

Monthly Update

30 April 2011 Issue 4

ICP Tracker: **145**

Start of Price Surveys

This month's ICP tracker reads 145, an increase of 15 economies — that have started data collection — from last month, recorded in Africa (from 25 in March to 36 in April) and Western Asia (from 8 to 12). As encouraging as the situation seems, it still poses challenges in about 9 countries in Africa and Western Asia, where price collection started but was later suspended for lack of financial resources or where the socio-political situation remains volatile. This is being closely monitored by the Global Office and the regional coordinators concerned and mitigating measures are being contemplated and will be applied on a case by case basis.

5th TAG Meeting

The fifth meeting of the ICP Technical Advisory Group (TAG) was held on April 18-19, 2011, at the World Bank in Washington DC. In attendance were TAG members, and ICP Regional Coordinators as observers.

The meeting discussed various technical aspects of ICP 2011, including National Accounts, linking issues, validation, comparison-resistant areas, and reference PPPs.

The TAG approved a modified version of the method presented by the Global Office for construction PPPs, made recommendations on the methods for computing basic heading PPPs within a region (Weighted CPD), linking basic heading PPPs across regions (two-stage process) and linking above basic headings across countries (Country-Approach with Redistribution).

The TAG recommends that the final stage of data validation be undertaken by a task force consisting of some staff from the Global Office, Regional Coordinators, and some members of the TAG, and that no region should publish their final results before prices used in the process of linking the regions into global results are validated. Regarding national accounts, the TAG confirmed that the official estimates of GDP should be used for ICP purposes.

4th RC Meeting

The Fourth Meeting of the Regional Coordinators took place on April 20-21, 2011 at the World Bank in Washington DC. The Regional Coordinators provided their respective status reports of the implementation of the program and agreed upon the timeline for survey data submission and validation process.

On Machinery and Equipment, it was suggested that items with more geographically-diversified origins should be added to the list, which was thus yet to be finalized. On Construction, the agreement was for countries to provide data on inputs to comply with the newly proposed approach. The Global Office and the Regional Coordinators again confirmed that countries would provide to the Global Office price data for validation purposes.

CoTaF Meeting

The second meeting of the PPP Computation Task Force (CoTaF) was held on April 18, 2011.

The Task Force approved its Terms of Reference and resolved to abide by the principles of confidentiality, transparency, and timeliness in their activities related to the development of computation programs, the PPP computation proper, and the preparation of relevant documentation.

ICP Facts

Chart 1 - Start of Main Price Surveys

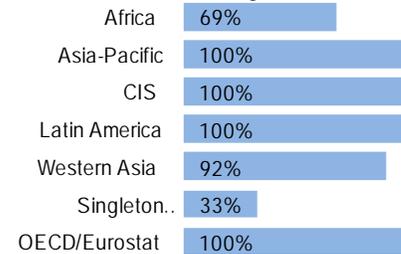
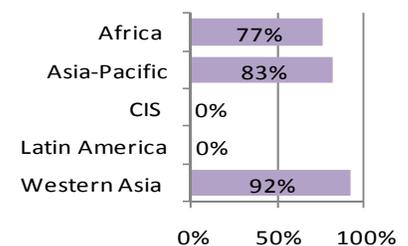


Chart 2: Submission of Matrix of Availability and Importance



Regional Coordinators Meeting

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Regional Activities

Africa

The African Development Bank will organize a meeting with sub-regional and training organizations in May 2011 in preparation for the 3rd ICP 2011 regional workshop scheduled for June 13-17, 2011. The first quarter data will be validated at the workshop.

On Machinery and Equipment, the pilot survey was scheduled to start before the end of April 2011 in Senegal, South Africa, Tunisia, Cameroon and Kenya.

Asia

The Asian Development Bank confirmed that all economies have indicated having commenced price collection in January 2011 except for Bangladesh, which planned to commence price collection only in April 2011 as all their resources have been deployed to conduct the Bangladesh Population and Housing Census.

