

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

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**Evolving use of purchasing power parities in economic assessments  
and monitoring of the Sustainable Development Goals****Summary**

During these times of global uncertainty, with many economies undergoing stagnation and financial crisis, people recognize the importance of purchasing power parity (PPP) conversions given that prices may vary significantly across countries, while most official market exchange rates remain fixed, thus not reflecting the real relative value of currencies and their purchasing power across different countries. The importance of PPP lies in producing reliable estimates employed in measuring the real sizes of economies; enabling spatial comparisons of economy sizes, total and per capita income, and individual material well-being and price levels; and providing crucial data for informed decision-making and evidence-based policies.

The present document highlights the importance that PPPs have gained through their wide span of uses in various socioeconomic fields, the private and public sectors, policymaking, and most importantly in tracking progress towards the Sustainable Development Goals. The document provides an overview of the work of the Economic and Social Commission for Western Asia (ESCWA) on PPPs, which has led to their increased integration in price statistics, and the innovative production of recent annual actual PPPs and PPP forecasts for the Arab region. The Statistical Committee is invited to take note of the contents of the present document, and discuss ways to ensure sustainability of annual PPP production and to incorporate PPP activities and work into national statistical work programmes.

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## **Introduction**

1. Purchasing power parities (PPPs) are currency conversions that provide real measures of the buying power of a national currency against currencies of other countries. In its simplest definition, PPPs measure the amount of currency needed in a certain country to buy the same basket of goods and services that a single unit of another country's currency can buy. In contrast to exchange rate conversions that are subject to distortions and therefore do not show the real value of a currency, PPPs make it possible to compare the real output of economies and the true welfare of their inhabitants in real terms by conducting an exhaustive process of international price comparisons, and controlling for price level differences across countries. The complexity and comprehensiveness of the PPP production process requires that global PPPs be computed by conducting International Comparison Programme (ICP) cycles of a minimum three-year duration, while imputing PPPs of interim years with rough estimates. However, the Economic and Social Commission for Western Asia (ESCWA) has gone the extra mile and developed a strategy that allows for the computation of annual PPPs for the Arab region through the collection of actual annual price data and the compilation of annual expenditure data, thus placing the Arab region in a globally pioneering position in the area of PPP production.

### **I. ESCWA achievements in PPP production**

2. ESCWA has a history of developing new initiatives to improve the field of price statistics in general. In particular, ESCWA has established a leading and pioneering position in the field of PPP production for the Arab region, by increasing the integration of price statistics, improving the overlap between PPP household consumption and Consumer Price Index (CPI) item lists, producing PPPs on an annual basis, relying on actual data, linking the annual regional PPPs to the United States dollar, adding new countries to the comparison, and providing PPP forecasts. ESCWA has also raised awareness on PPPs and their importance by developing modern and interactive outreach tools, which facilitate the understanding and use of PPPs by various users in multiple fields.

#### **A. Overlap in item lists**

3. To facilitate the work on national statistics offices in Arab countries and ease the burden of data collection, thus reducing the amount of national work required for PPP production, ESCWA has worked on increasing the overlap in household consumption items between Arab national CPI lists and the regional household consumption (HHC) item list required for the computation of PPPs. This activity was two-fold. On the one hand, ESCWA included additional national CPI items within the regional HHC item list, making it more representative of the region. On the other hand, Arab national statistical offices worked on including nationally representative regional items along with their specifications from the HHC list within their national CPI lists whenever the lists were updated, therefore also improving their national lists by making them more specific. This process increased the integration between PPP and CPI production, enhanced harmony between Arab countries' national CPI lists, and reduced the amount of required new data collection for PPP production purposes, since prices were being made readily available through monthly CPI data.

#### **B. Annual PPPs**

4. Currently, annual PPPs for the Arab region (from 2011 to 2021) are published on the ESCWA data portal, an achievement only the Arab region has accomplished. Box 1 describes the journey and evolution of PPP computation in the Arab region.

**Box 1. Evolution of PPP production in the Arab region**

Following the computation of PPPs for 2011 as part of the 2011 ICP round, in order to sustain the production of PPPs in the Arab region given their growing uses, ESCWA developed a methodology to compute PPPs for 2012 and 2013 through extrapolation of price data from 2011.

Due to the success of the above methodology, ESCWA applied the same exercise to the computation of 2014 and 2015 PPPs, but going backwards this time through retriapolation of price data from 2016 using detailed CPI data.

In 2016, despite the absence of a global ICP round, ESCWA conducted a full PPP production round with actual data collection for all household consumption and non-household consumption price surveys, thus computing actual PPPs for 2016. This was in line with recommendations by the United Nations Statistical Commission to adopt ICP as a regular programme, to be held more frequently at regular three-year intervals through a rolling survey approach with higher integration of regular statistical work programmes.

In 2017, the Arab region sustained its price data strategy to compute PPPs, therefore progressing from 2016 to produce PPPs for 2017, 2018, 2019 and 2020. Nevertheless, ESCWA has enhanced its extrapolation methodology over the years by increasing the use of actual data for all special surveys and a part of household consumption surveys, and reducing the reliance on extrapolation.

