



Shared Prosperity **Dignified Life**



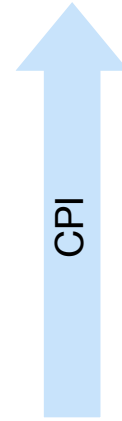
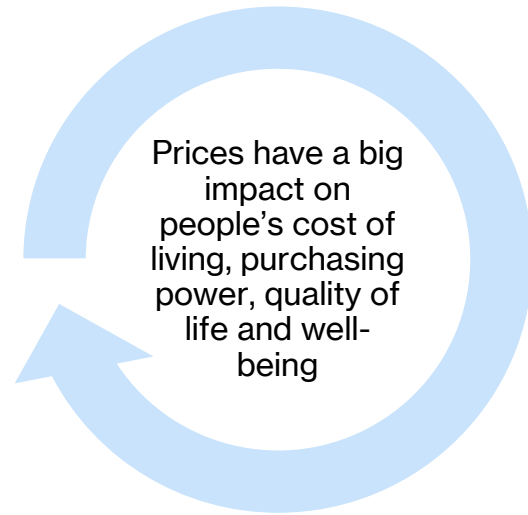
CPI-ICP Integration in the Arab Region

*United Nations Economic and Social Commission for
Western Asia (ESCWA)*

*Webinar on Prices: innovation and integration of
statistical operations in the Arab region*

03-04 April 2023

Importance of integration between CPI and ICP



The national CPI tracks the evolution of the general price level on a monthly basis
The resulting inflation measure impacts financial and fiscal policies

The ICP tracks price levels between countries in a given time period and compares purchasing powers of different currencies



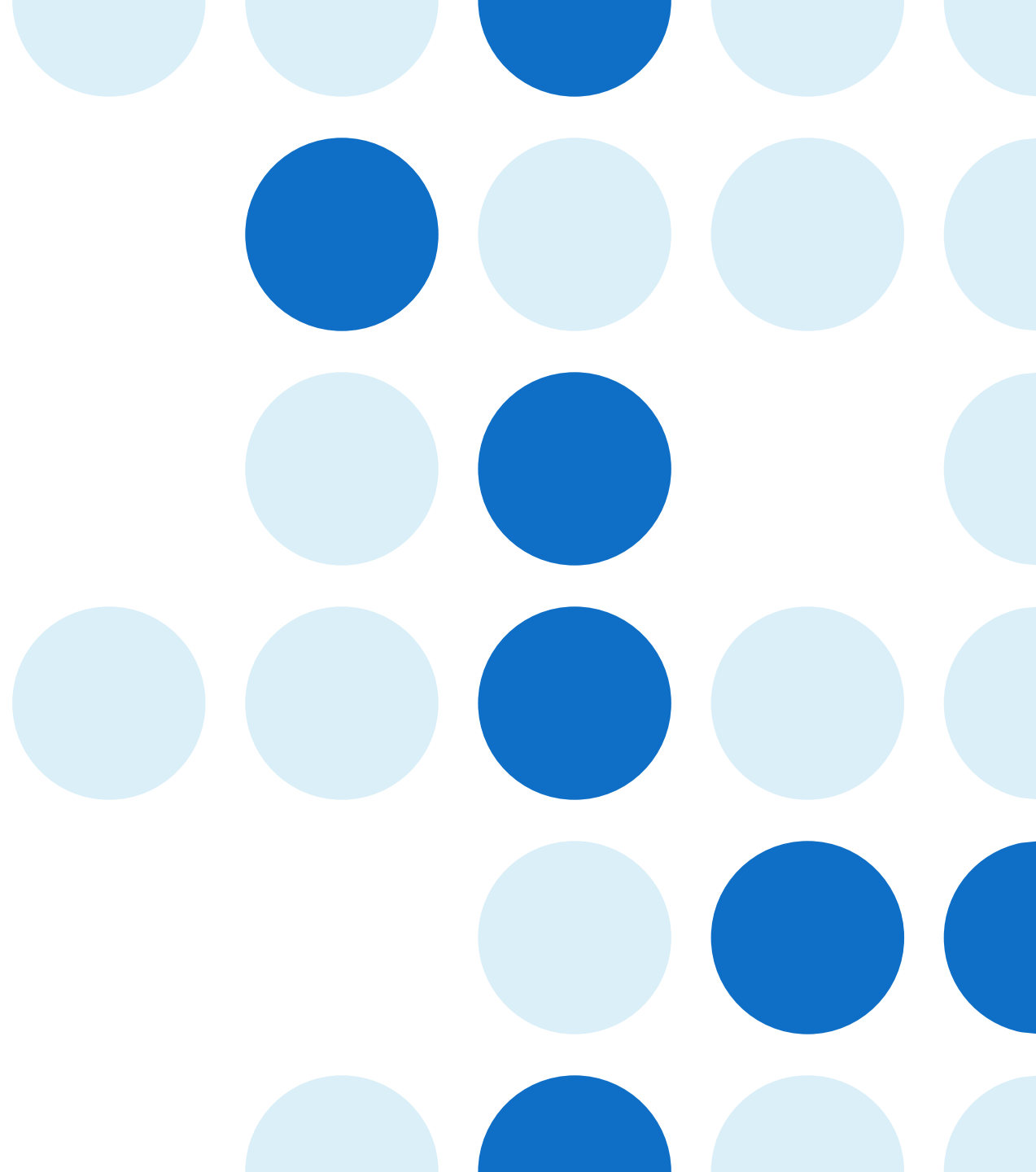
There are many differences as well as similarities between these two indicators, but their importance is undisputed

