

[01.06]

## Linking in countries not Included in the Main Regional or Global Comparison at Item or Higher Levels



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# Background

- The illustration deals with countries that are added to an already completed benchmark for a region or global comparison.
- This may occur because countries are not participating in any regional comparison or because their surveys are not completed in time for the larger comparisons.
- This note concentrates on linking at the item price level or the basic heading level or at some intermediate level of aggregation.

# Item Price Output of CPDs

- Usually the CPD is only used to estimate the PPP or PL of each country included.
- However, the coefficients on the individual items also have a straightforward interpretation.
- These are the average prices for the group of countries included.
- In the following slide the average price for Preserved Fruits and Nuts for Africa for the specification unit in currency of Nigeria.
- We will refer to this as the reference currency; the reference country for the country coefficients may be different

# Preserved Fruits and Nuts Estimated African Prices per Specification Unit

Preserved Fruits	Nuts
Price in Naira	per Unit
Cashew nuts	2.15
Coconut	1.46
Dried Almonds	4.08
Dried Apricots	7.74
Dried Plums	1.67
Dried dates	4.04
Macademia nuts	0.79
Mixed Fruits in Syrup	2.86
Natural Groundnuts	0.58
Roasted groundnuts	0.57
Tinned Peaches	1.59
Tinned Pineapple	2.54
Groundnuts	0.55

# What use are CPD Prices?

- Suppose you want to estimate the price level for a basic heading for country X in Africa, that was not included in the initial runs. Estimated CPD prices can be directly used for this purpose.
- A binary comparison of the country X and Africa can be directly calculated.
- Further if country A has provided binary assistance by matching its prices with the a country X in any or no region, CPD prices can be used to supplement what country A may offer for comparison.

# Some additional points about using CPD prices

- Sergeev continues to make the point that it is much better to estimate CPDs or aggregations using all countries (in the region or world) as the reference, not one country. I AGREE.
- Particularly in CPDs, where some countries may provide no prices, it is better to have a reference that is all countries in the region (or the world).
- This is accomplished by converting national prices at the average of exchange rates of the relevant group of countries before CPDs are estimated.
- For purposes of presentation one can always use a more familiar reference currency, perhaps the Naira for Africa, the Euro or dollar for OECD.



# Thank You