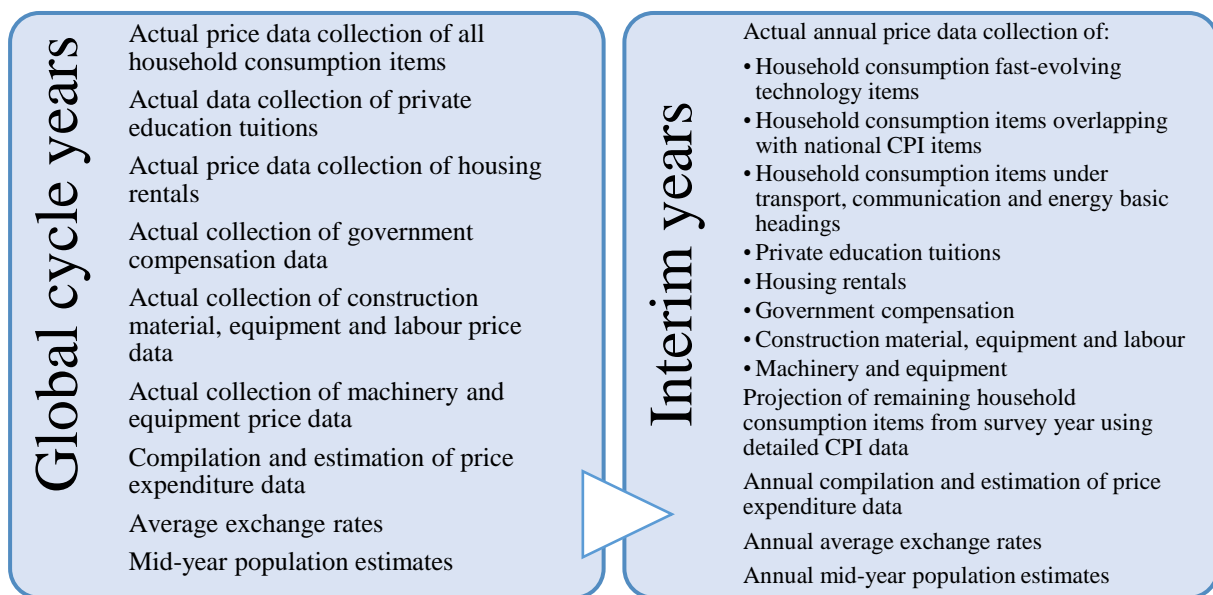
In 2021, the Arab region implemented a full PPP production cycle coinciding with the 2021 global ICP cycle. The ongoing 2021 cycle will result in the production of PPPs for 2021, 2022 and 2023 through a combination of actual price data collection and extrapolation.

*Source:* Compiled by ESCWA.

**C. More actual data**

5. ESCWA has been increasing the proportion of actual data included in annual PPP computations, thus reducing the use of extrapolated/retriapolated data to improve the quality, accuracy and reliability of annual PPPs, so as to accurately reflect the status of Arab national currencies, and thus improve decision-making. The current strategy adopted by ESCWA for its annual PPP computation is set out in figure 1.

**Figure 1. Annual data collection strategy for the Arab region**



*Source:* Compiled by ESCWA.

6. As shown in figure 1, ESCWA is increasingly relying on actual data collected annually, with the remainder of the required data extrapolated/retrapolated using detailed CPI data to guarantee representative and accurate HHC price data. As for the other special surveys, namely private education, housing rentals, government compensation, construction, and machinery and equipment, ESCWA is using complete actual datasets on an annual basis. Some Arab countries have gone beyond the strategy outlined in figure 1, by performing actual price data collection for the entire household consumption item list on an annual basis.

#### **D. Linking to the dollar**

7. Usually, within ICP, the regional implementing agencies compute regional PPPs in the currency of a base country within the region. Afterwards, the global implementing unit (the World Bank) proceeds with linking the regional PPPs to compute PPPs in dollars. However, ESCWA not only produces annual PPPs for the Arab region's participating countries, but also provides preliminary linking to the dollar for the produced PPPs, even before linking can be performed by the World Bank because of the absence of PPPs from other regions. This practice began in 2021, when PPPs in dollars were computed for 2018, 2019, 2020 and 2021.

#### **E. Inclusion of new countries**

8. In general, regional PPPs for a certain year are computed for countries participating in the PPP production round during that same year. As part of its PPP improvement, ESCWA has managed to include newly joining countries and estimate their PPPs for previous years, such as Lebanon, which rejoined the Arab region's PPP computation in 2020. Even though Lebanon was not a participating country between 2005 and 2020, ESCWA was able to produce PPPs for Lebanon from 2017 to 2021.

#### **F. Forecasts**

9. ESCWA is also producing PPP estimates at general levels before the availability of all required price and expenditure statistics, so as to provide valuable data that serve as a tool for forecasting important economic indicators and guiding policymaking. In 2021, for example, ESCWA computed PPP forecasts for the same year, which still provides valuable insights although they will be updated when the full dataset becomes available.

#### **G. Outreach tools**

10. ESCWA has developed outreach tools that make the PPP concept easier to grasp by users from various backgrounds. These tools include a bilingual online interactive PPP report that was published in conjunction with the release of new PPP results for 2014 to 2019 and the revision of 2011 to 2013 PPPs, and included engaging and interactive visualizations to further illustrate important findings; a comprehensive database extending from 2011 to 2021 and comprising PPPs, price level indices, real and nominal total expenditure values, and real and nominal per capita income, all at different levels of disaggregation and denominated in both Omani rials and dollars; an online PPP calculator that serves as a real currency converter, allowing users to examine and compare the relative real values of national Arab currencies; a press release presenting new PPP results for Arab countries from 2018 to 2021 and featuring a brief analysis of the main findings, which achieved great success and was featured in several Arab media outlets. All these tools boost the accessibility and visibility of Arab PPPs for their use in various fields and to guide policymaking.

