

16th Dec 2013

# Producer Price Index

## September 2013

## Producer Price Index -PPI

- PPI measures the *average change* over time in the prices received by domestic producers of goods and services
- The PPI provides a weighted average of the price changes in a group of products between one time period and another
  - Fishing
  - Manufacturing
    - Processing and preserving of fish products
  - Electricity, Gas and water supply
  - Hotels and restaurants
  - Transport and communications
  - Education
  - Health

## Distinction between PPI and CPI

Both the PPI and CPI measure price change over time for a fixed set of goods and services BUT they differ in two critical areas

- the composition of the set of goods and services
- types of prices collected for the included goods and services

	PPI	CPI
target	Producers	Consumers
prices	producer / retail prices	retail prices
tax	excludes tax	include tax
Products	local	local and imports
Output	industry level	product group level

The PPI does not attempt to measure the actual level of prices but is limited to the measurement of the average change in prices from one period to another.

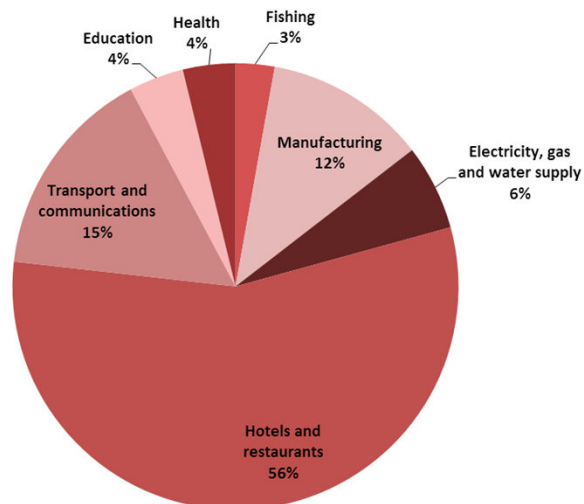
## Distinction between PPI and CPI

- **Basket / Composition**
  - PPI- economy output
  - CPI – expenditure patterns
- **Target prices**
  - PPI- producer prices – from establishments
  - CPI – consumer prices – from retailers
- **Prices**
  - PPI- factory gate prices
  - CPI – retail prices
- **Tax**
  - PPI- excludes tax (not an expense of producer)
  - CPI – includes tax (expense of consumer)
- **Products**
  - PPI- local only ( produced in Maldives)
  - CPI – local and imports
- **Output**
  - PPI- Industry level – average change in prices
  - CPI – product group level - actual change in prices

## Key Uses of PPI

- **Business analysis**
  - PPI enables business owners to make a comparison of trends in their own business with those of the industry group.
- **Short- term Indicator of inflationary trends**
  - monthly PPI with detailed industry data will serve as a leading indicator of price change in the economy
- **Contract escalation**
  - PPI can be used as an escalator to index long-term contracts for goods and services.
- **Deflator of economic series**
  - PPI is used to remove the effect of prices changes to produce estimates of real change over time.

## Weights



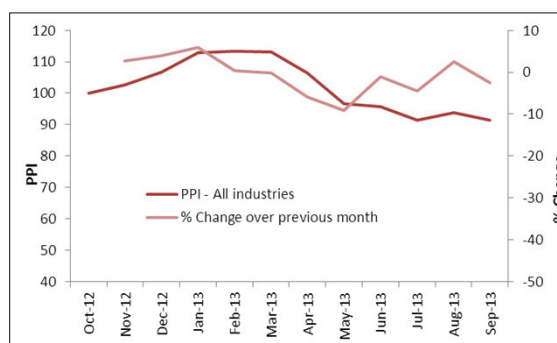
## Base Period

- Base period is **2007**
  - Industry weights from Maldives supply and use table (SUT) 2007
- Price Reference is **October 2012**
  - Initial prices for the new series were collected from October 2012

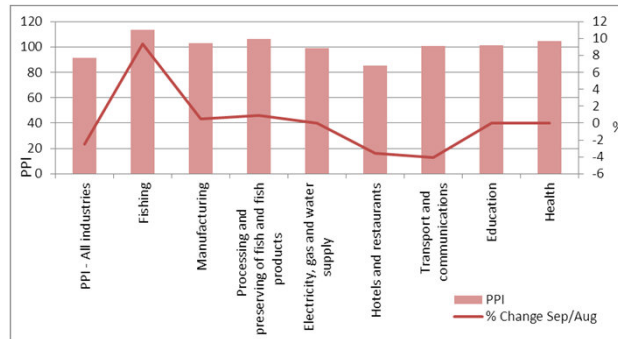
## PPI- All industries

*Producer Price indices and Percentage change over previous month*

	All Industries	% Change
Oct-12	100.00	
Nov-12	102.66	2.66
Dec-12	106.63	3.87
Jan-13	112.93	5.90
Feb-13	113.30	0.33
Mar-13	113.18	-0.11
Apr-13	106.42	-5.97
May-13	96.74	-9.09
Jun-13	95.64	-1.14
Jul-13	91.44	-4.40
Aug-13	93.72	2.50
Sep-13	91.38	-2.50



