

‘Synergies between CPIs and PPPs and integration of survey activities’.

Abstract

Purchasing Power Parities (PPPs) are both price relatives and spatial deflators used as real currency converters to compare the performance of economies around the world. In their simplest form, they show the ratio of prices in national currencies of the same precisely defined product in different countries; PPPs are computed through the implementation of the International Comparison Program (ICP) at the regional/global level. Conversely, the Consumer Price Index is a temporal economic indicator that measures changes over time in the prices of a fixed basket of consumer goods and services and serves as a regular national indicator of inflation in addition to many other purposes such as ‘cost of living index’ and ‘compensation index’. Although not comparable, both indicators require the collection of a specific basket of goods and services. Thus, the integration of the CPI and ICP activities will produce many synergetic effects; the harmonized ICP methodology will help improve the CPI infrastructure, and the specific product descriptions used by the ICP will not only strengthen the national CPI product lists, but will also be integrated within the national CPI lists resulting in a more frequent production of PPPs. Moreover, the development of a harmonized subset in the CPI list of countries can potentially lead to the production of a comparable sub-regional or even regional CPI index. Furthermore, countries with considerable geographical surface and/or federal structures will not only profit from the capacity building benefits of the ICP in terms of improving the CPI processes, but can also integrate a harmonized subset within their sub-national CPI lists to compute sub-national PPPs on a regular basis. Sub-national PPPs will allow governments to draw more accurate economic and financial policies on the sub-national level and will provide investors with reliable economic indicators when assessing the situation in different regions within the country. Synergies between CPI and PPPs will thus lead to wholeness of price comparisons which can only be achieved through the integration of spatial and temporal