

Asian Development Bank

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

Second Data Review Workshop¹

Bangkok, Thailand

3 August to 4 September 2009

Highlights of the Proceedings

Objectives and expected outputs:

1. The workshop was convened with the following objectives:

- To discuss sources of price variations and suggest courses of actions to improve data quality;
- To review the methodology for PPP computation for machinery & equipment;
- To present the final household product list; and
- To discuss the requirements for Gross Domestic expenditures weights.

2. Expected outputs were:

- Validated household price data for Q1 and Q2 2009
- Final regional household product list
- Validated construction & 2008 government compensation data
- Suggested courses of action/s to address data issues; date of submission for revised prices
- Greater understanding of data editing and validation for better comparability across countries
- Gained knowledge on requirements for GDP weights
- Agreements on deliverables and timelines

Presentation of the final household product list

3. Changes in the regional core household product list since it was presented in the Inception Workshop in January 2009 were summarized and presented. Modifications were made on 6 products, while ten new products were added (shown in the table below). There is a now a total of 279 products in the final regional household product list for the 2009 PPP Updating.

Modifications/Additions in the RETA 6482 Regional Household Product List (as of 18 June 2009)		
	Product Code	Product Name
Modifications in the product specifications		
1	1102111011	Scotch whiskey (Johnnie Walker Red Label)
2	1109111071	DVD player
3	1109421031	Film developing
4	1111211023	2 star hotel room
5	11071110111	Toyota Vios 1.5G Auto

¹ The list of participants is included as Annex 1.

6	11071110112	Toyota Corolla Altis 1.8G
NEW Products		
1	1105111422	Table/desk lamp (CFL)
2	1105311013	Two door refrigerator
3	1105321163	Steam iron
4	110612106	Clinical thermometer (digital)
5	1109111016	Multi-media player
6	1109111048	21" (53 cm) color CRT TV
7	1109111049	32" (81cm) color LCD TV
8	1109141045	Blank compact disc
9	1109311082	Sony Playstation 3 (basic package)
10	1109421014	Photo fees

Summary of intra-country validation

4. A profile of the household price surveys conducted by countries was presented. Information included the number of products priced and not priced; number of quotations per product; number of products by magnitude of the coefficients of variation; minimum/maximum price ratios; and, the actual dates of submission evaluated against the deadlines set for submission. Comments based on the intra-country price validation were sent to countries individually prior to the workshop.

Review of PPP concepts and methodology

5. A review of PPP concepts and methodology was undertaken for better appreciation of the efforts being exerted on price data validation. In the country product dummy (CPD) method being used for PPP calculation, it was shown how prices of other countries affect PPP results and it was emphasized that prices across participating countries should be comparable. Several examples were used to show how the prices in other countries or how missing price data affect PPPs.

6. The significance of analyzing CPD residuals was highlighted, and they are color-coded to facilitate visual diagnostics.

- | | |
|-------------------------------------|----------|
| a. Between -0.25 and 0.25 | no color |
| b. Between -0.75 and 0.75 | yellow |
| c. Between -2.0 and 2.0 | red |
| d. Less than -2.0 and more than 2.0 | black |

Country responses to issues raised in the intra-country data validation

7. Coefficients of variation; minimum-maximum price ratios; number of price quotations per product; inter-quarter price movements were analyzed to determine the list of products whose prices needed to be reviewed by countries. Countries were particularly requested to pay special attention on products with CPD residuals that were either too high (>0.5) or too low (<-0.5).

8. A few countries also compared their inter-quarter price movements for the reduced core household product list and similar/same products in their consumer price indexes. They compared the trends in the Q2/Q1 change in the CPI product group where ICP items can be classified.

