Approaches in measuring construction PPPs

Technical Meeting on Construction Survey of the ICP 2021 Cycle

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Basic requirements

• Calculation of PPPs for any expenditure category of GDP requires prices of comparable items in participating economies

• Coming to construction sector – the question is ‘What items to price?’ Construction is considered ‘comparison resistant’

• It is difficult to identify a range of comparable and representative construction products or projects across all economies

• The other requirements are that of appropriate weights for aggregating
Approaches for construction PPPs

• Methods available are based on prices of construction projects/products or outputs and construction inputs for calculation of PPPs

• Three approaches
  – 1 Bill of Quantity (BOQ)
  – 2 Basket of Construction Components (BOCC)
  – 3 Input price*

*current approach used in ECLAC
Input approach summary

• The input approach consists of a list of **51** construction resources, comprising either labour (**7**), equipment rental (**10**), or material (**34**), and broadly represents common construction activities around the world.

• The input approach is in some respects similar to the basic input approach where **11** items feature as part of the BOCC approach – not to be confused with the **23 composite components**, which are fundamentally different.
Why is the input approach universally adopted?

• The main benefit to the input approach is that it’s not resource-intensive.
• Data validation is also more straightforward, almost similar to the survey of household products.
• There are fewer items to validate than the BOQ approach, so data interrogation is less burdensome.
• Data interrogation is further simplified as only one material, equipment rental or labour resources is being priced, instead of a composite component.