

Developing a Strategy for the Continuous Production of Purchasing Power Parities and Improvement of Price Statistics in the Arab Region

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

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Definitions and Introduction

- **Purchasing Power Parities** are spatial price relatives computed through the **ICP** and enabling the spatial comparison of GDP and its main aggregates across economies;
- **Consumer Price Indices** are temporal indices measuring the change in the price level of a country's household consumption and its aggregates across time;
- The integration between the CPI and ICP has many synergetic effects on the global, regional, national and sub-national levels;
- Throughout the 2011 ICP round and thereafter, we have been striving to develop the Arab region in the area of price statistics not only on the international and regional levels, but also at the national level of member countries through innovative national projects;
- The developed statistical initiatives under this area are not restricted to only one aspect of price statistics, but are rather multi-faceted.

Regional Development in Price Statistics

1. Regional PPPs

2. Sub-National PPPs

Price Statistics

3. Regional/ Sub-Regional Harmonized Consumer Price Index (HCPI)

4. National CPI

Regional Objectives

- Our objectives:
 - Improving national capacities in price statistics;
 - Enhancing national infrastructure of price statistics;
 - Enlarging the output of price statistics;
 - Improving the coordination between national statistical offices and the regional office;
- The regional team strives to achieve its goals through:
 - Sustainability of PPP production;
 - Provision of annual estimates for real GDP expenditures breakdown;
 - Capacity building activities;
 - Development of new regional and national price indices;
 - Harmonization of price statistics and national accounts activities across the region.

Innovative Projects in the Arab Region

- 1- The continuous production of PPPs through:
 - a- Extrapolation/ Retrapolation of PPPs for non-reference years;
 - b- 2016 regional PPP production round;
- 2- The production of sub-national PPPs;
- 3- The production of a regional/sub-regional HCPI.

Extrapolation of PPPs for non-reference years 2012-2013

- ESCWA's ICP team aspired to continue the production of PPPs in the interim period between ICP rounds and construct a PPP time series with no gaps;
- The regional team developed an innovative methodology to extrapolate PPPs for 2012 and 2013 using 2011 prices through:
 - Extrapolation of household consumption prices by the regional office using the CPI data at the basic heading level (most detailed level);
 - Collection or extrapolation of non-household consumption data by national statistical offices;
 - Estimation of National Accounts expenditures using MORES.



The Regional 2016 PPP Production Round as a Stepping Stone towards Permanent PPP Production

Extrapolation for more than 2 years  Less reliability of results;

