[10.01]

Reference PPPs

ICP Global Office

5th ICP Technical Advisory Group Meeting
Washington - DC, April 18-19, 2011
Three Kinds of Reference PPPs

1. Price-based reference PPPs
   - Specific
   - Neutral

2. Volume-based reference PPPs
   - Dwelling services in Asia and Africa

3. Exchange rate PPPs
   - Net direct purchases by residents abroad
   - Balance of exports and imports
Price-based Reference PPPs

- **Specific:**
  - Weighted average of PPPs for Transport Services and Restaurants and Hotels. Used for PACKAGE HOLIDAYS
  - PPPs for production of education services by government (without net taxes on production and receipts from sales) Used for EDUCATION

- **Neutral:**
  - PPPs for Individual consumption expenditure by households (excluding health and education basic headings and Reference PPP basic headings). Used for NARCOTICS
  - PPP for GFCF. Used for OTHER GFCF
<table>
<thead>
<tr>
<th></th>
<th>OECD</th>
<th>Eurostat</th>
<th>CIS</th>
<th>Asia</th>
<th>Africa</th>
<th>West Asia</th>
<th>South America</th>
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</thead>
<tbody>
<tr>
<td><strong>Total number of Reference PPPs</strong></td>
<td>34</td>
<td>34</td>
<td>35</td>
<td>34</td>
<td>39</td>
<td>32</td>
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<td>Of which: <strong>Reference volume relative</strong></td>
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<td>Reference PPPs: Specific</td>
<td>14</td>
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<td>14</td>
<td>13</td>
<td>25</td>
<td>12</td>
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<tr>
<td>Reference PPPs: Neutral</td>
<td>20</td>
<td>20</td>
<td>18</td>
<td>18</td>
<td>12</td>
<td>18</td>
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<tr>
<td><strong>Exchange Rates</strong></td>
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What difference did it make?

**Real question:** What would the PPPs for GDP have been if prices had been collected for all Basic Headings?

**Our questions:** What would the PPPs for GDP have been if they had been calculated:
- without price-based reference PPPs?
- without exchange-rate PPPs?
Difference between Published PPP for GDP and PPP for GDP without Price-Based Reference BHs, ( % of Published GDP)
Number of Countries by Absolute Size of Differences between GDP PPP without Priced-Based Reference PPPs and Published GDP PPP

- Under 0.5%
- 0.5 to 0.9%
- 1.0 to 1.4%
- 1.5 to 1.9%
- 2.0 to 2.4%
- 2.5 to 2.9%
- 3.0 to 3.4%
- 3.5 to 3.9%
- 4.0% and more
Difference between Published PPP for GDP and PPP for GDP without exchange rate reference PPPs, by country within ICP region, (% of Published GDP)
Number of Countries by Absolute Size of Differences between GDP PPP without Exchange Rate PPPs and Published GDP PPP

- Under 0.5%
- 0.5 to 0.9%
- 1.0 to 1.4%
- 1.5 to 1.9%
- 2.0 to 2.4%
- 2.5 to 2.9%
- 3.0 to 3.4%
- 3.5 to 3.9%
- 4.0 to 4.5%
- 4.9% and over
Lessons for ICP 2011 (1)

1. All regions to collect prices for:
   - Maintenance and repair of the dwelling;
   - Social protection (under household consumption);
   - Insurance;
   - Other products (under gross fixed capital formation).

2. Regions should consider collecting prices for important goods and services. E.g.
   - Motor cycles in Asia,
   - Domestic services in Africa,
   - Education (non-government) in OECD-Eurostat and CIS
Lessons for ICP 2011 (2)

3. Don’t mix goods and services:
   - Service reference PPPs for services
   - Goods reference PPPs for goods

4. Look for specific rather than neutral PPPs.

5. Avoid reference PPPs for dwelling services.

6. Validate reference PPPs?
INTERNATIONAL COMPARISON PROGRAM

For more information:
www.worldbank.org/data/icp