No major change is anticipated in the overall implementation timetable. A regional validation workshop will be held in Nepal from June 13-18, at the end of which the Global Office is expected to make presentations on non-household sectors: machinery and equipment; construction and civil engineering; and compensation of employees.

CIS

The CIS regional list for machinery and equipment was discussed at the meeting of the CIS ICP experts from March 23-25, 2011 in Moscow. Methodological issues and specifications of construction materi-

als were also discussed and the participants confirmed the use of the resource-technological models method (RTM), a method harmonized with the standard ICP methodology. The metadata tables recommended by the Global Office will be translated and sent to the countries in order to get them back filled in by June 2011.

Latin America

As indicated in the previous monthly updates, the pilot survey on Machinery and Equipment was conducted in Brazil, Colombia, and Costa Rica. The relevant findings were scheduled to be submitted by the end of April.

As regards the price survey for household consumption, 17 countries are finalizing data collection for some segments of the regional list that are also part of their national CPI baskets, as well some additional (non-CPI) items. These countries were expected to send average price data and related statistics to ECLAC by April 20, 2011. In addition, countries are preparing price collection activities for the remaining segments, which shall begin in May 2011, in addition to continuing the price surveys that started in the first quarter.

Caribbean

All Caribbean countries reportedly agreed to hire a consultant to conduct the surveys for Construction and Machinery and Equipment, using the Global Office specifications. In May and June, 2011 technical assistance missions are scheduled to se-

lected countries to support mapping of CPI baskets to Global Core List.

Western Asia

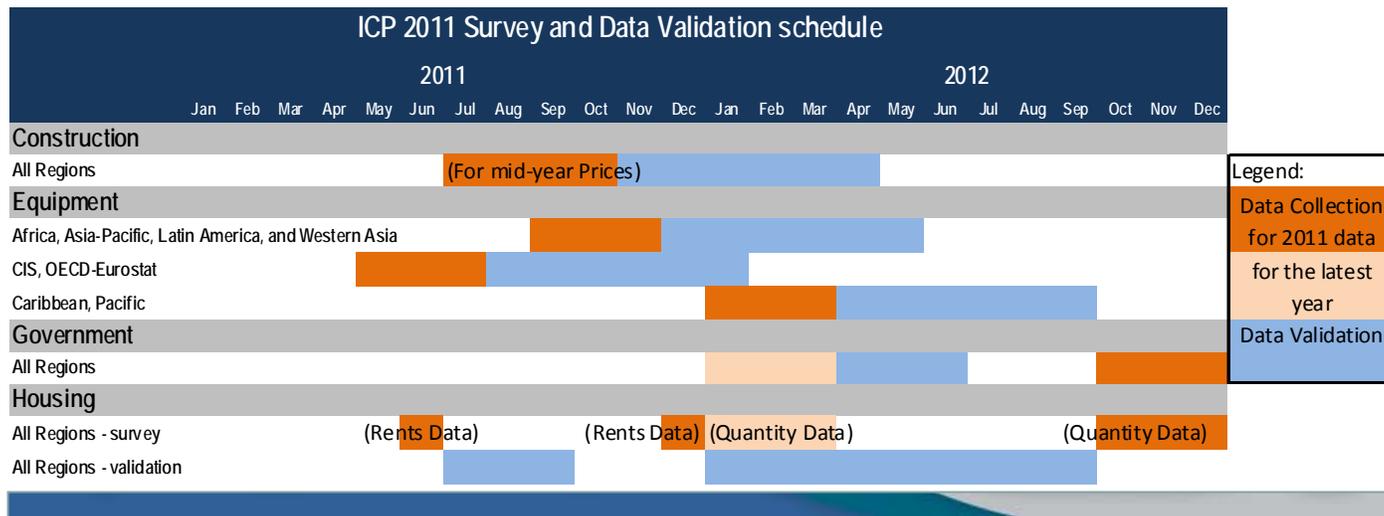
There will be a slippage in some regional activities due to many factors, including two highly hindering ones:

- (1) the ongoing political movements in several countries of the region, specifically in Bahrain, Syria, and Yemen, hindering the capabilities of the member countries to effectively conduct surveys, and the regional office in coordinating and managing the regional activities; and
- (2) administrative factors including long processing of financial matters which result in the belated receipt of the necessary funds for financing regional activities.

