

United Nations Economic and Social Commission for Western Asia  
UN-ESCWA

# Synergies between CPIs and PPPs and integration of survey activities

## *ESCWA's experience*

Meetings of ICP Task Forces  
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# Introduction

- ESCWA implemented different projects in order to integrate between the CPI and ICP activities, namely the use of CPI in PPP computations (extrapolation and retrapolation activities), the use of CPI lists in the construction of a regional product list for the 2016 regional PPP production round, regional/sub-regional CPI harmonization, and the computation of sub-national PPPs;
- The bilateral integration between the CPI and ICP in the above activities is achieved through:
  - The harmonization of classifications;
  - The use of one's methodologies in improving the other's structure;
  - The overlap in the product lists;
  - The use of the ICP's structured product descriptions in the CPI lists;
- This integration allows for the synchronization of data collection activities leading to the production of more frequent PPPs;
- The benefits of the integration will reflect on the global, regional, national, and sub-national levels, leading to economic development, as is seen through the regional progress ESCWA is making and the national improvement in ESCWA member countries' CPI lists.

## ***A. Use of the CPI in PPP computations Extrapolation/ Retrapolation Activities***

- Building on the experience gained from the 2011 ICP round, ESCWA aspired to construct a PPP time series extending from 2011 onwards;
- ESCWA took on a new initiative to extrapolate data for 2012 and 2013 from 2011, and is currently conducting the 2016 regional PPP production round which will result in the production of PPPs for 2016-2015-2014 through a combination of actual data collection and retrapolation;
- Moreover, Western Asia is also implementing the 2017 ICP round which will result in the computation of PPPs for 2017-2018 through a combination of actual data collection and extrapolation;
- This strategy will be perpetually followed by Western Asia to ensure the regular production of PPPs.

## ***A. Use of the CPI in PPP computations Extrapolation/ Retrapolation Activities***

### ➤ Household consumption data:

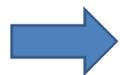
- Participating countries provide the regional office with quarterly CPI data at the most detailed level;
- Western Asia's ICP team derives and applies the quarterly inflation/deflation rates to extrapolate/retrapolate quarterly average prices from non-reference years using reference year prices;
- As for Fast Evolving Technology items, actual data is provided by member states annually starting from 2017.

### ➤ Non-household consumption data:

- For the years 2012-2013 and 2014-2015, member countries worked on providing special survey data either through actual data collection or through extrapolation/ retrapolation using the appropriate national price indices for each survey;
- Starting from 2016 onward, member countries are performing actual data collection for non-household consumption on an annual basis.

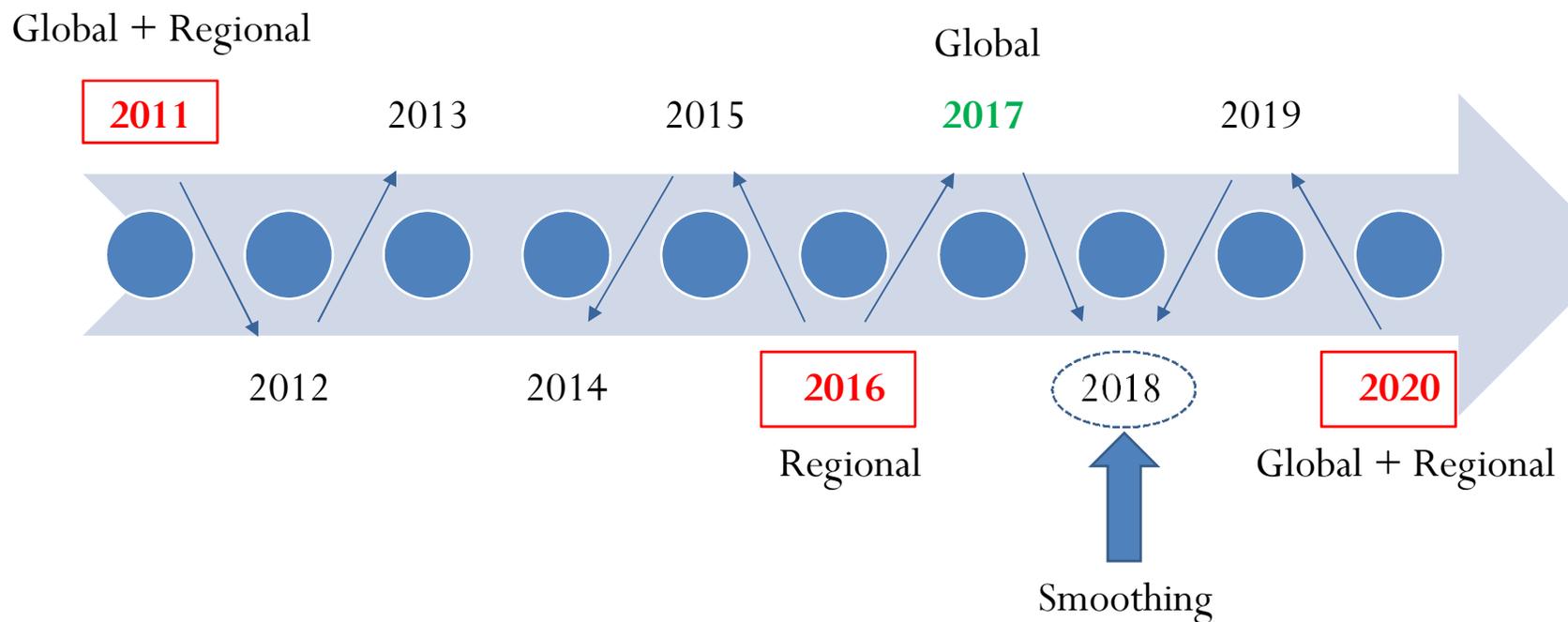
### ➤ National Accounts Expenditures:

