

Asian Development Bank

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

First Regional Data Review Workshop

ADB Headquarters, Manila, Philippines

May 11 - 14, 2009

Highlights of the Proceedings

Objectives and Expected Outputs:

1. The workshop was convened with the following objectives:
 - To identify sources of price variations and address issues for price variations of household products to improve price data quality;
 - To finalize the regional household product list; and,
 - To explain the methodology for price collection and PPP computation for non-household products.

2. Expected outputs were:
 - Validated first quarter 2009 price data for household products;
 - Final regional household product list;
 - Methodology for price collection and PPP computation for non-household products explained; and
 - Agreements on other deliverables after the workshop.

Price Data Review

3. Intra-country price data validation guidelines were discussed, and countries were reminded of the following guidelines used in reviewing their first quarter 2009 price data.
 - Number of price quotations between 5 and 15.
 - Maximum coefficient of variation (CV) is 20% because survey is only for the capital city.
 - Min/max price ratios < 0.60.
 - ICP average prices validated against CPI prices for same/similar products.
 - High end products being collected from high-end outlets.
 - Product priced should be checked if it is within the specified quantity range, and that the correct unit of measure was used.
 - Prices must be collected from the same/similar type/quality of outlets in the 2005 ICP.
 - Unless a brand is specified in the product catalogue, countries should choose the popular/commonly used medium quality product/item.
 - Products priced in 2005 but not priced in 2009 but still available should be priced for the 2009 PPP update.
 - Products not priced in 2005 should not be priced in 2009.

4. Some reservations were expressed about the use of min/max price ratios and CVs in reviewing price variations. Given that the pricing points were far apart (2005 vs. 2009), sizable variations are expected. Countries were advised that min/max ratios and CVs were just diagnostic tools to gauge price variations. Participants were requested to use these as alerts to check/verify large variations that could be due to data entry error or pricing of wrong products, and that these need to be addressed. Participants were also alerted on instances where price movements within the same basic headings did not show similar trends.

Review of the Regional Core Product List

5. Given that the 2009 core product list was drawn from the 2005 ICP product list, and that the first round of surveys had already been conducted, an item-wise review of the 2009 core product list was done to ascertain product availability in 2009. The following issues were raised.

- i. Products priced in the capital city in 2005 but no longer available in the capital city in 2009. Price from a similar outlet in the 2005 price surveys from the "biggest" market outside the capital city. This should be properly noted in the comments column of the Price Collection Tool (PCT).
- ii. Products priced in 2005 but not from the capital city. Price from similar outlets in 2005 from the "biggest" market outside the capital city. Note as such in the PCT.
- iii. Products without exact matches in the capital city and big markets outside the capital city. With market changes since 2005, exact product matches between 2005 and 2009 may be difficult to find. In this case, price what is available, adjust the price as required in the product list, then ADB will decide if the data can be used based on diagnostics. For example, canned tuna (185 grams) is outside the reference range (100-150 grams) but it should still be priced. However, the price should be adjusted to the required 100 grams, and properly noted in PCT that the price is based on a 185-gram canned tuna.
- iv. Products not priced in 2005 being priced in 2009. Countries were reminded that they should not price products not priced in 2005.

6. Products no longer available in some countries and suggested alternatives are given below.

Revisions in the 2009 Household Product List		
Product Code	Products to be revised/replaced	Actions taken
1102111011	Scotch whiskey (Johnnie Walker Red Label)	Set at 12 years old
1105111421	Table/desk lamp	To be replaced with table lamp with fluorescent lamp
1105321162	Dry iron	To be split into dry & steam iron
1105311012	Single-door refrigerator	To be split into 170-liter single-door & 180-liter double door refrigerator
110612105	Clinical thermometer (mercury)	To be split into mercurial & digital thermometer
1109111015	Portable CD player	To be split into portable CD-player and I-pod Nano, 8 gigabytes (original Apple brand)
1109111047	Small 14-15 in. (37 cm.) color TV	To be replaced by CRT TV 21" and LCD TV
1109111071	DVD player	Specifications to be tightened
1109141044	Blank audio-cassette tape	Replaced with blank CD
1109311081	Sony Playstation 2 (basic package)	To be replaced with Sony Playstation 3
1109421013	Passport photo fees	To be replaced with photographs 4X5 cm or 4X6 cm, Fuji/Kodak/Konica processing
1111211023	2-star hotel room	Delete TV/telephone in the product specifications
11071110111	Toyota Vios 1.5G Auto	To include website address for reference
11071110112	Toyota Corolla Altis 1.8G	

