

Approaches in measuring construction PPPs

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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



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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**



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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.



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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 straight forward, 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.



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