

ICP Data Types

The data used by the International Comparison Program (ICP) can be classified into three categories. The first category, price/cost data, includes the prices of household goods and services as well as the rents paid by individuals, salaries of government employees and the costs of equipment and construction inputs. These data are used to compute purchasing power parities (PPPs) through the direct input approach in which the prices of goods and services are based on direct observations. The second category is quantity data. These data are essential in computing PPPs for areas in which the number of dwellings, students, or patients, for example, plays a direct role in computing indirect PPP estimates. The third category of ICP data is the national accounts expenditure data for each basic heading. The following sections provide more detail on the categories of ICP data and their applications in computing PPPs by means of the input and output approaches.

THE INPUT APPROACH TO COMPUTING PPPs

The input approach is the most commonly used approach to computing PPPs for ICP purposes. It involves using the collected prices of goods and services to compute PPPs for basic headings under household consumption. Rental data

are used to compute housing PPPs, and the compensation or salaries of government employees are used to compute government compensation PPPs. Similarly, the observed costs of machinery and equipment goods, as well as the costs of construction inputs, are used to produce the corresponding PPP estimates.

THE OUTPUT APPROACH TO COMPUTING PPPs

The output approach to computing PPPs uses output data based on quantity and quality indicators. Housing PPPs can be computed through the quantity approach by directly estimating the relative volumes of dwelling services. PPPs are derived indirectly by comparing the volumes with the expenditure figures. The quantity approach uses both quantitative and qualitative data to construct a volume index. The quantitative data are the usable surface of dwellings, number of rooms, and number of dwellings. One or the other of these quantities is taken as the quantity index. The qualitative data are the percentages of dwellings with facilities such as electricity, inside water supply, inside toilets, air-conditioning, or central heating. The percentages of dwellings with these facilities are averaged to produce a quality index.

NATIONAL ACCOUNTS DATA

Economies participating in ICP 2011 were required to provide a very detailed breakdown of the final expenditure categories of their gross domestic product (GDP). The 155 expenditure basic headings involved are defined in the ICP expenditure classification in chapter 2. A detailed breakdown of the national accounts aggregates is needed to provide the values that are converted into real expenditures at the basic heading level. These values also provide the weights that are used in calculating the PPPs at more aggregated levels, up to the level of GDP itself. As is generally the case with price indexes, the prices of goods and services that account for large shares of the final expenditure are given a larger weight in calculating the PPPs for broader aggregates than are the prices of goods and services that have relatively small shares.

In ICP 2011, the expenditure data for the 155 basic headings were compiled by the economies using the Model Report on Expenditure Statistics, or MORES (see chapter 1 on national accounts). Special approaches were used to

help compile expenditure data for government and housing.

Government: Special Questionnaires

Specially designed questionnaires asked for information on government current and capital expenditures. They covered general government, with a breakdown between the central/federal government, on the one hand, and the local/state/municipal government, on the other. All government functions were covered. Information on health, education, and collective services was reported separately through distinctly designed questionnaires (see chapter 10 on government). The information provided in these questionnaires was based on final government accounts.

Housing: User Cost Method

The user cost method consists of estimating the costs that owners of dwellings would have to take into account in fixing a market rent if they decided to rent their dwellings to other people. A detailed explanation of the user cost method appears in chapter 16 on housing.