## PPI – September 2013



- price decline
  - Transport and Communication sector (-4.02%) and
  - Hotels and Restaurants sector (-3.56%).
- price increase
  - fishing industry (+9.37%)

## PPI- Hotels & Restaurants Industry

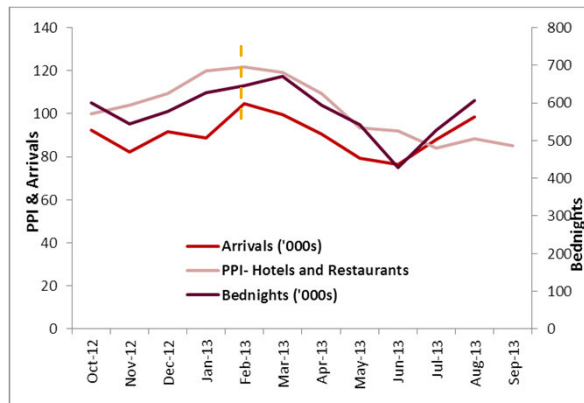
	All Industries	% Change	Hotels and Restaurants	% Change
Oct-12	100.00		100.00	
Nov-12	102.66	2.66	104.08	4.08
Dec-12	106.63	3.87	109.34	5.05
Jan-13	112.93	5.90	119.99	9.74
Feb-13	113.30	0.33	121.55	1.30
Mar-13	113.18	-0.11	119.18	-1.95
Apr-13	106.42	-5.97	109.31	-8.29
May-13	96.74	-9.09	93.51	-14.45
Jun-13	95.64	-1.14	92.03	-1.58
Jul-13	91.44	-4.40	84.00	-8.72
Aug-13	93.72	2.50	88.34	5.16
Sep-13	91.38	-2.50	85.19	-3.56



- Priced products
  - Different types of rooms
  - Food
  - beverages

## PPI- Hotels & Restaurants Industry

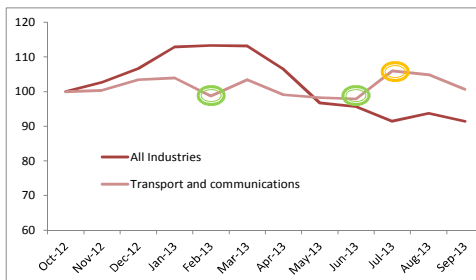
Comparison with key sectorial indicators



## PPI- Transport and Communications

- Highest PPI was recorded in July 2013 (105.95) together with highest positive price change (+8.24)
  - resulted from air transport and telecommunication prices.
- The lowest PPI was in June 2013 (97.88) and
  - largest negative price change was recorded in February 2013 (-5.00).

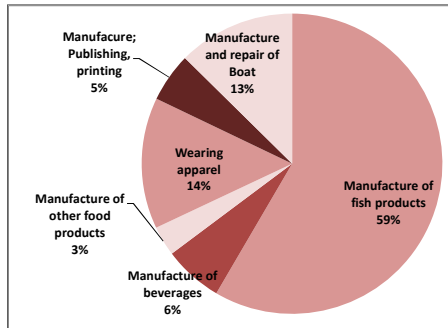
Producer Price Index—Transport and Communication



- Priced products
  - Air transport fares
  - Sea transport fares
  - Cable TV packages
  - Telecom average revenue

# PPI – Manufacturing Industry

Manufacturing Sector's weight structure

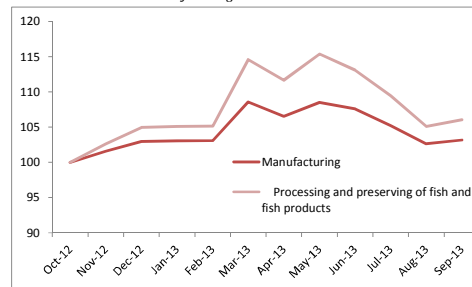


- Includes 6 sub sectors
  - 59% shares – Manufacture of Fish products

# PPI – Manufacturing Industry

- Highest PPI- Manufacturing industry
  - March 2013 (108.59)
    - highest positive price change (+5.34).
- Throughout the period the prices have increased compared to the price reference– October 2012.
- Manufacturing sector and Manufacture of processed or preserved fish products sector movements are alike

Producer Price Index - Manufacturing



- Priced products
  - Different cakes, breads, pastries
  - Canned fish, different types of fish exports
  - Water, soft drinks
  - uniforms., jersey etc
  - Newspaper, brochures, calendars etc
  - boat

## Releases

- Released quarterly (Mar, June, Sep, Dec)
- On last working day

Issue	Release Date
December 2013	31 March 2014
March 2014	30 June 2014