To ensure accurate and reliable data

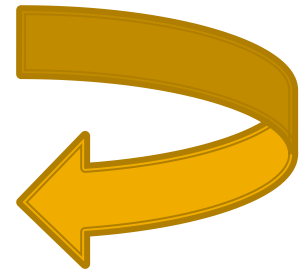
2016 regional PPP production round



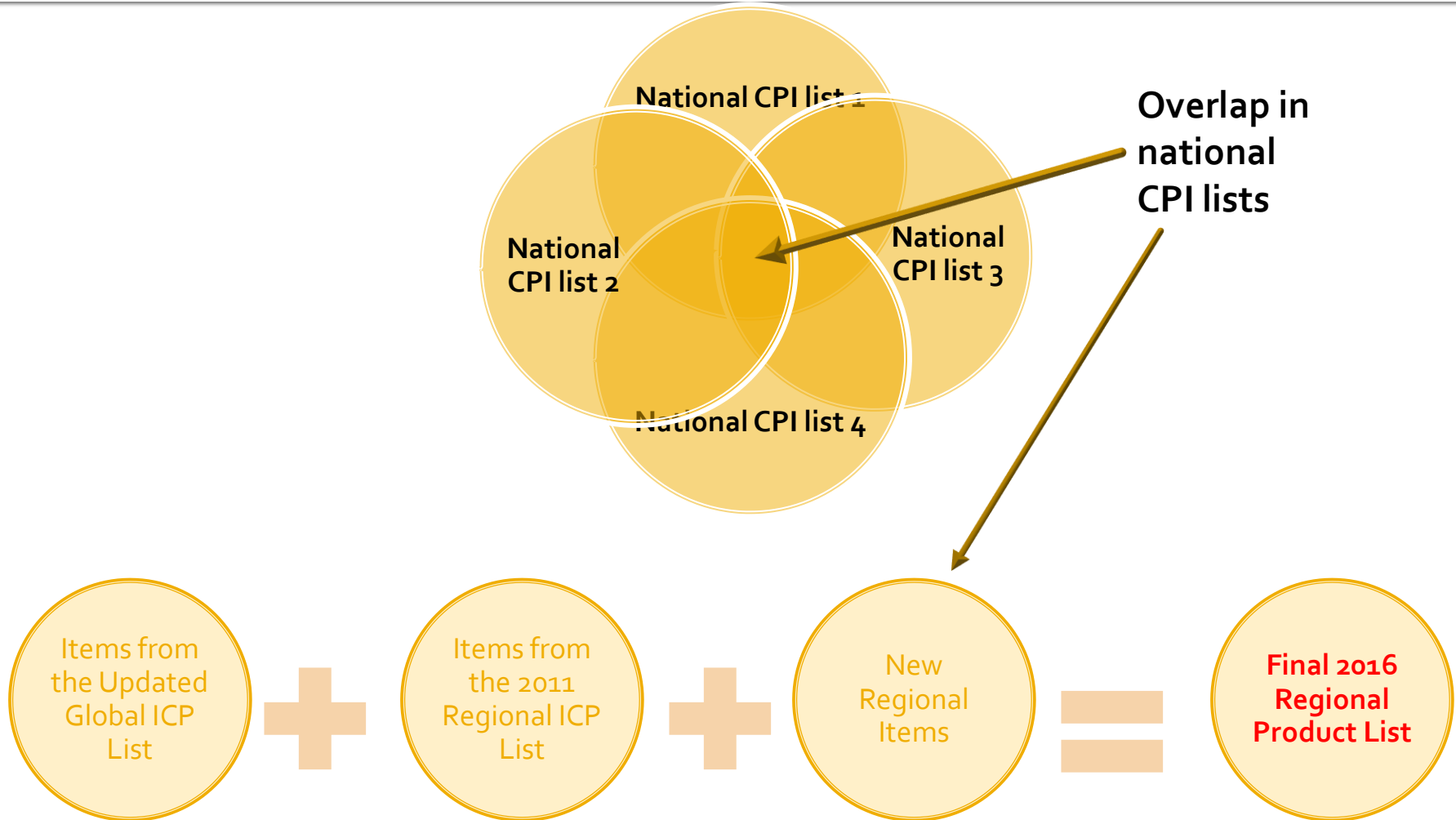
Computation of PPPs for 2016 on the GDP level



Retrapolation of PPPs for 2015-2014



The Regional 2016 PPP Production Round as a Stepping Stone towards Permanent PPP Production



The Regional 2016 PPP Production Round as a Stepping Stone towards Permanent PPP Production

The UNIC regional product list was supported

CATALOGUE FOR THE REGIONAL PRODUCT LIST FOR WESTERN ASIA

كتيب مصور للألحة المنتجات الإقليمية لغرب آسيا

2016 PRICE DATA COLLECTION
تجميع بيانات أسعار 2016

UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA

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Basic Heading	Rice	أرز	المجموعة الرئيسية
Basic Heading Code	1101111	1101111	رمز المجموعة الرئيسية
Product Code	Basmati rice 110111105	أرز بسمتي 110111105	المنتج الرمز
Description		الوصف	
Brand	Well known	معروف جداً	علامة تجارية/ ماركة
Quantity	1	1	عدد الوحدات
Unit of measurement	Kilogram	كيلو غرام	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 أبيض (أرز مطحون)، أرز بسمتي، حب طويل	النوع
Packaging	Pre-packed; paper or plastic bag	معبأ مسبقاً؛ كيس ورقي أو بلمستيكي	تغليف
Quality	High grade	درجة عالية	التوعية
Preparation	Non-parboiled (uncooked)	غير مسلوق جزئياً (غير مطبوخ)	تحضير
Milling	Extra-well-milled	مطحون جيد جداً	طحن
Share of broken rice	Very low (less than 5%)	منخفض جداً (لا يتعدى 5%)	حصة أرز مكسور
Aromatic (fragrant)	Yes	نعم	عطري/ عبق
Enriched	No	لا	مصحن
Exclude	Jasmine rice, sticky rice	أرز ياسمين، أرز لزج	استبعاد
Specify	Brand - Indian	ماركة - هندي	تحديد