## **II. Evolving PPP uses in the Arab region**

### **A. PPP uses in general**

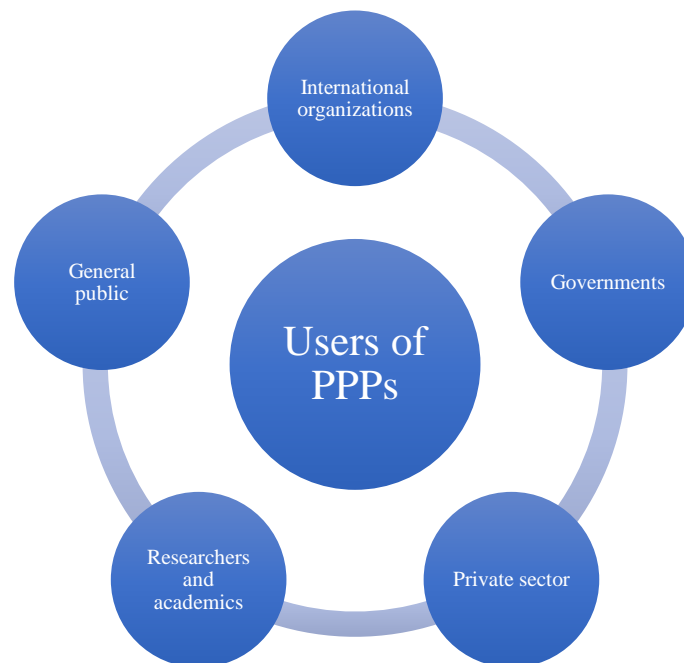
11. PPP uses are wide and span numerous fields, including economic analysis and social, environmental and nutrition-related areas. The most prominent and well-known use of PPPs is in the economic field, as PPPs allow the measurement and comparison of the real sizes of economies between countries and regions globally

in a reliable manner, by reflecting the real purchasing powers of different currencies, thus eliminating price level differences between countries. With regard to economic analysis, PPPs can be used to calculate different economic indicators in real terms, which in turn helps in measuring and comparing price levels, economy sizes, per capita income, and contributions to regional and global economies between countries. In addition, PPPs allow the comparison of consumption levels, well-being and investments between economies. PPPs also enable the measurement of national and international poverty lines and the assessment of poverty rates. The following are the main fields where PPPs are currently used: output and productivity; standards of living and material well-being; global poverty; health; competitiveness; trade; energy; cost of living; income inequality; education; wages; environment; and cross-country investment costs.

12. As for policymaking, PPPs provide the data and indicators needed for Governments to perform evidence-based policymaking. PPP-based indicators allow policymakers and analysts to measure the effectiveness of national policies, conduct comparisons with other economies, and adjust wages. These comparisons enable the evaluation of competitiveness in terms of price levels, output, investment, market share, and product costs.

13. In addition to international organizations, academics, researchers, the private sector and policymakers, the general public can also benefit from PPPs to make informed decisions when assessing living cost differences or making relocation decisions, for example. Figure 2 illustrates the diversity of PPP users.

**Figure 2. Users of PPPs**



*Source:* Compiled by ESCWA.

14. However, PPPs also have their limitations, so some of their uses are not highly recommended. Box 2 presents some recommended, limited and less recommended uses of PPPs.

**Box 2. Recommendations on PPP uses****Recommended uses**

- To make spatial comparisons of gross domestic product (GDP) and its aggregates
- To make spatial comparisons of price levels
- To group countries by volume and price level indices

**Recommended uses with limitations**

- To analyse temporal changes in relative prices and per capita GDP
- To analyse price convergence
- To make spatial comparisons of costs of living
- To use PPPs calculated for GDP and aggregates as deflators for other values










**Not recommended uses**

- To establish strict country rankings
- To calculate national growth rates
- To compare output and productivity by industry
- To indicate the under- and over-valuation of national currencies
- To use as an equilibrium exchange rate

Source: Compiled by ESCWA.

15. One use of PPPs that is currently growing and gaining momentum is as a tool for assisting in tracking progress towards the achievement of the 2030 Agenda for Sustainable Development. This use materializes in the application of PPPs for the computation of certain indicators that feed into some SDG targets. The number of SDGs involving PPPs is growing over time, currently standing at nine (figure 3).

**Figure 3. PPP uses in SDGs**

	Ending poverty	<i>Setting the international poverty line</i>
	Ending hunger	<i>Measuring the revenue of small-scale producers, and the output and individual income derived from farming</i>
	Ensuring healthy lives and promoting well-being at all ages	<i>Estimating maternal mortality</i>
	Improving the quality of education	<i>Comparing expenditures on education by both Government and households</i>
	Ensuring access to affordable, reliable, sustainable and modern energy for all	<i>Quantifying global investment in research and development</i>
	Promoting sustained, inclusive and sustainable economic growth, employment and decent work for all	<i>Estimating labour productivity measures</i>
	Building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation	<i>Measuring energy intensity</i>
	Reducing inequality within and between countries	<i>Measuring labour share</i>
	Strengthening efforts to protect and safeguard the world's cultural and natural heritage	<i>Measuring the expenditure in heritage per inhabitant</i>

Source: Compiled by ESCWA.

### B. Improving and expanding the uses of PPPs in the Arab region

16. The previous section explored the different uses of PPPs in various fields and their evolution. The present section examines how ESCWA has improved PPP uses in the Arab region, and expanded them to cover new areas through its practices in the field of PPP computation and price statistics in general.

#### 1. Evidence for policymaking

17. As previously mentioned, ESCWA has been computing annual PPPs by increasingly using actual price data and relying less on extrapolation.