- Estimation of NA expenditures at the Basic Heading Level using MORES.



Regular production of PPPs through the use of CPI.

## A. Use of the CPI in PPP computations Extrapolation / Retrapolation Activities



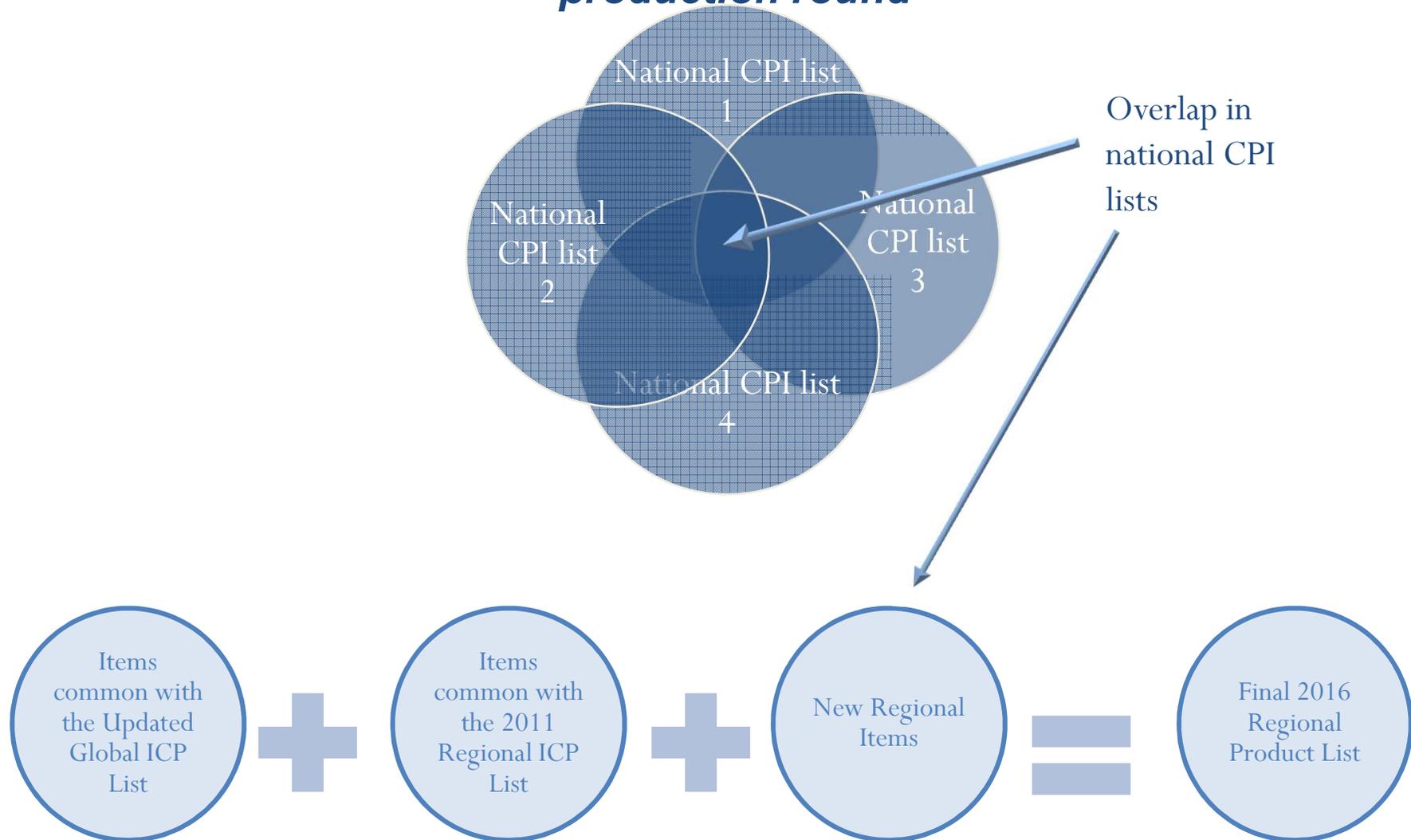
## ***B. Use of the national CPI lists***

