.
- 4. At this stage these alternative methods will be discussed in Ch. 10 of the manual and it is most likely that CPRD will be used with weights at the Ring level.