



## Effect of new benchmark PPPs on the PPP time series

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### Abstract

Since 1968 the United Nations Statistical Office and subsequently the EU, OECD, World Bank, and IMF have periodically carried out benchmark international comparisons of prices and expenditures for countries with widely different economic structures. This research was termed the *International Comparison Programme* or (ICP). The problem this paper addresses is that when two countries participate in subsequent benchmark countries, their relative GDPs and Purchasing Power Parities (PPPs) will not be the same as would be predicted by movements in their relative constant price GDPs or GDP deflators. This paper examines some of the procedures that have been used since ICP-1970 and ICP-1975 through the latest benchmark for 2011. Because the worldwide ICP estimates have been carried out with gaps of 5 to 10 years with the number of countries taking part beginning at 10 and now over 190, the range of evidence on integrating ICP benchmarks has greatly increased over the period. Both the EU and OECD have removed much of the uncertainty of benchmark comparisons by using more frequent benchmarks. However, the problem remains that world benchmark comparisons are unlikely to be more frequent if carried out in the manner of ICPs 2005 and 2011. This means that other approaches must be formulated to provide interim estimates between benchmarks based on an alternative framework. This framework is in process of being formulated and hopefully this paper will help inform the discussion.

**Keywords:** Purchasing Power Parities; ICP Benchmarks; Consistency between Benchmarks; PPP extrapolation.