OECD-Eurostat

Prices from 2010 surveys are to be finalized in May for Eurostat countries and end of the year for OECD countries. The database for ICP purposes is in preparation. The preparations for "Health and Furniture" have started; and the 2011 Construction Survey starts in May for Eurostat countries and in the second half of the year for OECD countries.

ICP 2011 Survey and Data Validation schedule



IMF Press Release

IMF Workshop Outlines Japanese-Funded Project to Help Asia and Pacific Countries Produce Internationally Comparable National Accounts and Price Statistics

Press Release No.11/118
April 7, 2011.

An International Monetary Fund (IMF) workshop in Bangkok has outlined detailed work plans for a multi-year project that aims to bring national accounts and price statistics of 10 Asia and Pacific countries up to international standards. The April 5-7 workshop, which brought together statisticians and economists from all the countries concerned, also identified technical assistance to be provided by the IMF as part of the initiative. Funding for this project is provided by the Government of Japan through the Japan Account administered by the IMF.

During the workshop, country representatives from Bhutan, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Maldives, Mongolia, Nepal, Sri Lanka, and Vietnam discussed and defined project objectives and prepared a detailed work plan to guide each country. IMF staff shared their expertise in national accounts and price indices compilation. The project's focus on improved gross domestic product (GDP) and prices data will be an important contribution to the International Comparison Program in which the countries are also participating. Technical assistance needs were drawn up based on national priorities and work planned or already completed in the context of the International Comparison Program and other statistics development programs.

"Because of resource and other constraints, many countries struggle to produce timely data on national accounts and price changes for analytical purposes. This project will help develop a much needed capacity for implementing sustainable data programs to measure GDP and price changes that are comparable across countries," said Mrs. Armida San Jose, Assistant Director of the IMF's Statistics Department. As part of the project, the IMF will provide hands-on assistance through visits by experts to participating countries combined with workshops to provide practical training and allow countries to share experiences.

Ms. Chellam Palanyandy, Regional Coordinator, 2011 International Comparison Program Asia Pacific, who represented the Asian Development Bank (ADB) — the Regional Coordinating Agency — in the workshop, added: "This project will complement efforts by the ADB and other agencies to help Asian countries implement the International Comparison Program. As the coordinator for that program in Asia, the ADB welcomes the launch of this project and is pleased to collaborate with the IMF and the countries involved."

The International Comparison Program is a worldwide statistical partnership to collect comparative price data, compile detailed expenditure values of countries' GDP, and estimate purchasing power parities of the world's economies. Using purchasing power parities instead of market exchange rates to convert currencies makes it possible to compare the output of economies and the welfare of their population in real terms (controlling for differences in price levels).

Purchasing power parities, the main focus of the International Comparison Program, have important analytical uses including in the calculation of IMF quotas, which determines the voting power of IMF-member countries on its Executive Board.

<http://www.imf.org/external/np/sec/pr/2011/pr11118.htm>

Learning Events

Poverty Reduction and Economic Management Network (PREM) unit within the World Bank annually organizes learning events covering issues including Economic Policy and Debt, Gender, Poverty Reduction and Equity, Public Sector Governance and Trade.

In this year's PREM Learning Events, the ICP team offered a course on April 28, 2011 to Bank staff and consultants on ICP concepts, National Accounts activities in the ICP, Survey Framework and Price Surveys, Comparison-resistant areas, Data Validation, Estimating PPPs and ICP uses.

The PowerPoint materials used are available on the ICP website.

Global Linking Methods

The linking methods recommended by the ICP TAG will soon be submitted to the ICP Executive Board for decision. They are based on the global core approach whereby all the economies participating in the ongoing ICP round are required to collect, in addition to their respective regional lists of goods and services, prices for a global core list of products. They are briefly described below.

