

Asian Development Bank

RETA 6482 - Improving Price Collection and Updating PPP Estimates for Selected DMCs

Workshop on Capital to National Price Adjustment

ADB Headquarters, Manila, Philippines

May 14-15, 2009

Highlights of the Proceedings

Objectives and Expected Outputs:

1. The workshop was convened with the following objectives:
 - To explain and illustrate the methodology for adjusting capital city to national PPPs using CPI/2005 ICP data, and
 - To demonstrate the difference in the PPP estimates using CPI/2005 ICP data.
2. Expected outputs were:
 - Gained knowledge on adjusting capital to national PPPs using CPI/2005 ICP data and how to apply the methodology in their respective countries,
 - Clarified issues regarding capital to national price adjustment, and
 - Agreed on deliverables after the workshop.

Adjusting capital city to national average prices using ICP data

3. When using ICP data, adjustment factors will be derived at the product level.
4. There was a comment that the 2005 ICP data may have limitations such that the ratio of the capital city to national level is not adequately measured. It was explained that this has been recognized and this is also one of the main reasons why variety-level CPI prices are being requested. The ratios derived from the CPI price data will be used to validate the relationship of the capital city to the national level prices.

Adjusting capital city to national average prices using CPI data

5. Adjustment factors from capital city to national average prices are needed since price surveys for the 2009 updates are only conducted in the capital city; while 2009 PPPs have to be computed at the national level. Data requirements for the updating exercise were specified as follows:
 - Expenditure weights from Household Expenditure Surveys (which is the same as the ones used for calculating CPI at the aggregated level) for 2005 and 2009.
 - Average prices for each variety by region/province from CPI price collection for 2005 and 2009.
 - However, if the countries wish to compute time-series sub-national PPPs, expenditure weights and average prices for each variety by region/province from CPI price collection are needed from 2005 to 2009. It was highly recommended for countries to provide the time series data.
6. Intra-regional PPPs will be computed using the steps summarized below:
 - Step 1 – Consolidate price and expenditure data by region/province
 - Step 2 – Construct/build-up database
 - Step 3 – Determine total number of varieties by specified item codes

- Step 4 – Identify variety overlaps and select varieties that are priced by at least two regions/provinces
- Step 5 – Data editing and validation; Intra-region/province and Inter-region/province
- Step 6 – PPP calculation by 2-digit code and by higher level aggregates (Major Groups)

7. When CPI data are used, adjustment factors will be derived by basic heading after mapping the CPI aggregates/summary provided by countries, by basic heading.

8. The Philippine experience was used to demonstrate the methodology for deriving national level PPPs using the methodology for adjusting capital city to national average prices using CPI data.

9. Participants were asked if it was feasible to apply the methodology in their respective countries. Everyone agreed that it was, although its applicability would be at varying degrees of difficulty.

Wrap-up

10. Whether to use ICP or CPI data to adjust capital city to national level prices is still to be decided. But countries were informed that they will be consulted prior to the release of the results.

11. The workshop agreed on the following deliverables and timelines:

Deliverables and Timelines	
Mapping of aggregated level classification codes & description of composition (except for IND) - ADB ¹	1 st week of June 2009
Provision of variety level average prices ¹	Indonesia (to be discussed), India (no definite date yet)
Provision of CPI Weights	SRI, CAM, VIE (18 May), India (no definite date yet)
2005 ICP data and ICP database - ADB	last week of May 2009
Q1 2009 Inter-country review/assessment results - ADB ²	3 rd week of June 2009
Highlights, presentation materials, PCT modules, & references used - ADB	End of May 2009
Intra-country ICP 2005 & 2009 - ADB	18 May 2009

¹ ADB will provide mapping of products by BH level.

² Depends on the quality of data submitted by countries.