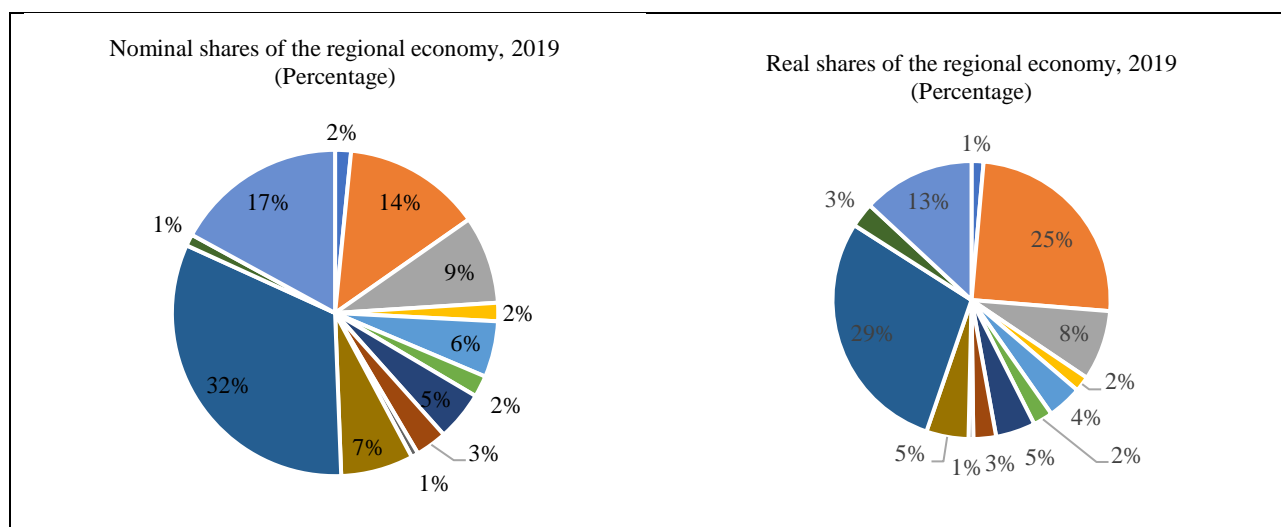
18. This practice not only provides higher frequency PPPs and related indicators, but also improves the quality of computed results. Consequently, ESCWA is providing Arab countries with the tools needed to make informed decisions and to develop policies based on current and reliable data updated every year, instead of relying on older and possibly outdated data, thus allowing the tracking of progress over time. Such policies could be related to the economy, poverty, inequality, health, education, trade, labour productivity, the environment, and many other areas.

#### 2. Real measures of economy size and shifts in relative country positions

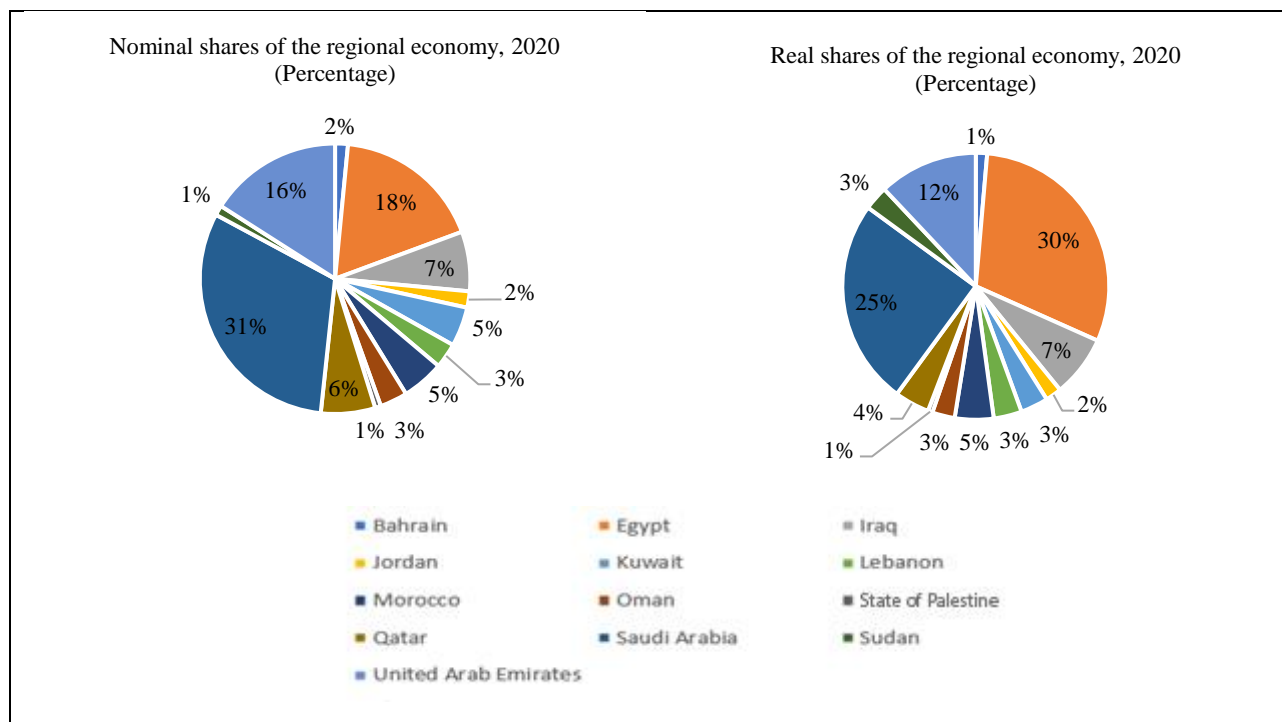
19. The production of reliable annual PPPs enables the measure of real economy sizes, the assessment of national contributions to the regional economy, and the comparison of temporal shifts and relative changes over time. This means that ESCWA has added a new dimension to the comparison, making it not only spatial and confined to the same year, but also temporal, transcending both time and space.

