

## INTERNATIONAL COMPARISON PROGRAM (ICP)

### INTRODUCTION

International Comparison Program (ICP) is one of the world's **largest statistical initiatives**, coordinated by the World Bank under the auspices of the United Nations Statistical Commission and **implemented through a partnership of countries and multilateral agencies**

### GLOBAL GOVERNANCE

#### ICP Governing Board

Set policies that govern the compilation of PPPs, approves methodological improvements, and conducts outreach and fundraising

#### ICP Global Office at the World Bank

Coordinate and implement the global aspects of the ICP and calculates & disseminates the global ICP results

#### Inter-Agency Coordination Group

Determine activities for data collection, validation, calculation and dissemination work plans, and capacity building

#### Technical Advisory Group

Ensure methodological soundness and overall quality in the PPP estimates and is responsible for setting and steering the ICP research agenda

#### Regional Implementing Agencies

Coordinate and implement the regional ICP comparisons and calculate and disseminate regional ICP results

#### National Implementing Agencies

Undertake the price surveys and compile the national accounts expenditure data required for producing PPPs

### OBJECTIVE

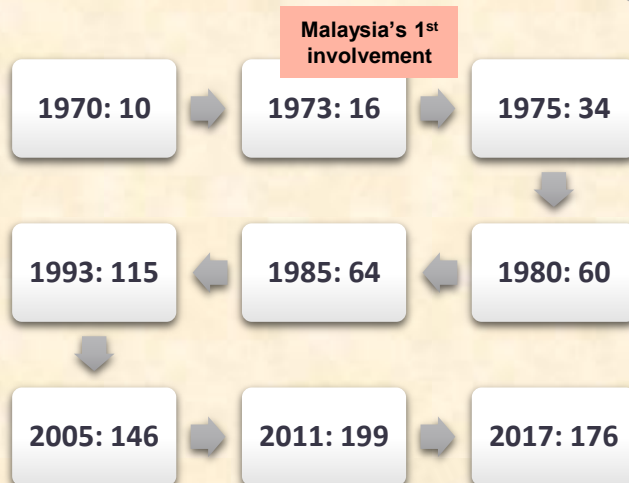
Produce **comparable volume measures** of GDP and its expenditure components based on **Purchasing Power Parities (PPPs)**

Provide **robust global economic data** that help economies compare their price levels, economic size and material well-being with those of other economies

Facilitate **macroeconomic and national organization** at the international level

Determine the **international poverty line** and the **number of poor individuals** globally

### ICP TIMELINE & PARTICIPATING ECONOMIES



The next ICP will be conducted for reference year 2021

## HIGH INCOME ECONOMIES

-  Brunei Darussalam
-  Hong Kong, China
-  Singapore
-  Taipei, China

## MEKONG

-  Cambodia
-  Lao People's Democratic Republic
-  Myanmar
-  Thailand
-  Viet Nam

## SOUTH ASIA

-  Bangladesh
-  Bhutan
-  India
-  Maldives
-  Pakistan
-  Nepal
-  Sri Lanka

## SOUTHEAST ASIA & OTHERS

-  Fiji
-  Mongolia
-  Malaysia
-  Indonesia
-  People's Republic of China
-  Philippines

Note:

- Three of the four groups are **geographically** determined (Mekong, South Asia and Southeast Asia & Others)
- High-income group are determined by **level of development** (High Income Economies)

## INDICATORS PRODUCED BY THE ICP

## PURCHASING POWER PARITIES (PPPs)

Purchasing Power Parities (PPPs)

Price Level Indexes

Measures of PPP-based GDP and its expenditure components

Actual individual consumption, individual consumption expenditure by households, consumption expenditure by government and gross fixed capital formation

Both **currency conversion factors** and **spatial price indexes**

Convert **different currencies to a common currency** and **equalize their purchasing power** by eliminating the differences in price levels between economies

With reference to a base economy, the **relative price** of a given basket of goods and services in each economy is **being compared**. In Asia and the Pacific region, Hong Kong, China is the base economy.

## DATA COLLECTED



Household Consumption



Machinery & Equipment



Construction



Housing Rental



Housing Volume



Government Compensation



# The Big Mac Index

- The most celebrated example of a PPP based on a single commodity is the Big Mac Index published by The Economist magazine.
- The price of a Big Mac in Malaysia (RM9.50) and Hong Kong, China (HK\$20.50). This means that the Big Mac PPP for the Malaysian ringgit (RM) is RM0.46 per HK\$1.
- As the Big Mac is a standardized item of consumption with identical specifications and quality in both economies, the PPP is based on a comparable product. However, this PPP is of limited use because the Big Mac does not represent consumption baskets in Malaysia or Hong Kong, China; a PPP more relevant to policy would relate to the household consumption basket.
- The basket of goods and services that represents a household's consumption in a month costs HK\$20,130 in Hong Kong, China and RM5,636 in Malaysia, and hence a PPP of RM0.28 per HK\$1.
- The PPPs for the Big Mac and for household consumption indicate that in Malaysia, a Big Mac is relatively more expensive than general household consumption goods and services.

