Seminar on National Accounts of Latin America and the Caribbean: The Future of Economic Statistics
October 14-16, 2020

ICP 2021 Cycle: Global Perspective
Outline

▪ Brief intro to ICP (or refresher)
▪ Release of Global ICP 2017 Results
▪ ICP 2021 Cycle & Nat. Accounts Data Requirements
▪ PPP Uses
Brief intro to ICP
(or refresher)
Brief intro to ICP (or refresher)

What is the International Comparison Program (ICP)?
- Global initiative to produce purchasing power parity (PPP) exchange rates and PPP-based GDP expenditure indicators
- “One of the greatest intellectual achievements in measurement is the International Comparison Program.” Sir Angus Deaton, 2015 Nobel Laureate, Co-chair of ICP Technical Advisory Group

Why PPPs?
- PPPs are both currency conversion factors and spatial price indexes. They convert different currencies to a common currency AND equalize their purchasing power by eliminating differences in price levels between countries
- Market XRs, the alternative, can be misleading when comparing living standards across countries as they rarely reflect differences in price levels, e.g. US$10 in El Salvador will typically buy you more of the same things than US$10 in the United States; PPPs quantify (and adjust for) this effect
- “Purchasing Power Parity measures are superior to market exchange rate measures for representing relative incomes and outputs.” William Nordhaus, 2018 Nobel Laureate
Collaborative statistical partnership led by the World Bank

- +175 countries across six regions of the world (AFR, CIS, ASI, LAC, EUO, WAS)
- Large statistical effort that brings together **price statisticians** and **national accountants**
- ICP results used to be produced every six years; now every **three** years
**Brief intro to ICP (or refresher)**

**Final ICP outputs, all dependent on PPPs:**

1. **PPPs for GDP** and other more detailed expenditure categories
2. **Price level indices (PLIs)** for GDP and other expenditure categories
3. **GDP (at PPP)** and other more detailed expenditure categories
4. **GDP per capita (at PPP)** and other more detailed expenditure categories

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**Data required to produce ICP PPPs**

- National annual *average* prices
- Expenditure values from *national accounts*
- Population estimates and market XRs
Release of Global ICP 2017 Results
Release of Global ICP 2017 Results

Global ICP 2017 results released in May 2020

- PPPs and data for reference year 2017: 176 countries
- Revised PPPs and expenditures for reference year 2011: 199 countries
- 44 released headings, e.g. GDP, Household Consumption, Food, Health, etc.
- Annual PPPs for 2012-16: 179 countries
- Underlying unreleased data for researcher also available (strict process)
Release of Global ICP 2017 Results

- ICP 2017 Report: *Purchasing Power Parities and the Size of World Economies: Results from the 2017 International Comparison Program*
- Detailed tables of results: [Detailed tables of results](#)
- Full database: [ICP 2017 database in the World Bank's DataBank](#)
- Highlights of main findings: [Global and regional highlights](#)
- Press releases: [English](#) | [Arabic](#) | [Chinese](#) | [French](#) | [Japanese](#) | [Portuguese](#) | [Russian](#) | [Spanish](#)
- Factsheets: [Factsheets on the ICP program and its methodology](#)
- Frequently asked questions (FAQs): [Website](#) | [Summary version](#) | [Full version](#)
ICP 2021 Cycle and Nat. Accounts Data Requirements
ICP 2021 Cycle

Next ICP cycle will be the ICP 2021
- Originally envisioned ICP 2020 cycle postponed due to pandemic
- Price collection will start in 2021; expect to publish ICP 2021 results at the end of 2023
- Same methodology as ICP 2017

Anticipated participation in ICP 2021
- The same regions as in ICP 2017
- Greater country participation expected relative to ICP 2017 in Africa [50>52], CIS [8>10], Western Asia [12>15]. And possibly also in Latin America and the Caribbean
ICP 2021: Nat. Accounts Data Requirements

Main Requirements

▪ Detailed GDP expenditure values for 2021 (reference year)
  ➢ GDP values broken down into its 6 main aggregates, 28 expenditure categories, 63 expenditure groups, 126 expenditure classes, and 155 ICP ‘basic headings’

▪ ICP 2021 National Account Country Practices Questionnaire

Other Requirements

▪ ICP special ‘price’ surveys; sometimes under the responsibility of national accountants: Private Education, Government Compensation, Construction, Machinery & Equipment, Housing Volume

▪ Revised detailed GDP expenditure values for 2017

▪ GDP expenditure values for time-series (2018-2020)
# ICP 2021 Cycle: Planned Global Timeline

## ICP 2021 Cycle

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### Reference Year

- Price surveys: 2021
- National accounts: 2021
- Regional Data submissions to World Bank: 2021
- Global Publication: 2022

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PPP Uses
PPPs featured in...

- Blogs
- Research papers
- Media articles
- Development reports
- Analyses

Remittances from abroad are major economic assets for some developing countries

Globally in 2016, people living abroad sent an estimated $690 billion back to their home countries, a 4% increase from the previous year.
PPPs inform development by...

- calculating poverty rates and spending on social safety nets.
- comparing growth rates of electrical and electronic equipment (EEE).
- measuring productivity by comparing GDP per capita (PPP) with nighttime lights data.
- valuing unpaid care work as a share of GDP (PPP).
- analyzing FDI inflows, migration and travel patterns into ECA.
- estimating the impact on GDP per capita (PPP) of dire climate scenarios.
- comparing growth rates of electrical and electronic equipment (EEE).
..and are crucial to data analyses

43 indicators in the WBs WDI rely on PPPs.

ADB’s “Key Indicators” uses PPPs in SDGs 1, 7 and 9.

WHO and WBG assess health cost impacts using PPPs

AfDB uses PPPs to establish poverty headcounts.

SDG target 7.3 measures energy intensity with PPPs

The Global Competitiveness Index uses PPPs in its 10th pillar measure – market size.
Thank you! | Gracias!
Annex: Global ICP 2017 Results (Example)

When comparing price levels, Bermuda was the most expensive economy in 2017, followed by Iceland, Norway, and Switzerland. The cheapest economy was Egypt, followed by Ukraine, Sudan, and Kyrgyzstan.
Annex: MORES

**MORES Form**

- Countries could use the MORES Excel form to **report expenditure values** for all 155 ICP basic headings, as well as relevant metadata.
Country Practices Questionnaire

- Includes questions on country national account practices, e.g. what SNA version is in use? are rents imputed for owner-occupiers?
- Used to determine the comparability of participating countries’ national accounts infrastructure and data
- Helps identify potential areas of technical assistance required by countries