

Linking ICP Regions with Double Participation Using the “Partially-multilateral” Approach (2014 CIS ICP Experience)

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Two full size cycles of the Global International Comparison Program (Global ICP) were implemented up to now: the first one based on 2005 data (2005 ICP), the second one – 2011 data (2011 ICP). The UN Statistical Commission launched both of them with asking the World Bank to act as Global Coordinator. The Global ICP is arranged basing on a regional principle. Linking the results of different region comparisons in order to include them into the global set of results is not an easy task. To link regional results within the 2005 ICP, a special inter-regional comparison – “ring” comparison – was carried out: an additional comparison for a small sample of countries covering all regions was executed. Some conceptual and technical problems were detected later: first of all, the ring comparison, based on a small sample of countries, did not provide neither the reliability nor equal representativity of the inter-regional item list and price data for all regions. In this context the ring comparison was substituted by the Global Core List (GCL) approach within the 2011 ICP. All participating countries collected data for the GCL items. Multilateral inter-regional BH PPPs were computed on the basis of the global products basket and price data from all countries. Aggregated PPPs were obtained also by global EKS procedures using BH PPP and expenditure data for all countries with the redistribution of the global results in accordance with the regional results (CAR-Volume approach). An additional question is related to the fact that some countries participated in different regional comparisons simultaneously (e.g.: Egypt, Sudan – in Africa and Western Asia, Russia – in CIS and OECD). As a double-participation country usually gets different results from different regional comparisons, a special solution is needed to provide an unambiguous unique set of official results for such country, e.g. using a mean of results from different region comparisons. The other important question arises if a double-participation country is interested to keep fixed its results from a concrete regional comparison. E.g., Russia needed to keep the results which had been got from the EU/OECD comparison and had already been used by the Government, rather than modify them with modifying results from the CIS ICP. Respectively, it was decided that the CIS Region does not participate in the inter-regional comparisons within the 2005 ICP and 2011 ICP. Linking regional CIS and EU/OECD comparisons was done by a direct linear recalculation via Russia as bridge country. This allowed to include the CIS countries into the Global ICP set with keeping fixed Russia’s results in the OECD comparison as well the fixed regional CIS results. There was no global comparison in 2014; the OECD conducted its regular comparison (which Russia participated in), and a regional 2014 CIS ICP was carried out – with Russian ruble as numeraire currency. As the CIS countries were interested in getting PPPs towards USD and other commonly used currencies to have a wider set of comparable data, linking the 2014 CIS ICP to the 2014 EU/OECD comparison was interesting for all participating CIS countries.

Although the direct linear recalculation method ensures fixity of results, it does not correspond strictly to the common methodology of multilateral comparisons. Using a bridge country, one could not exclude that PPPs for other countries might be biased, as any possible objective specific feature of the bridge country's data might affect them. Therefore within the 2014 CIS ICP a qualitatively better method was used to link the CIS regional results to the EU/OECD 2014 results, basing on a “partially-multilateral comparison” (“PMC”) approach.

As the price data on products level are confidential in the EU/OECD comparison, the PMC method is based on a multilateral approach using BHs level data. As first step, the PMC method included the link of regional BH PPPs for CIS countries with the EU/OECD BH-PPPs via Russian BH PPPs, which causes the term “partially”. At the second stage, the fully-fledged multilateral EKS aggregation (EU/OECD-CIS) was implemented. At the final stage the respective procedures (CAR-PPP approach traditionally used in the EU/OECD comparisons) are carried out in order to ensure the fixity of the EU/OECD results in the whole set of the EU/OECD-CIS results. The experience showed that the PMC method is an effective tool to link comparison results of groups of countries with largely respecting general multilateral methodology and possible specific requirements. As Regional Coordinator of the CIS ICP, the CIS-Stat develops efforts to include the CIS ICP results into the global results using the comprehensive multilateral approach and respecting all regional issues. Implementation of the PMC method in the 2014 CIS ICP provided a good step forward in this work and these efforts will be continued in the current 2017 ICP.