### ***Constructing a regional product list for the 2016 regional PPP production round***

- Since there was no global ICP round in 2016, ESCWA decided to carry out a regional round in order to sustain the production of PPPs in Western Asia region;
- ESCWA constructed the regional item list by merging and incorporating the different participating countries' national CPI lists with the updated global list and the previous 2011 regional list;
- The resulting regional list is thus a combination of the national CPI lists, the regional 2011 list, and the updated global list.

## ***B. Use of the national CPI lists***

### ***Constructing a regional product list for the 2016 regional PPP production round***



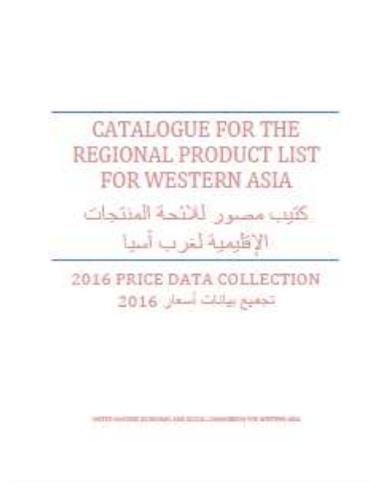
***B. Use of the national CPI lists***  
***Constructing a regional product list for the 2016 regional PPP***  
***production round***

<b>WA 2016 Regional Product List</b>	<b>632 items</b>
Common with the Updated Global List	428
Available in 2011 Regional List (non- Global)	109
New and WA-Specific items	95

## B. Use of the national CPI lists

### Constructing a regional product list for the 2016 regional PPP production round

- The regional team developed a bilingual regional product list and catalogue detailing the HHC items along with their specifications and illustrating each item to facilitate item identification and ensure consistency in data collection among the different countries;
  - Bilingual special surveys were also developed by the regional team through the use of global surveys updated to be representative of Western Asia region;
- ➔ The national statistical offices can use the regional item list in updating their national CPI lists, and some countries have already started doing so.



Basic Heading	Rice	أرز	المجموعة الرئيسية
Basic Heading Code	1101111	1101111	رمز المجموعة الرئيسية
Product Code	Basmati rice 11011105	أرز بسمتي 11011105	المنتج الرمز
Description		الوصف	
Brand	Well known	معروف جدا	علامة تجارية، علامة
Quantity	1	1	عدد الوحدات
Unit of measurement	Kilogram	كيلوجرام	وحدة القياس
Minimum quantity	0.5	0.5	الحد الأدنى
Maximum quantity	1.2	1.2	الحد الأقصى
Type	Long grain, basmati, white rice (milled rice)	أرز نضج (أرز مطحون)، أرز بسمتي، حب طوي	النوع
Packaging	Pre-packed, paper or plastic bag	غالب مسبقا، كيس ورقي أو بلاستيكي	تغليف
Quality	High grade	درجة عالية	النوعية
Preparation	Non-parboiled (uncooked)	غير مسلووق، جاف (غير مطبوخ)	تحضير
Milling	Extra-well-milled	مطحون جيد جدا	طحين
Share of broken rice	Very low (less than 5%)	منخفض جدا (أقل من 5%)	حصة أرز مكسور
Aromatic (fragrant)	Yes	نعم	عطري، عبق
Enriched	No	لا	مضن
Exclude	Jasmine rice, sticky rice	أرز بلسمي، أرز لاصق	استبعاد
Specify	Brand - Indian	علامة - هندي	تحديد



## ***B. Use of the national CPI lists***

### ***Constructing a regional product list for the 2016 regional PPP production round***

- The integration between CPI and ICP activities achieved in this project is producing many benefits both on the regional and national levels:
  - Improving the CPI infrastructure and strengthening the national CPI product lists;
  - The production of more frequent PPPs which can be used in evidence-based policymaking;
  
- The integration activities pave the way towards the production of regular PPPs, thus complementing Western Asia's PPP time series which extends from 2011 onwards with no gaps between ICP rounds.