International Comp
قارنات الدولية

إستمارة مسح الإنشاءات والهندسة المدنية

Reference Year السنة المرجعية	
(4) Reported Currency العملة المعتمدة (4)	
Academic Year 2 السنة الأكاديمية 2	
Number of school days that fall in the calendar year of the survey (7)	(8) Number of school days that fall in the calendar year of the survey عدد أيام الدراسة التي تقع في السنة التقويمية لهذا المسح (8)
Ending Date (mm/dd/yyyy) (11) تاريخ ال	(12) Ending Date (mm/dd/yyyy) (12) تاريخ الانتهاء (الشهر/اليوم/السنة)

مواد تشغيلية

إدخال البيانات	1502111101 مجاميع الإسمنت	1502111102 رمل للإسمنت والملاط	1502111104 خشب مرن لمصنوعات التجارة	1502111108 نفض/غازولين	1502111109 وقود ديزل	1502111110 طلاء زيتي	1502111111 Emulsion paint	1502111112 إسمنت بورتلاند العادي	1502111113 إسمنت الخرسانة الجاهزة	1502111141 جيبسوم
السعر	1 متر مكعب (3د)	1 متر مكعب (3د)	1 متر مكعب (3د)	1 لتر (ل)	1 لتر (ل)	1 لتر (ل)	1 لتر (ل)	طن (كغ 1000)	1 متر مكعب (3د)	طن (كغ 1000)
الأهمية (نعم = *، لا = عدم وضع *)										
مباني سكنية										
مباني غير سكنية										
أعمال الهندسة المدنية										
معلومات إضافية										
التعليقات										
										
Total for materials and services مجموع المواد والخدمات										

Retrapolation of PPPs for non-reference years 2015-2014

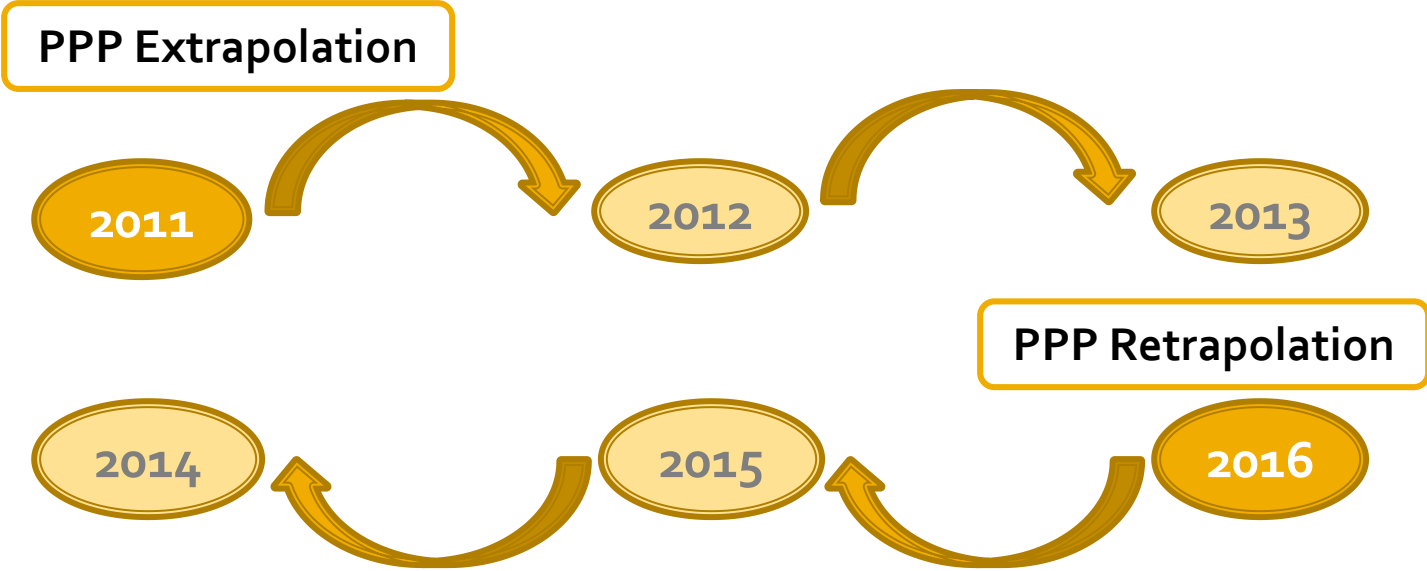
- The same strategy applied for computing PPPs for 2012 and 2013 will be followed to compute PPPs for 2015 and 2014:
 - Retrapolation of 2016 collected household consumption data;
 - A combination of retrapolation and actual collection of non-household consumption data.



