

Section 2: Uses and Applications of PPPs

Module 4: National Applications of PPPs

Training Workshop on Price Statistics for the Production of Purchasing Power Parities and the Integration between CPI and PPPs in the Arab Region

07-08 June 2021

Objectives of Section 2: Uses and Applications of PPPs

Users & Main Uses of PPPs

Global Applications of PPPs



National Applications of PPPs

Objectives of Module 4: National Applications of PPPs



How the notion of PPPs and related concepts can be used to understand price level differences within a country.



The data requirements and main uses of subnational PPPs.

Subnational PPPs

The estimation of subnational PPPs is a national application of the PPPs concept

- **Global PPPs**

➔ used to adjust for inter-country price differences

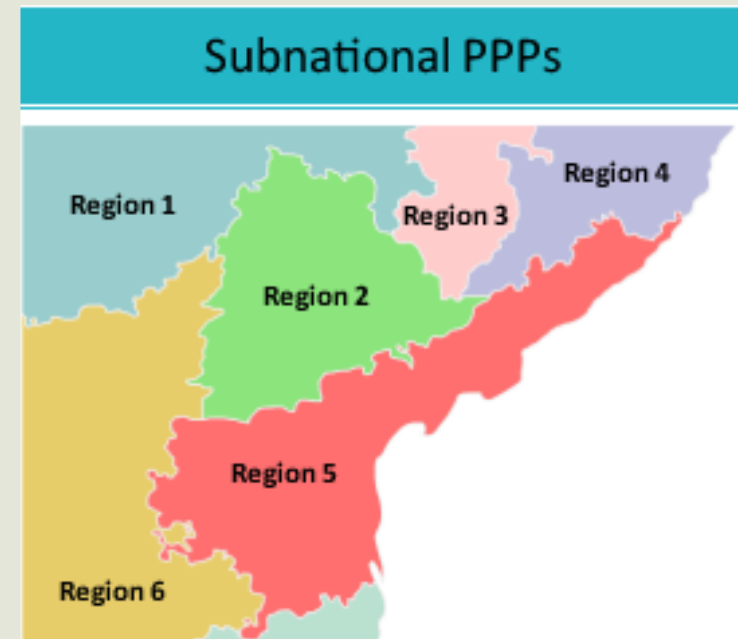
- **Subnational PPPs**

➔ used to adjust for *intra-country* price differences, that is, *within a country*

In many ways, **Subnational PPPs** are similar to **Global PPPs** as they *both compare price levels between geographical areas.*

Subnational PPPs *(cont'd)*

In the case of Subnational PPPs, comparisons are carried out *within countries*, instead of between countries.



Subnational PPPs – Main Uses

We can use Subnational PPPs to *assess price level differences within countries*

In particular, subnational PPPs can play an important role in:

- *Poverty and inequality studies*
- *Fiscal studies of public transfers*
- *Regional cost-of-living adjustments within a country*

Subnational PPPs – Data Requirements

The method to construct **Subnational PPPs** is conceptually very similar to the method to construct **Global PPPs**.

*As mentioned earlier, the major difference between the two is that **Subnational PPP** methods are applied within a country, rather than an international setting.*

For constructing **Subnational PPPs**, we need:

1. **Prices for a set of geographically comparable consumer goods and services**
2. **Expenditures on product groups by geographic location.**

Subnational PPPs – Data Requirements *(cont'd)*

The availability of price data impacts the approach used to construct ***Subnational PPPs***:

1. In some cases, price data can be sourced from the prices collected for a national consumer price index or CPI.
2. If this is not feasible, data will have to be collected using specially designed intra-country regional price surveys.
3. Yet, some combination of the previous two is the most common approach.

Subnational PPPs in the Arab Region

ESCWA has already conducted a subnational PPP production exercise in the UAE, computing subnational PPP estimates for the seven Emirates for 2015.

Future plans include the production of subnational PPPs in additional countries, as well as another round of subnational PPP production for the UAE.

Quiz Time

- What's the difference between *Global PPPs* and *Subnational PPPs*?
 - *Global PPPs* are used to adjust for inter-country price differences
 - *Subnational PPPs* are used to adjust for *intra-country* price differences, that is, *within a country*.

Quiz Time

- What do we need for constructing *Subnational PPPs*?
 1. Prices for a set of geographically comparable consumer goods and services
 2. Expenditures on product groups by geographic location.

The background is a dark green chalkboard with various white chalk sketches. On the left, there is a globe on a stand. Above it are a pair of scissors and a ruler. In the top left corner, there are two circular diagrams. In the top right, there is a stack of books. On the right side, there is a detailed drawing of a microscope. At the bottom, there are several arrows pointing in different directions and other faint sketches.

Thank You