Linking Basic Heading PPPs Across Regions

The same method as that used to link basic heading PPPs in the 2005 ICP is recommended for the 2011 round, although the linking process will involve all countries (from the 6 regions—including OECD-Eurostat) in 2011 rather than just the "ring countries". The following steps will be used to compute the global PPPs for each basic heading:

Step 1: All relevant global core product prices provided by a country are divided by the regional basic heading PPP of the country, thus converting all global core prices from that region into a common regional numeraire;

Step 2: Converted prices resulting from Step 1 will be processed through a single weighted CPD run involving data from all the 6 regions, thus generating the 6 inter-regional linking factors for the basic heading, expressed in the World numeraire.

Step 3: Fixity of regional PPPs is ensured by multiplying each country's regional basic heading PPP by the inter-regional linking

Linking Across Regions Above Basic Heading:

The Country-Approach with Redistribution involves estimating simultaneously the linking factors for volumes for all countries in the regions, according to the following steps:

Step 1: All basic heading PPPs from all 180+ countries are used to carry out unrestricted GEKS-Fisher aggregation above the basic heading level.

Step 2: Regional real expenditure totals are obtained by summing up expenditures from individual countries for each region, using the results from Step 1.

Step 3: The regional real expenditure totals from Step 2 are distributed among all 180+ countries according to regional results to uphold regional fixity.

ICP in the Pacific Islands

The Australian Bureau of Statistics (ABS) is serving as Regional Coordinator for the Pacific ICP, and will provide technical and financial support through the Pacific Statistical Program funded by AUSAID. The ABS has sent letters to 15 Pacific countries/territories inviting their participation in the Pacific ICP. So far formal acceptance was provided by 12 countries (Fiji, Samoa, Vanuatu, Tonga, PNG, Federated States of Micronesia, Kiribati, Tuvalu, Nauru, Niue, Cook Islands and Tokelau). Solomon Islands has provided verbal acceptance which they are expected to confirm soon. Also the French and American Pacific territories are under consideration as they will enhance the Pacific ICP. The Pacific ICP received endorsement from the Pacific Statistics Steering Committee (PSSC) at their April meeting in Fiji.

Fiji, Samoa, Vanuatu, and Tonga have indicated that they will participate in the Pacific ICP as Tier 1 countries (that is, pricing around 100 items), with possible addition of PNG and Solomon Islands. The remaining countries are likely to participate on a Tier 2 basis (that is, pricing around 10 items).

Based on the countries/economies' updated CPI lists, an initial Pacific Product List (PPL) of around 120 items is compiled for the Pacific ICP. From the PPL the ABS will select a Pacific Core List (PCL) of 10-15 items that are representative of each Tier 2 country. The intention is that Tier 1 countries will price most of the items in the PPL and that all Tier 2 countries will price all items in the PCL. The ABS expects to have draft products lists, together with product specifications, ready for comment by participating countries by the end of April 2011.

ICP-Kit and Validation Workshops

On 22, 25-26 of April, THE icp Global Office organized ICP-Kit and Validation workshops. Delegates from the African Development Bank, UN-ECLAC, and UN-ESCWA participated. The ICP-Kit workshop, led by the DECDG software development team focused mainly on the Regional Module. The validation workshop addressed specific aspects related to data requirements and validation procedures for the following areas: Household Consumption; Compensation of Government Employees; Housing; Construction; Machinery and Equipment; National Accounts; and PPPs. It also included presentations and discussions on the main validation tables (Quaranta and Dikhanov).

The participants agreed that the agenda of the upcoming October Regional Coordinators meeting would include a data validation session. Regional Coordinators would be requested to bring their regional price data for cross-review with a view to flagging common problems and sharing best practices.



The fifth TAG meeting, The World Bank, Washington DC (April 18-19, 2011)

eScoop

The online discussion groups, eScoop, launched last month through the Bank's external social network services, can now be accessed through <http://escoop.worldbank.org>. This will facilitate active discussion between members in each of three governance bodies - Executive Board, TAG, Regional Coordinators - as well as the two working groups: INAG and CoTaF.

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