



## **Application of PPP exchange rates for the measurement and analysis of regional and global inequality and poverty**

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### **Abstract**

Purchasing power parity (PPP) exchange rates from the International Comparison Program (ICP) are widely used for cross-country comparisons of price levels, real incomes and standards of living. The focus of this paper is on the role of PPP exchange rates in the measurement of regional and global inequality and the estimation of poverty incidence using \$1/day and \$2/day international poverty lines. The statistical methodology for the measurement of global and regional inequality and poverty is described. Estimates of global inequality and poverty based on the 2011 ICP along with an analysis of the trends in inequality and poverty over the last two decades are presented. Based on the major revisions to estimates of global inequality and poverty induced by the release of ICP estimates for the last two benchmarks in 2005 and 2011, the paper advocates an increase in frequency for the future conduct of ICP and suggests the implementation of a rolling-benchmark approach similar to that used by the OECD-Eurostat.

**Keywords:** PPPs; regional/global inequality; poverty.