20. Figure 4 shows a comparison of national contributions to the regional economy in 2019 and 2020 in nominal exchange rate terms, and in real PPP terms, noting that the regional GDP was computed using only 13 Arab countries. This analysis and comparison can only be made in the Arab region, as it is the only region that has computed PPPs for 2019 and 2020 so far. In 2019, in exchange rate terms, the United Arab Emirates appears to be the second biggest Arab economy, while Egypt holds third place, with both economies lagging far behind Saudi Arabia. However, looking at the results in PPP terms, Saudi Arabia maintains its position as the biggest Arab economy, but is followed by Egypt instead, which does not lag far behind, whereas the United Arab Emirates falls back to third place with a considerable gap. In 2020, the change in country positions between nominal and real economy sizes is even more pronounced: even in nominal terms, Egypt overtakes the United Arab Emirates as the second biggest Arab economy, whereas in real terms it steps ahead of Saudi Arabia too, appearing to be the biggest economy in the Arab region with the highest contribution to Arab GDP. Figure 4 demonstrates how the magnitude of national contributions to the regional economy changes between nominal and real terms, thus proving how valuable PPPs are and the added value they provide to their users.

**Figure 4. Real versus nominal shares of the Arab economy, 2019 and 2020**





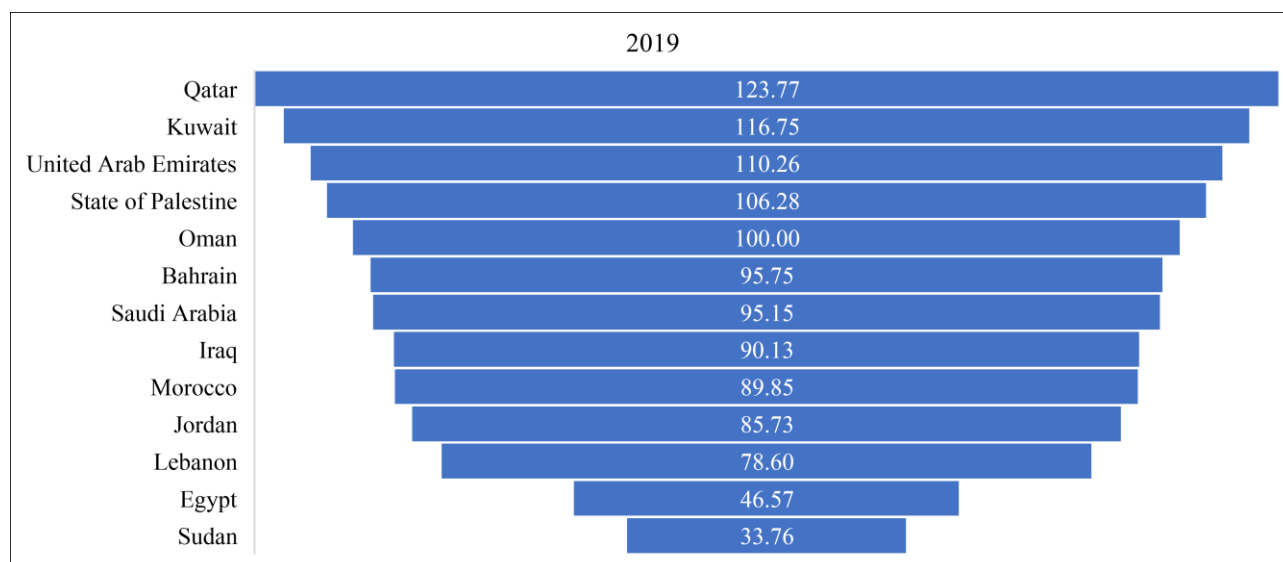


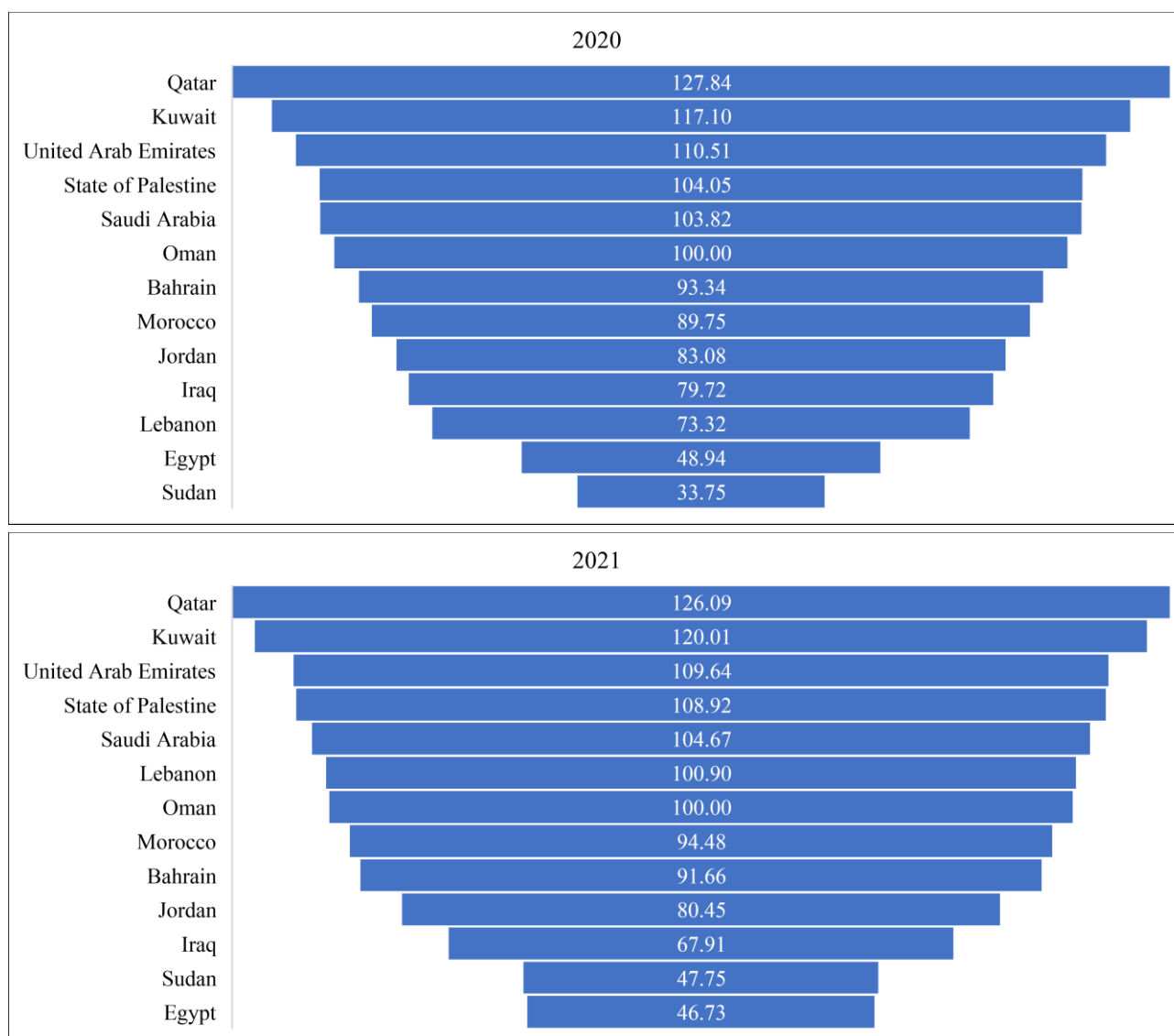
Source: Compiled by ESCWA.