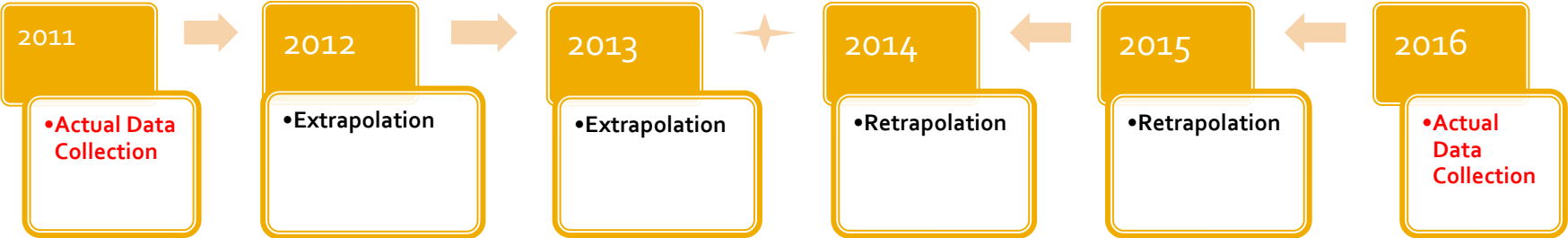
Extrapolation/ Retrapolation of PPPs for non-reference years

- The extrapolation/retrapolation initiative ensures the continuous production of PPPs through a 3-year cycle leading to:
 - Reduction of national data collection burden in terms of effort, budget, and human resources;
 - Development of member countries' capacities in price statistics;
 - Improvement of price statistics infrastructure and output in the region;
 - Construction of an annual PPP time series with no gaps.

Extrapolation/ Retrapolation of PPPS for non-reference years



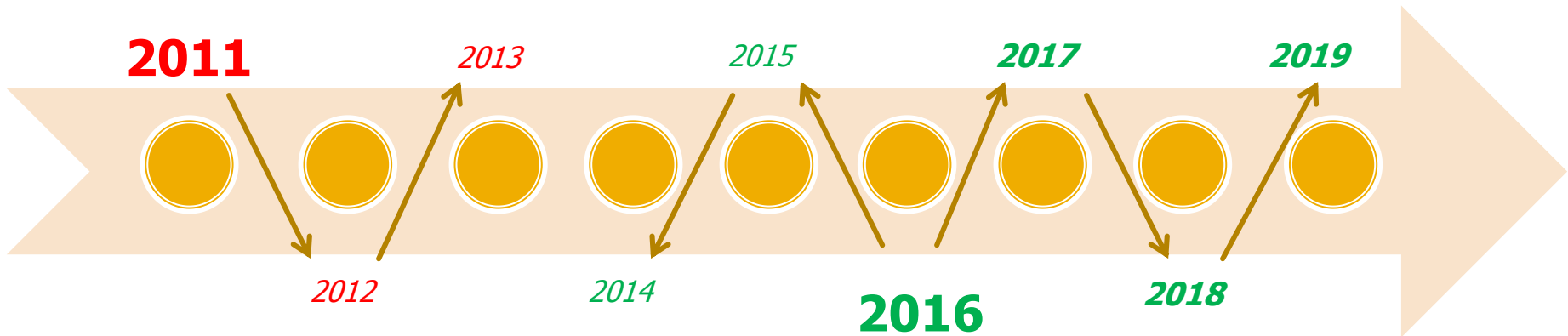
Continuous PPP time series through 3-year PPP production cycles:



Regular Production of PPPs

- Western Asia will also participate in the 2017 global ICP round;

➔ PPPs for 2017-2018-2019.



