



ICP Computation Task Force Meeting

MC2-850, World Bank, Washington, DC

December 2-3, 2013

ISSUES AROUND THE CALCULATION OF PPPS AND THE PUBLICATION OF RESULTS FOR THE PACIFIC REGION

The Pacific region will be linked to other regions via three link countries that have participated in both the Pacific comparison and the Asian comparison (in the case of Fiji) and the OECD comparison (in the case of New Zealand and Australia). This approach raises a number of questions around the calculation of PPPs for the Pacific and the publication of results for the Pacific region. We would appreciate CoTaF consideration/confirmation of the following:

1. If there were just one link country - Fiji say - linking is quite straightforward. The PPP between Samoa - say - and the US would be the PPP between Samoa and Fiji in the Pacific comparison MULTIPLIED BY the PPP between Fiji and the US in the global comparison. With three link countries the PPP between Samoa and the US could be calculated three ways. Presumably, the overall PPP between Samoa and the US would simply be the geometric average of the three?

2. The use of multiple link countries raises the question of whether some are "better" than others. The following table (based on preliminary global results) shows that the PPPs between New Zealand and Australia are similar in the global comparison and the Pacific comparison, but that Fiji's PPPs (relative to New Zealand and Australia) are different in the global comparison and the Pacific comparison.

	PLI for HHC (Pacific)	PLI for HHC (global)	PLI for Food(Pacific)	PLI for Food (global)
Fiji	51	43	63	49
New Zealand	79	81	89	89
Australia	100	100	100	100

Does this suggest that New Zealand and Australia are "better" link countries than Fiji?

3. If some link countries are "better" than others, should they have higher weight when we calculate the geometric average PPP? Note that if two link countries generate the same PPPs abut the third is different; the geometric average of the three implicitly gives higher weight to the value generated by the two link countries that give the same PPP. The question is whether there should be a further down-weighting of Fiji - perhaps to zero.

4. Irrespective of the number of link countries, and the weights used, presumably the relativities between the NON LINK Pacific countries established in the Pacific comparison will be preserved in the global comparison after linking?

5. However, the relativities between the LINK countries and the NON LINK countries will be different in the global comparison and the Pacific comparison.

6. Clearly, the results from the global comparison are the official results. If results for the LINK countries are to be included in the Pacific region publication, these must be consistent with the results published in the global comparison. Presumably this means that we cannot publish the Pacific results ahead of the global results?

7. The Pacific results submitted to the GO use Fiji as the base country. These results will be used by the GO to link the Pacific into the global comparison. Presumably, the GO will then send us a new set of PPPs using Fiji as the base country which we will publish as the Pacific region results. Clearly, the PPP between Samoa - say - and Fiji that we receive back from the GO, and publish, will be different from the PPP between Samoa and Fiji that we submitted to the GO in the first place. This is because they are based on Fiji's results from the Asian comparison rather than their results from the Pacific comparison.

8. For the record, it is worth noting that this means the PPPs that we publish for the Pacific will be different to the PPPs that Pacific countries have been looking throughout our project. This will have to be explained to the Pacific countries, and may come as an unpleasant surprise to countries like Samoa that have taken a keen interest in their relativity to Fiji.

In order to facilitate a consideration of these questions by CoTaF, the GO also asked that we supply answers to the following questions:

A) Linking Prices

Which basic headings are covered? [In the Pacific we priced 58 of 108 basic headings and we will publish PPPs/PLIs for these 58 basic headings. These are the 58 basic headings covered in the annual price files. For the other 50 BHs we have assigned reference PPPs in order to enable a "first cut" PPP for HHC to be produced.](#)

Which common global core items were priced in Pacific Islands as well as in Fiji, New Zealand and / or Australia? [No global core items were priced in the Pacific.](#)

Are importance indicators available? [Yes, they have been provided in the annual price files.](#)

B) Expenditure values

Which basic headings are covered? [We have provided expenditures \(actually just expenditure weights\) for all 108 basic headings within HHC.](#)

Is full GDP estimated for each country? [No. This has not been provided for any Pacific country.](#)

C) Exchange rates and population

Are they available? [Yes, they were provided in our October 16 and November 27 submissions.](#)

D) What is the base country in the Pacific zone? [As discussed above, the base country is Fiji.](#)