9. Individual country responses to the data validation issues identified for first quarter and second quarter household price data for all countries were presented. The countries that submitted their construction prices and government compensation data also specified the actions they have taken to address validation issues identified by ADB.
10. Recommendations on how to address data issues raised included the following:
- a. Review individual quotations and check the quality of products priced against the descriptions in the product catalogue.
 - b. Checking for consistency in quantity and unit of measure.
 - c. Checking the type of outlet from which prices were collected.
 - d. Checking for data entry errors.
 - e. Comparing trends with the same/similar CPI product/product group.
11. Based on the data issues raised, countries were given the opportunity to perform hands-on data editing during the workshop, and the revised/validated data were submitted and used to calculate preliminary PPPs which were discussed and also reviewed during the workshop.
12. It was agreed during the workshop that the 2005 prices; 2009 Q1 and Q2 average prices for products priced (by country) in the 2005 ICP Asia and the Pacific; and, the corresponding CPD residuals would be individually sent to countries, while emphasizing that the data are very preliminary and strictly confidential.

Construction price data review

13. Construction has three main components – civil engineering; residential; and non-residential. Most of the data issues were on the "unit of measure" as many countries did not report the required unit price.

Compensation data review

14. It was shown that government compensation data exhibited fairly high CPD residuals which are indicative of the high diversity in compensation levels in the Asia Pacific region.

Review of the required information for machinery and equipment (M&E)

15. Using the indirect methodology for calculation of M&E PPPs based on information on M&E imports; freight and insurance costs; trade margins; applicable duties; and, installation costs was reconsidered since only two countries were able to provide the required information. It was agreed that price surveys will be conducted for an M&E core list based on the 2005 list. The same specifications in the 2005 price surveys should be collected in this 2009 updating round. However, if the products are no longer available, the closest substitute should be priced but properly noted in the remarks column of the M&E PCT that will be sent to countries.

16. The list of equipment by country will be individually sent by 11 September.

17. Additional funds will be provided for the M&E price surveys.

Requirements for GDP weights for the 2009 PPP updating

18. Countries were reminded that the main objective of the 2009 PPP updating is to generate updated PPPs for a non-benchmark year which requires good GDP expenditures estimates in national currencies.

19. As in the 2005 ICP Asia Pacific, there will be 7 main expenditure aggregates. The table below shows the main aggregates and the corresponding number of basic headings for each.

Main Aggregates	Categories	Groups	Classes	Basic Headings
11.00 Individual consumption expenditure by households	13	43	90	110
12.00 Individual consumption expenditure by NPISHs	1	1	1	1
13.00 Individual consumption expenditure by government	5	7	16	21
14.00 Collective consumption expenditure by government	1	1	5	5
15.00 Gross fixed capital formation	3	6	11	12
16.00 Change in inventories and acquisitions less disposals of valuables	2	2	2	4
17.00 Balance of exports and imports	1	1	1	2
GDP	26	61	126	155

20. The 2005 GDP weights used for the 2005 PPP computation will be sent to the RETA 6482 national coordinators (cc: RETA 6483 national coordinators) as reference for the preparation of the 2008/2009 GDP weights.

Wrap-up and summary of agreements

21. The summary of deliverables is as follows:

Deliverables and Timelines	
ADB deliverables	
1. Provide preliminary PPPs, PLIs, & exchange rates for household, construction, and compensation data to countries	4 September
2. Provide core equipment list & 2005 prices by country	11 September
3. Provide Q1 & Q2 2009 average prices & CPD residuals for:	
a. Household	11 September
b. Construction	18 September
c. Compensation	18 September
4. 3 rd Data review workshop	2-7 December 2009 (tentative)
5. Send 2005 GDP weights to RETA 6482/6483 nat'l coordinators	15 October
Deliverables from countries	
1. Submission of revised 2009 Q1/Q2 household price data; 2008 Compensation of employees; construction prices	30 September 2009
2. Submission of Q3 household price data	31 October 2009
3. Submission of 2008 Gross Domestic Product Expenditures	31 October 2009
4. Price collection for machinery & equipment (M&E)	October-November 2009
5. Submission of M&E price data	30 November 2009
6. Submission of Q4 household price data	31 January 2010
7. Submission of 2009 government compensation	28 February 2010
8. Submission of 2009 Gross Domestic Product Expenditures	28 February 2010

Annex 1

**RETA 6482: Improving Price Collection of Non-Household Expenditure Components and Updating
Purchasing Power Parity Estimates for Selected DMCs
Second Data Review Workshop
31 August to 4 September 2009, Bangkok, Thailand**

	Participants
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