Western Asia is the only region along with the Eurostat-OECD to compute annual PPPs.

The Production of Sub-National PPPs


- ESCWA is implementing national projects for computing sub-national PPPs;
- Upon the successful 2011 round, we envisioned the implementation of a scaled down project at the national level as we looked at countries which are characterized by:
 - A wide geographic surface segmented into provinces or regions;
 - Different consumption patterns;
 - Different inflation levels;
 - Differences in cost of living;
 - Differences in income per capita;
- This exercise will improve the national infrastructure of price statistics and develop statistical capacities on the national and sub-national levels.

The Production of Sub-National PPPs

- Our choice fell on the UAE as the first country due to the following characteristics:

- Unique geographical structure;
- Federation of seven Emirates;
- Demographic diversity;

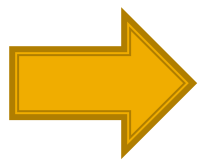
Which lead to differences in the consumption patterns and prices of goods and services across the Emirates

 The ICP can be resembled on a smaller scale at the level of the UAE and its seven different Emirates.

Sub-National PPPs

Towards integration

- The benefits resulting from such an integration between the CPI and ICP activities:
 - Increased national statistical output;
 - Enhanced capacities in price statistics and national accounts;
 - Improved sub-national indicators;
 - Increased coordination between sub-national statistical offices;
 - Adoption of a unified methodology across the country;
 - Expansion of frame and coverage of price data collection;



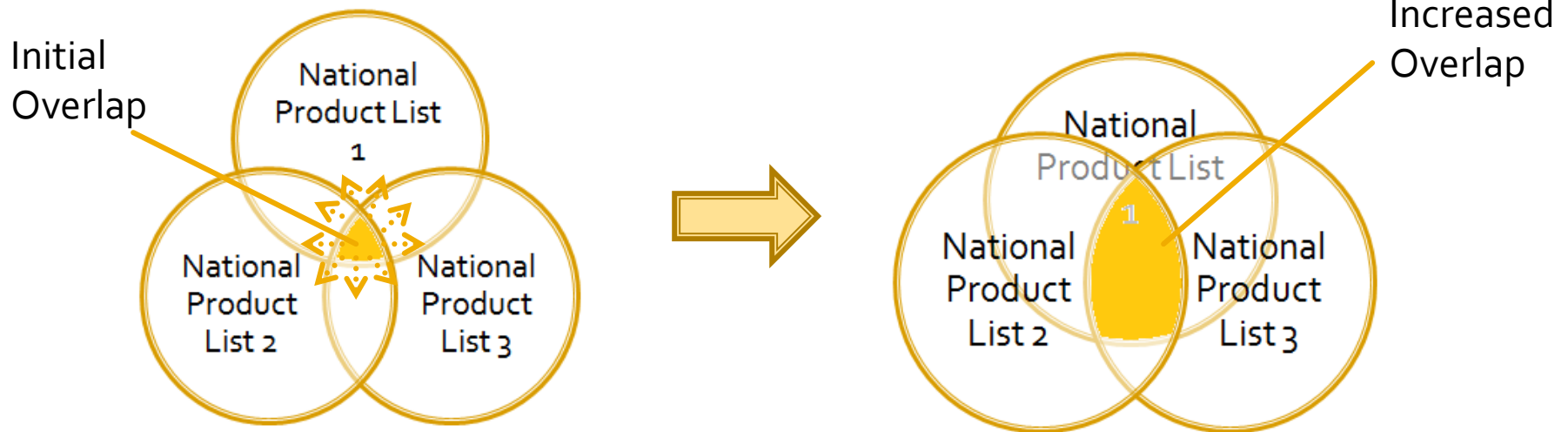
Increased comparability and opportunities for economic development and balanced economic growth across regions of the same country.