### 3. Temporal and spatial changes in country price levels

21. PPPs allow the comparison of price levels between different countries. A temporal comparison of the relative price levels of Arab countries unmasks the effects of economic and other fluctuations at the country level on expensiveness in a way that is not as obviously detected by exchange rates.

**Figure 5. Temporal variations in relative expensiveness, 2019–2021**





Source: Compiled by ESCWA.

22. Figure 5 illustrates the variations in relative prices between 2019, 2020 and 2021 in the Arab region. Qatar, Kuwait, the United Arab Emirates and the State of Palestine consistently hold the highest price levels in the region, while Egypt and the Sudan alternate between the two lowest price levels. Significant changes in relative positions were exhibited by Lebanon in 2021, with price levels soaring over the past two years. Other notable variations include Saudi Arabia, which witnessed relatively increasing prices in 2020; and Iraq, which experienced a relative decrease in price levels. In 2021, Morocco also underwent an increase in price levels compared with other Arab countries.

#### 4. Better monitoring of the SDGs

23. Annual PPP computation using actual, accurate and reliable price and expenditure data enables the accurate computation of SDG indicators, which facilitates the frequent monitoring of progress made in the Arab region in achieving SDG targets. This comes as an added value, which is only possible in the Arab region owing to the ESCWA strategy for PPP computation, which Arab countries can benefit from to shape their policies and align them with the 2030 Agenda, regularly assess whether their national policies are on track to achieving their development goals, and update their policies and actions accordingly.

24. PPPs are increasingly involved in SDGs and their targets as they gain more global recognition and importance. Currently, PPPs enter into the computation of indicators used within 13 SDG targets pertaining to nine SDGs, which can be annually monitored in the Arab region (box 3).

25. In SDG target 1.1, PPPs are used to convert national poverty lines into a common currency for the computation of the international poverty line. Additional metrics, such as working poverty, societal poverty, and the availability of social safety nets, are also PPP-based. SDG indicator 2.3.1 uses PPPs to calculate and compare average labour productivity, while SDG indicator 2.3.3 uses them to calculate the income of small-scale agricultural producers. PPPs are used in SDG indicator 3.1.1 to calculate maternal mortality ratios through a Bayesian model, using a logistic regression with GDP (in PPP terms) as one of its variables. SDG target 3.8.2 reflects total household expenditure or income calculated in PPP terms, which constitutes the denominator in the health expenditure ratio. Moreover, SDG target 4.5.1 uses PPPs to reflect on the amount spent by Government and households on education per student. In SDG 7, PPPs enter into the calculation of energy intensity, which uses GDP in PPP terms as a denominator in its formula. SDG 8 uses PPPs in two of its targets, namely target 8.1 where GDP in PPP terms is used to calculate real per capita GDP and its growth rate, and target 8.2 to calculate real GDP per employed person along with its growth rate. In addition, PPPs are used in SDG target 9.4, where for the purpose of both temporal and spatial comparability, PPP-based GDP is used to calculate the total CO<sub>2</sub> emission intensity of each country. Furthermore, PPPs are used to calculate the ratio dividing the amount spent on research and development by the output of the economy expressed in PPP terms for SDG indicator 9.5.1. When calculating the welfare growth rate for SDG target 10.1, the denominator, income per capita, is expressed in PPP terms. Lastly, expenditure per inhabitant on heritage is expressed in PPP terms in SDG target 11.4.

26. This comprehensive list of SDG targets and indicators calculated using PPPs is proof of their growing importance and evolving uses. PPPs are being utilized in more varied fields, not just those related to economic analyses.