For this reason, the UNSC recommended that the ICP become a permanent element within national price statistics programs

The integration between these two programs, also recommended by the UNSC, benefits both these programs and improves the field of price statistics in general

The Arab Region's Experience in CPI-ICP Integration

ESCWA INITIATIVES



1. Item List Overlap

ESCWA worked on achieving a bilateral integration and synergy between the CPI and the ICP HHC item lists

A. At the level of the National CPI Lists

ESCWA encouraged member countries to increase the number of overlapping items between their national CPI lists and the regional ICP HHC list

When the CPI list is revised, member countries add representative items (importance = 1) with their specifications to their national CPIs

This increases the availability of actual ICP price data without additional data collection efforts – improving the ICP

& adds representative items with detailed specifications to the CPI lists – enriching the national CPI and improving regional comparability

B. At the level of the regional ICP HHC List

Whenever a new ICP cycle is launched, the ICP HHC list is reviewed – consisting of global items and regional items

To develop the regional items, ESCWA compiles the common CPI items from the Arab countries in a joint exercise with the NSOs and develops their specifications accordingly

2. PPP Computation in Non-Benchmark Years

ESCWA has been producing annual PPPs since 2011

During non-benchmark years (interim years between ICP cycles), ESCWA computes PPPs from actual as well as extrapolated/retrapolated price data

ESCWA's extrapolation/retrapolation strategy consists in projecting HHC price data using detailed inflation data obtained from member states

With the continuous improvements in ESCWA's annual PPP computation strategy, ESCWA is relying more on actual data collection and less on extrapolated/retrapolated data