7. The following were identified as country-specific items no longer available:

- Wooden chair with arm rest, 170-Liter 1-door ref (Malaysia)
- Frozen whole chicken – imported (Bhutan)
- Canned tuna (Thailand, Maldives, Nepal)
- Peanuts loose, Pineapple in syrup (Fiji)

- Magnum (Maldives; Hong Kong, China)
- Chilli sauce (Maldives)
- Kerosene, roll-on deodorant, cake mix (Thailand)
- Wood for fuel, mutton (Indonesia)
- Plastic mats, domestic whiskey, Nestle chocolate (Mongolia)
- Radio repair, prepacked corn flour (Philippines)
- Thermometer, mercury (Singapore; Taipei,China)

8. Countries agreed to review and re-submit Q1 2009 validated household price data by 31 May 2009. Inter-country data validation will be undertaken when all the countries have submitted their validated price data. Further, Q2 price data are to be sent to ADB by 30 July 2009.

Non-household Sectors

Construction

9. For the construction sector, it was clarified that price collection (to be done in June 2009) will only be for 11 basic inputs, as follows:

i. Materials

- Aggregate for concrete
- Plywood
- Portland cement
- Reinforcing steel
- Sand used for concrete and cement mortar
- Structural steel

ii. Equipment

- Backhoe
- Vibratory plate compactor
- Sand filter

iii. Labor

- Skilled labor
- Unskilled labor

10. Construction PPPs will be computed based on the following methodology:

- a. Each Construction BH is arrived at through a combination of Materials, Labor and Equipment Cost Factors (via regression coefficients estimated in logarithms).
- b. Materials, Labor and Equipment Cost Factors are determined by a combination of the respective individual elementary components via the CPD procedure (regression).
- c. PPPs based on this short-cut method are estimated for 2005. Adjustment coefficients or rating factors are then established between the 11 elementary components and the actual 2005 construction PPPs. The derived adjustment factors will be used to derive 2009 construction PPPs based on 11 elementary components.

Machinery and Equipment

11. There will be no price collection for machinery and equipment (M&E). An indirect methodology using information on M&E imports; freight and insurance costs; trade margins; applicable duties; and, installation costs was presented. The methodology assumes that most of M&E is imported. In countries where there is substantial domestically produced and installed M&E, the proportion of domestically manufactured and installed M&E in total M&E would be needed. Appropriate price deflators such as the Producer Price Index are also to be collected. Data inputs are to be submitted by 10 August 2009. In this regard, countries were reminded of the **Questionnaire on Imported Machinery and Equipment (2005)** emailed to all the participants and national coordinators on 7 May.

Compensation

12. Compensation data will be collected for the same set of government positions in 2005 using the same price collection methodology for 2008 (to be submitted 30 July 2009) and 2009 (28 February 2010).

Wrap-up

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

Deliverables and Timelines	
Review and re-submit Q1 '09 household price data	31 May 2009
Submit 2Q '09 household price data	30 July 2009
Construction (to be collected in June 2009)	10 August 2009
2008 Government compensation	30 July 2009
2009 Government compensation	28 Feb 2010
M & E (imports & domestically produced and associated costs) 2005 & 2008	10 August 2009
2 nd Data review workshop	1 September 2009 (tentative)

Other Matters – Data Archiving

14. Participants were informed of the two types of 2005 ICP data archived by ADB: (i) micro-level price data (item level); and, (ii) annual average prices (product level). Micro or item-level price data are submissions from 2006 to March 2007 as part of the price validation process during the data review workshops. Annual average price data were the final price submissions (the last being in June 2007) and which were used in the computation of 2005 PPPs. On completion of the ICP 2005, ADB made a request for “final” item level price data corresponding to the annual average prices used for the 2005 PPP computations, for purposes of archiving. But since this was not successful, ADB archived only the partial micro-level price data and the annual average price data.

15. For this reason, countries were cautioned that PPPs computed from item level prices provided by individual countries to third parties, may not match the PPPs published in the 2005 ICP Asia Pacific.