### Box 3. PPP applications in SDG targets and indicators

- **SDG 1.1** Eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day.
- **SDG 2.3.1** Double the agricultural productivity of small-scale food producers.
- **SDG 2.3.2** Double the agricultural incomes of small-scale food producers.
- **SDG 3.1.1** Reduce the global maternal mortality ratio to less than 70 per 100,000 live births.
- **SDG 3.8.2** Achieve universal health coverage, including financial risk protection, access to quality essential health care, and other related services.
- **SDG 4.5.1** By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.
- **SDG 7.3** Double the global rate of improvement in energy efficiency.
- **SDG 8.1** Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent GDP growth per annum in the least developed countries.
- **SDG 8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.
- **SDG 9.4** Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action in accordance with their respective capabilities.
- **SDG 9.5.1** Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries.
- **SDG 10.1** Achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.
- **SDG 11.4** Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

Source: Compiled by ESCWA.

#### *5. Annual poverty line adjustment and regional cost of eradicating poverty*

27. The international poverty line is computed using PPPs produced by ICP. It is calculated by taking the average of the national poverty lines of the world's poorest countries expressed in international dollars. This international line is then converted back to local currencies to calculate the proportion of the population living below the poverty line in each country. The conversion of the poverty lines to international currency and the conversion of the global line back to local currencies are both done using PPPs, in an attempt to hold the real value of the line constant over time so as to allow assessments of progress towards extreme poverty eradication.

28. The international poverty line is updated whenever new global PPPs are produced to reflect accurate price levels and costs of living. For instance, the most recent global PPPs, the 2017 PPPs, have been adopted this year to update the international poverty line. However, since PPPs for Arab countries are produced annually, Arab national poverty lines are being annually updated by ESCWA, thus always reflecting the current situation.

29. Also related to poverty, and as a direct application of annual PPPs, ESCWA estimates the regional cost needed to cover the poverty gap in the Arab region annually, relying on the annual PPPs produced for the Arab region.

#### *6. Relative costs of living between countries at different levels of consumption*

30. In their capacity as superior indicators for spatial comparisons, PPPs can be used as a tool enabling the comparison of cost-of-living differentials between countries. They assist in reflecting the different amount of goods and services that individuals can afford in different countries, based on a certain wage or amount of money. In other words, they help measure and compare the standard of living that can be afforded with a certain income.

31. This use is of as much interest to the general public as it is to experts. Households may refer to PPPs to make spatial comparisons of standards and costs of living between alternative countries when they need to make informed decisions on relocation matters.

#### *7. Construction of a Harmonized Consumer Price Index*

32. ESCWA has been working to ensure integration between PPP production and other national statistical programmes, such as CPI, for example. Under this umbrella of integration, ESCWA built on its PPP computation to improve other areas in the price statistics field and compute new price indices that also use PPPs, including the computation of the Harmonized Consumer Price Index (HCPI).

33. ICP basic heading classification and expenditure data are used to produce HCPI using harmonized national CPI lists and national CPI price data, along with an improved computation methodology. HCPI computation is possible owing to the availability of annual expenditure data used in the HCPI weighting structure. This realized integration simultaneously improves national statistical output and PPP production, and reduces the burden of additional work for national statistical offices.

#### *8. Construction of a Harmonized Machinery and Equipment Price Index*

34. ESCWA is developing a new price index, the Harmonized Machinery and Equipment Price Index (HMEPI), which also utilizes price data, classification structure and expenditure data from the PPP computation process. The computation of this new index is only possible because of the annual PPP computation performed by ESCWA, since it cannot be computed without annual price and expenditure data.

35. The integration between PPP and national price statistics programmes achieved through these projects enlarges the scope of PPP uses, while also increasing price statistics output in the Arab region.

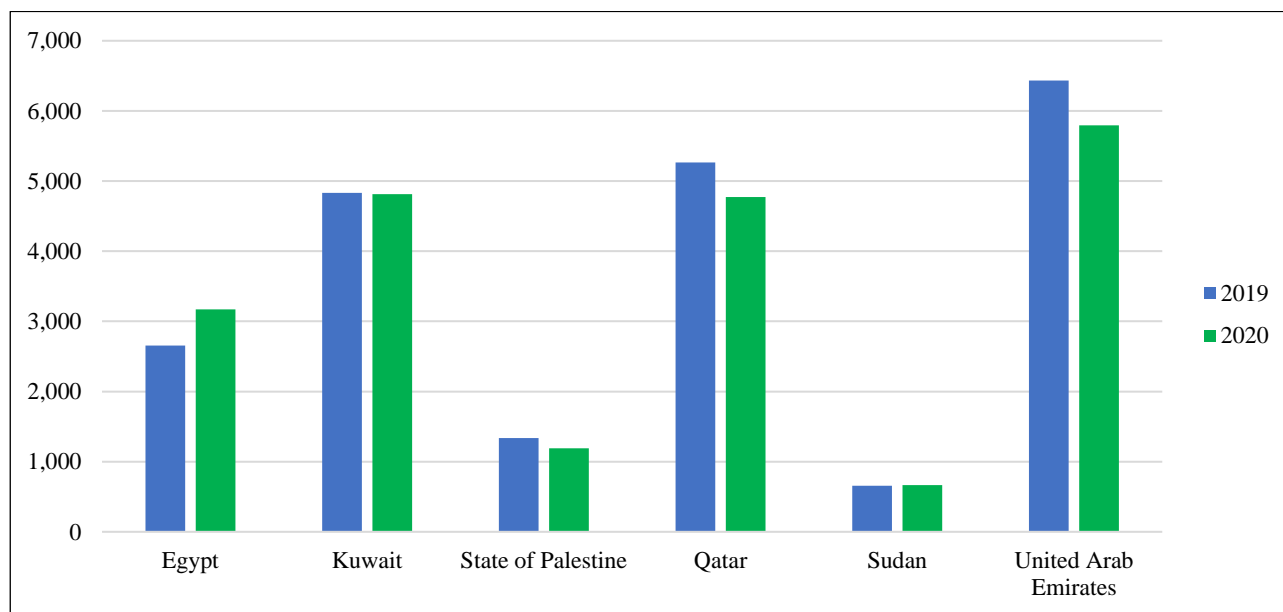
### 9. Assessment of material well-being

36. Well-being is a multifaceted concept, which extends beyond the economic dimension. Material well-being, one of the many components of well-being, constitutes the economic aspect of the well-being of individuals and is reflected in their actual consumption. In addition to economy sizes, income and price level, PPPs are also used to determine material well-being.