## ***C. Regional/Sub-regional CPI harmonization***

- Western Asia developed an innovative initiative for the computation of a harmonized CPI;
- In the first stage of the project, countries were selected based on similarities in their consumption patterns;
- The regional office harmonized the national product lists classified according to the ICP basic headings by removing incomparable items;
- Expenditures estimated using MORES are used as weights for the index computation;
- This exercise integrating the CPI and ICP will provide a spatial and temporal comparison of inflation across countries as well as a regional/sub-regional inflation measure;
- Participating countries can benefit from this exercise for the improvement of their national CPI practices.

## ***D. Computation of sub-national PPPs***

- Capitalizing on the experience gained in the ICP, Western Asia is implementing national projects in a number of member countries for the production of sub-national PPPs;
- The choice fell on the UAE as pilot country due to its unique geographical structure, federation of seven Emirates and demographic diversity, which lead to differences in the consumption patterns and prices of goods and services across the Emirates;
- The regional ICP team exerted efforts in integrating the ICP work into UAE's existing CPI work, resulting in many benefits on the national and sub-national levels.

## ***D. Computation of sub-national PPPs***

- A harmonized national item list was developed using the sub-national CPI lists and Western Asia's regional ICP item list;
- Special surveys were also developed by integrating the 2011 ICP special surveys with the existing national and sub-national surveys;
- The final results were computed showing the differences in purchasing power between the different Emirates.

## ***D. Computation of sub-national PPPs***

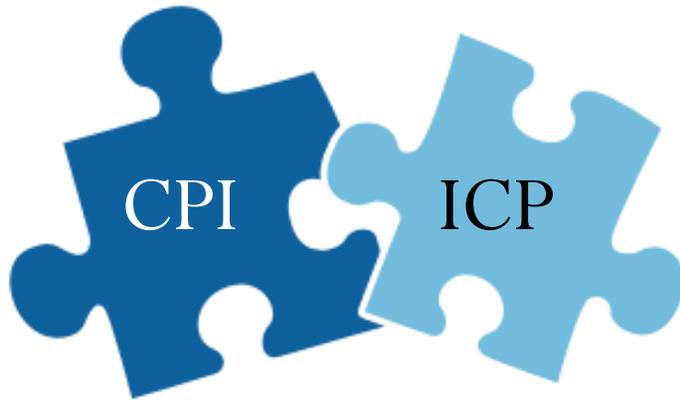
- Benefits of this exercise:
  - Improvement of the CPI infrastructure at the sub-national level;
  - Increased coordination between the sub-national statistical offices;
  - Unification of methodologies across regions of the same country;
  - Expansion of the frame and coverage of price data collection;
  
- The incorporation of the ICP classification and methodologies in the CPI work and the use of the CPI ongoing processes for the production of PPPs at the sub-national level highlight the dual nature of the integration process;
  
- Work is currently ongoing on the production of sub-national PPPs for 2016 in each of Egypt and Sudan;
  
- Assessment is being carried out for the implementation of this project in other ESCWA member states which have expressed their interest in participating in this initiative due to its multiple benefits, such as Palestine.

## ***E. Other Activities***

- Western Asia is also investing the knowledge gained from participation in the ICP to improve other areas of national price statistics;
- For instance, Western Asia's regional team is planning on developing national price indices, such as a construction index or a machinery and equipment index;
- The development of such indices is possible through the integration of ICP work into the regular price statistics work of the national statistical offices.

# Conclusion

- The multiple benefits of the integration overthrow the possible challenges:
  - Production of better price statistics;
  - Sound evaluation of the economic situation;
  - Formulation of appropriate economic and financial policies;
  - Economic development in general.
  
- Western Asia's success in the application of the experience gained from the ICP is proof of the importance of the CPI-ICP integration and the value of the production of more frequent PPPs by adopting the ICP as a permanent element in the worldwide statistical practices.



- *Wholeness of price comparisons can only be achieved through the integration of spatial and temporal ones.*

**Thank You !**