### Notes

- The Big Mac Index was developed in 1986 by The Economist.
- The Big Mac Index is an index based on the theory of purchasing power parity (PPP).
- Because a Big Mac should be identical in every country, it provides a control variable for looking at price differences.
- It is used by dividing the price of a Big Mac in one country by the price of a Big Mac in another country in their local currencies to arrive at an exchange rate.
- It can be useful in countries where reliable indexes or accurate official data aren't available

### Purchasing Power Parities for the Big Mac and Household Expenditure (Malaysian ringgit per Hong Kong dollar)

#### Big Mac Prices



Hong Kong, China: HK\$20.50  
Malaysia: RM9.50

PPP for Malaysian ringgit =  
RM9.50/HK\$20.50 = RM0.46  
per Hong Kong dollar

#### Monthly Household Expenditure



Hong Kong, China: HK\$20,130  
Malaysia: RM5,636

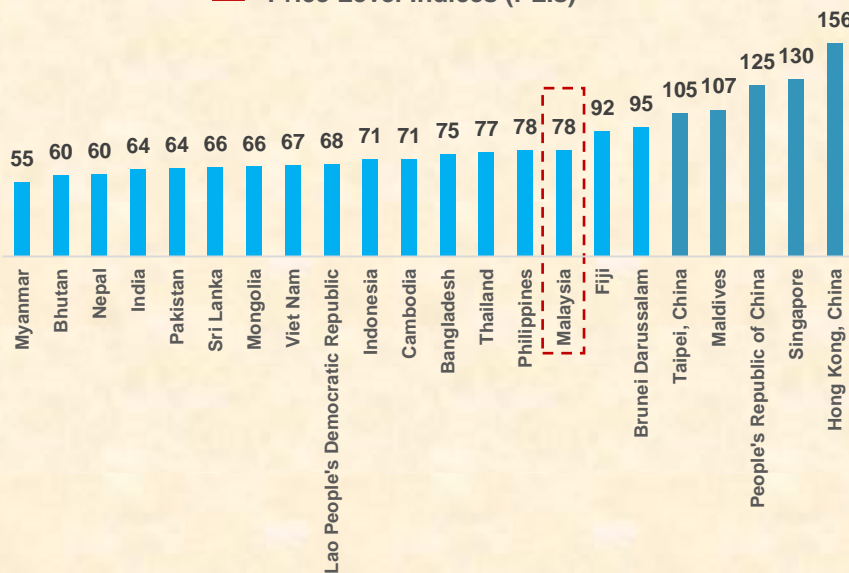
PPP for Malaysian ringgit =  
RM5,636/HK\$20,130 = RM0.28  
per Hong Kong dollar

HK\$ = Hong Kong dollar, PPP = purchasing power parity, RM = Malaysian ringgit.

Sources: *The Economist*. 2020. Burgernomics - The Big Mac Index. <https://www.economist.com/news/2020/01/15/the-big-mac-index> (accessed 4 March 2020) and Asian Development Bank estimates (Big Mac prices as of 14 January 2020).

# Highlights of the ICP2017 Results

### Price Level Indices (PLIs)



1. Price level index (PLI), is simply the PPP divided by the exchange rate. PLIs that are less than 100 mean the products or aggregates are relatively cheap.
2. The PLI is also a measure of the ratio of nominal expenditures (based on the exchange rate) to real expenditures based on PPPs.
3. The PLIs for Hong Kong, China is 156, indicating that the price level in Hong Kong, China is 56% higher than that of the regional average. Maldives (107); the People's Republic of China (125); Singapore (130); and Taipei, China (105) are the only other economies with PLIs higher than the regional average.
4. Malaysia's PLIs is 78, which indicates that the price level in Malaysia is 22% lower than the regional average.

### References:

1. 2017 ICP; Purchasing Power Parities and Real Expenditure; A Summary Report
2. 2017 ICP; Purchasing Power Parities and Real Expenditure; Results and Methodology
3. <https://www.thebalance.com/what-is-the-big-mac-index-1978992>
4. <https://pubdocs.worldbank.org/en/927971487091799574/ICPBook-eBook-FINAL.pdf>



POPULATION & HOUSING  
**CENSUS MALAYSIA 2020**  
YOUR DATA IS OUR FUTURE

