

# ICP Task Force on PPP Computation and Time Series

## Background and Terms of Reference

October 26, 2017  
World Bank, Washington, DC



International Comparison Program

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# Outline

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- **Background**
  - **Membership**
  - **Tenure and Work Modality**
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# Background

## TECHNICAL ADVISORY GROUP (TAG)

- Put forth a technical research agenda to inform future ICP comparisons (TAG Nov. 2016; Governing Board Sep. 2017)
- Established Task Forces on specific topics to develop concrete proposals on the various research agenda items and support the computation of ICP results

## TASK FORCE ON PPP COMPILATION AND COMPUTATION

- Linking interim regional updates into a global comparison
- Building PPP time series for the interim period
- Fine-tuning global linking procedures
- Productivity adjustment for government and construction labor

# Task Force Membership

- Erwin Diewert, *University of British Columbia*
- Francette Koechlin, *OECD*
- Marko Olavi Rissanen, *World Bank*
- Massimiliano Iommi, *IMF*
- Paulus Konijn, *Eurostat*
- Prasada Rao, *University of Queensland*
- Robert Hill, *University of Graz*
- Robert Inklaar, *University of Groningen*
- Sergey Sergeev, *Statistics Austria*
- Vasily Kuznetsov, *ROSSTAT*
- Yuri Dikhanov, *World Bank*

# Tenure and Work Modality

## **FIXED TENURE OF THREE YEARS: OCTOBER 2017 - DECEMBER 2019**

- Linking interim regional updates into a global comparison
- Building PPP time series for the interim period
- Fine-tuning global linking procedures
- Productivity adjustment for government and construction labor

## **WORK MODALITY**

- In-person meetings: at least once a year
- Virtual meetings: as needed
- Members may join IACG meetings (operational implications and feasibility) and TAG meetings (findings and recommendations)
- Global ICP Unit will provide access to necessary data and work material, as needed

# I. Linking Interim Regional Updates

Since the completion of the 2011 ICP various regions conducted interim updates. However, all regions/countries did not take part of these activities, posing a challenge of linking these updates and make them useable in compiling meaningful global comparisons.

## **Research topics include:**

- i. Assessing effect of different timings of regional surveys
- ii. Assessing impact of different degrees of coverage of the GDP
- iii. Assessing effect of changing regional composition and of countries not participating in the regional interim
- iv. Investigating options for linking various regional interim updates into a global comparison

## II. PPP Time Series

Extrapolations of PPPs at the aggregate level over long periods intervening the benchmark comparisons, coupled with major methodological changes between benchmarks, limit the ability to reconcile extrapolations from different benchmarks.

### **Research topics include:**

- i. Assessing availability and quality of national account deflators, CPIs and other price indices by GDP component
- ii. Ensuring consistency between the 2011 and 2017 results and the comparisons for the intervening years
- iii. Developing an approach for estimating PPPs for intervening years between envisaged 2017, 2020 and 2023 ICP cycles

# III. Fine-Tuning Global Linking Procedures

In the 2011 ICP, linking regional results was relatively straightforward in principle. However, linking involved challenges and exceptions, e.g. special participation cases, different approaches for some GDP components, etc.

## **Research topics include:**

- i. Assessing avenues for refining and simplifying the linking process, as well as improving linking of specific GDP components
- ii. Assessing the impact of individual countries on global and regional results, and investigate if the reliability of the global comparison can be improved
- iii. Investigating strategies to accommodate special participation cases

## IV. Labor Productivity Adjustment

The adjustment for productivity differentials is designed to improve PPPs for labor; however, availability and quality of relevant productivity adjustment factors remains challenging.

### **Research topics include:**

- i. Assessing the quality and availability of input data to estimate adjustment factors and the impact of using/not using adjustment factors in different regions
- ii. Assessing usage of the updated adjustment factors in the estimation of government employees PPPs for the 2017 ICP cycle
- iii. Examining the possible use of adjustment factors in the estimation of construction laborers PPPs

# Activities

- Consultations with IACG and other groups, as needed
- Reporting of progress to TAG
- Presenting Interim outputs to TAG
- Presenting final output/deliverables for approval to TAG
- Note: If methodological changes are proposed, the task force should assess and document their impact on ICP results

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# Expected Deliverables by 2019 Q4

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## **LINKING INTERIM REGIONAL UPDATES INTO A GLOBAL COMPARISON**

- Develop and apply approach for linking interim regional updates into a global comparison

## **BUILDING PPP TIME SERIES FOR THE INTERIM PERIOD**

- Develop and apply approach for building PPP time series for the interim period [2012-2016]

## **FINE TUNING GLOBAL LINKING PROCEDURES**

- Develop and apply approach for fine tuning the global linking procedures

## **PRODUCTIVITY ADJUSTMENT FOR GOVERNMENT AND CONSTRUCTION LABOR**

- Develop and apply approach for productivity adjustment for government and construction labor

# Tentative Timeline

Activity	2016				2017				2018				2019				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>ICP Task Forces</b>																	
<b>TF01 PPP Compilation and Computation</b>																	
- Linking interim regional updates											R		I		R		F
- Building interim PPP time series	Preliminary research										R		I		R		F
- Fine tuning global linking procedures											R		I		R		F
- Productivity adjustment											R		I		R		F

**Acronyms:** Report to TAG (R); Interim output (I); Final output (F)