37. Material well-being differs from household consumption in that it includes all goods and services actually consumed by households, and not just those paid for by them. In other words, in addition to household consumption expenditure, actual individual consumption (material well-being) also includes the individual consumption expenditure of Governments on health and education services, and the consumption expenditure of non-profit institutions serving households.

38. To accurately capture material well-being, per capita actual individual consumption should be measured in PPP terms. ESCWA monitors material well-being in the Arab region on an annual basis, compares individual material well-being across Arab countries, and tracks changes in the relative values of individual material well-being over time. A comparison of individual well-being in selected Arab countries in 2019 and 2020 is provided in figure 6. It shows disparities in the material well-being levels of individuals in different Arab countries. It also highlights the diminishing levels of material well-being from 2019 to 2020 in most of the featured countries, which can be attributed to the outbreak of the COVID-19 pandemic.

**Figure 6. Material well-being across selected Arab countries, 2019 and 2020**



Source: Compiled by ESCWA.

39. The annual measure of material well-being enables policymakers to draft the appropriate national courses of action to ensure the improvement and maintenance of national individual well-being levels. This measure of well-being is important for ensuring dignified lives across the Arab region.




### 10. Production of subnational PPPs within a country

40. Another important project developed by ESCWA is the computation of subnational PPPs. This initiative was inspired by PPP computation, whereby the same concept is applied on a smaller scale – the country level. Each region within a country is treated as its own separate entity, with PPPs computed for each to compare the price level and purchasing power of the same national currency across a country.

41. Figure 7 shows the difference between global PPP computation, which is performed by the World Bank through the linking of regional PPPs from the different ICP-participating regions; regional PPP computation, such as the one conducted annually by ESCWA to compute PPPs for the Arab region; and subnational PPP computation, where PPPs are computed for different regions within a country, like the case of the United Arab Emirates.

42. ESCWA computed subnational PPPs for the United Arab Emirates in 2015, and is currently preparing for another round of subnational PPPs in the same country and in other Arab countries.

**Figure 7. PPP production on different scales**

	<b>International</b>	PPPs reflecting real purchasing power parities between international currencies
	<b>Regional</b>	PPPs reflecting real purchasing power parities between regional currencies
	<b>Subnational</b>	PPPs reflecting real purchasing power of a national currency between different regions of a country

Source: Compiled by ESCWA.

### III. Conclusion

43. PPPs are gaining increasing importance as versatile indicators with various uses, spanning various fields. From economic and social analyses, assessments and comparisons, to policymaking and monitoring sustainable development, the uses of PPPs are evolving and growing. Predominantly used in setting the international poverty line and monitoring global, regional and national poverty levels, PPPs are being used to calculate SDG targets and indicators, with their use currently including nine SDGs.

#### Box 4. Evolving uses of PPPs in the Arab region

- Evidence for policymaking
- Real measures of economy size and shifts in relative country positions
- Real and comparable measures of income across countries
- Temporal and spatial changes in country price levels
- Relative ranking of countries according to expensiveness
- Better monitoring of SDGs
- Annual poverty line adjustment
- Regional cost of eradicating poverty
- Relative costs of living between countries at different levels of consumption
- Relative costs of investment between countries
- Construction of a Harmonized Consumer Price Index
- Construction of a Harmonized Machinery and Equipment Price Index
- Assessment of material well-being
- Production of subnational PPPs within a country.

Source: Compiled by ESCWA.

44. The uses of PPPs in the Arab region have been extended, with ESCWA constantly developing new indicators and projects that integrate between PPP production and other official price statistics programmes that utilize PPPs. Box 4 lists some of the various applications of PPPs that ESCWA has been employing for the Arab region.

45. ESCWA facilitates national, regional and global PPP uses by developing outreach platforms, which raise awareness on the existence and update of PPP-related data, and provide interesting and interactive analyses to simplify the main findings and make them accessible and understandable by everyone, given the variety of PPP users.

46. ESCWA will continue to build on PPPs and improve price statistics by developing new initiatives and advancing the integration between PPPs and other indicators, thus ensuring the constant evolution of PPP uses.

47. The importance of annual PPP computation has been highlighted in the past two years with the various international crises that have occurred, including the COVID-19 pandemic and the war in Ukraine that has had worldwide spillover effects. PPPs are the only means to quantify the real impact of these crises on different economic, social and other fronts.

#### **IV. Actions by the Statistical Committee**

48. The Committee is invited to undertake the following:

(a) Take note of the significant progress and achievements made in the field of PPP production, making ESCWA a leading agency in the field and highlighting the Arab region as the only region constructing an annual series of actual PPP estimates extending from 2011 to 2021;

(b) Encourage and support national office teams working on the implementation of PPP production activities, and provide them with the necessary resources to ensure that national surveys and activities are carried out in a timely manner in all countries;

(c) Explore and advocate for the evolving uses of PPPs in the Arab region by producing valuable indicators, and serving the collective regional objective of achieving sustainable development, shared prosperity and dignified lives.

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