



Subnational Purchasing Power Parities - Significance at National Level

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The International Comparison Program (ICP) produces global Purchasing Power Parities (PPP). These are spatial indexes constructed by regional and international organizations for cross-country comparisons of Gross Domestic Product and its sub-aggregates, among others. Special price surveys are required that have to meet the criterion of national representativeness and global/regional comparability. Sub-national PPPs produces PPPs in a national or country context based on similar principles, concepts and methodology as the global or regional PPPs. The focus of the paper is to construct subnational PPPs for household consumption expenditure and its major aggregates (basic headings). Prices and weight information would be drawn from the national consumer price index (CPI) database. National CPI basket is representative of national consumption pattern and is comparable within regions across the country thus meeting the fundamental principles of PPP computation. Sustainability of the ICP requires national interest. To secure national interest it is imperative that countries have a better understanding and application of PPP concepts and methods in a national context. To this end, establishing PPP methods in a country setting, identifying linkages between the ICP and the CPI and illustrating the possibility of computing subnational PPP (or intra-country PPPs) and its various uses, ranging from subnational poverty estimates, income distribution and price level comparisons should draw both national and international interest. In an age where the national income gap or inequality is widening between urban-rural populations or between provinces, subnational PPPs could provide the tool necessary for policy focus in elevating poverty within national boundaries.

Keywords: Spatial indexes; consumption patterns; global and regional comparisons; household consumption; poverty estimation.