The Production of a Regional/ Sub-Regional HCPI

- The computation of the HCPI is an innovative project presently piloted in the Arab region;
- The HCPI allows the spatial comparison of inflation between participating countries and enables the measure of a regional/sub-regional inflation;
- A sub-regional pilot group has been established for implementing the project and will expand to include all the region's countries upon successful execution;
- The following steps were performed by the WA ICP team for the implementation of the project:
 - An assessment of the national CPI lists was performed;
 - Harmonized national product lists were constructed for each country;
 - A unified methodology was developed and applied;
 - Training was conducted on the computation methodology.

The Production of a Regional/ Sub-Regional HCPI

- The work done is the cornerstone towards achieving higher overlap between national product lists on the long-term through:
 - Introducing a subset of new regional products in the national CPI product lists;
 - Developing and updating product specifications.



The Production of a Regional/ Sub-Regional HCPI

- For the purpose of this project, countries were grouped according to:
 - Consumption patterns;
 - Economic structures;
 - Income per capita;
- Our initial vision included the computation of:
 - A sub-regional HCPI for GCC member countries;
 - A sub-regional HCPI for non-GCC member countries;
 - A regional HCPI for the Arab region.

Improving Price Statistics in the Arab Region

1- Purchasing Power Parities


2- Sub-National Purchasing Power Parities

3- Regional/ Sub-Regional HCPI



What do they bring about?


PPPs: What do they bring about?

- Member countries are aware of the importance of PPPs, hence the high level of dedication and commitment to the ICP;
 - The production of PPPs provides numerous benefits for the member countries on the national level:
 - Better monitoring of SDGs (goals 1, 7, 8, and 12);
 - Use of the ICP structured product descriptions (SPDs) in the national CPI to ensure comparability across sub-national regions;
 - Construction of a catalogue for the national CPI data collection to ensure consistency;
 - Updating of the national CPI product lists through the incorporation of new items from the regional product list;
 - Application of ICP data validation rules in validating the national CPI;
-  Opportunity for improvement of price statistics infrastructure, capacities, and output in the Arab region.

Sub-National PPPs: What do they bring about?

- Benefits for the public sector:
 - Improved assessment of comparative sub-national growth and advantages;
 - Solid estimation of cost of living in the different regions of the country;
 - Formulation of more suitable policies to attract investment.
- Benefits for the private sector:
 - Determination of real market size of each sub-national region;
 - Development of salary scales;
 - Evaluation of sub-national investment costs.
- Benefits for individuals:
 - Assessment of real income and purchasing power across the different regions of the country guiding in relocation decisions.

Regional/ Sub-Regional HCPI: What does it bring about?

- The effects of the HCPI on the national level:
 - Assisting in the improvement of the national CPI methodology;
 - Enabling countries to spatially compare the temporal changes in the price levels between their economy and the other economies in a sub-regional group and in the Arab region;
 - Allowing the assessment of a country's economic situation in terms of the region which comprises economies with similar consumption patterns;
 - Guiding in the formulation of economic and financial policies;
-  Economic development of the participating countries.

Regional/ Sub-Regional HCPI: What does it bring about?

- The effects of the HCPI on the regional level:
 - Computation of a regional consumer price index;
 - Accurate measure of inflation for the Arab region;
 - Analysis of regional trends in prices and consumption patterns;
 - Assistance in case of adoption of a common currency.

CPI-ICP Integration



- The integration between the CPI and ICP produces synergetic effects:
 - Strengthening the national CPI product lists;
 - Improving the national infrastructure of price statistics;
 - Synchronizing data collection activities;
 - Developing capacities in price statistics and national accounts;
 - Continuous production of PPPs;



Improved national CPI, more accurate price statistics, sound evaluation of the economic situation, formulation of appropriate policies.

Western Asia's Mission

- Paving the way towards the regular production of PPPs through the construction of a continuous PPP time series;
- Sustaining capacity building activities to regularly improve and update member countries' price statistics infrastructure;
- Achieving harmonization in the area of price statistics and national accounts activities;
- Promoting the uses and benefits of price statistics in economic policies through outreach activities.

Thank you!