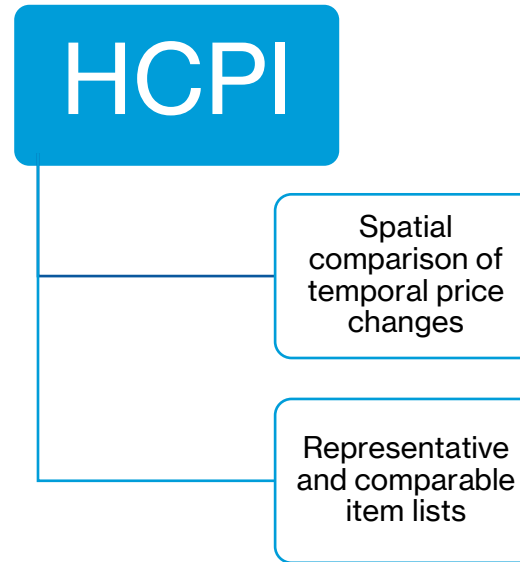
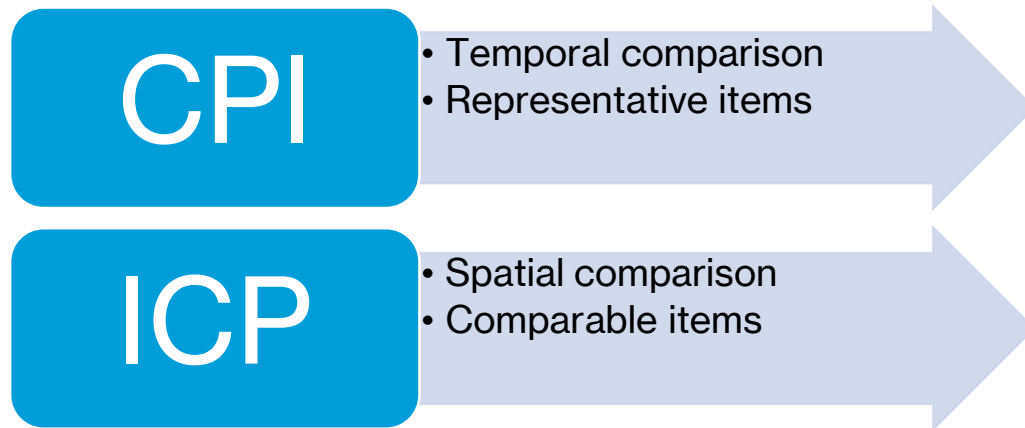


3. The Harmonized Consumer Price Index (HCPI)

The HCPI was developed as an integration activity between the CPI and ICP

It enables the otherwise impossible accurate comparison of inflation between countries

It allows the computation of a regional/sub-regional inflation measure



3. The Harmonized Consumer Price Index (HCPI) – cont'd

The national CPI item lists were harmonized by

Rearranging according to ICP Basic Headings

Removing comparison-resistant area items

Removing non-monetary items

Removing incomparable items

The computation methodology was unified

Weights are expenditures shares updated annually and taken from the ICP's MORES

4. Sub-National PPP Computation

Price level differences exist even in the same country

A local currency does not necessarily have the same buying power in the different regions of the same country

In 2015, ESCWA produced its first round of sub-national PPPs for the United Arab Emirates

The UAE has 7 Emirates with different costs of living, consumption patterns and price levels

ESCWA applied the ICP to a smaller scale, treating each of the 7 Emirates as its own country and the UAE as a region

The local CPI lists were harmonized into a common national CPI list

The resulting CPI list was used as the country's HHC list for the computation of sub-national PPPs

Another sub-national PPP computation round is currently ongoing

5. Improving CPI Validation Tools

Some member countries, like Palestine, have borrowed the ICP HHC validation tools and applied them at the level of the national CPI

These tools - such as the minimum/maximum price ratio and variation coefficient – assist in reviewing and validating price data and increase the accuracy of the produced CPI and inflation measures

6. More Frequent Data Collection

Some member countries have gone an extra mile in the CPI-ICP item list integration

Two member countries (Saudi Arabia and Qatar) have added all the ICP HHC items to their national CPI data collection exercise

This way, ICP price data is regularly collected

The ICP items are then removed in the CPI calculation stage

No additional data collection is required during ICP cycles and no extrapolation/retrapolation is done during interim years

However, this is an expensive solution that not all countries can afford

Thank You!



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