



Subnational price differences in large emerging Countries

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The average price in the International Comparison Program (ICP) is not only concerned with countries but also has subnational implications, especially in the large emerging countries with economical disparity. However, the current simple weight average method of national average prices can't effectively reflect the spatial price differences and can't reflect the real price level in significantly unbalanced regions and induce important impacts on the reliability of PPPs. This paper aims to investigate the regional price spatial characteristics of a specific ICP product item of using a spatial econometric model. The selection of a spatial weight matrix is very important. The paper makes trials with a geographical distance-weight matrix, a binary 0-1 matrix, an economic distance-weight matrix, and a common boundary-distance-weight matrix. To test if the method can reduce the computation cost effectively in large sample cases. The empirical analysis is on the case of Chinese regions. Try to find the price spatial differences in large developing countries. This is helpful to obtain the real regional average price level and improve the reliability of ICP data.

Keywords: ICP; national annual average prices; spatial characteristics.