BACKGROUND NOTES TO THE PRODUCER PRICE INDICES
REFERENCE TABLE (MM22)

Introduction

The MM22 reference table contains price information from UK manufacturers and importers; it is produced monthly and provides price movement data at all manufacturing, aggregated industry and product group level. It consists of data supplied from individual UK manufacturers, importers and exporters. Data is based on the Standard Industrial Classification 2007 (SIC 2007).

What are Producer Prices?

Producer Price Indices (PPIs) are a series of economic indicators that measure the price movement of goods bought and sold by UK manufacturers. It is a base weighted index working on the basket of goods concept. A wide range of representative products are selected and the prices of these goods collected each month. The movement in these prices are weighted to reflect the relative importance of the products in a chosen year (known as the base year) currently 2010. These are then aggregated for various sectors of industry to provide the published indices in the monitor.

The input PPIs (Reference Table 3) measure changes in the price of materials and fuel bought by manufacturers for processing. The output PPIs (Reference Table 4) indicate changes in the prices manufacturers charge for goods destined for the UK market as they leave the factory net of VAT and after discounts.

What is Included?

The Producer Price Indices are calculated from the price movements of around 6,750 closely defined materials and products purchased (including imports) and manufactured by UK industry. This price data is converted into a basic set of price indices from which broad series are built up. Products destined for sale in the UK are grouped in accordance with the SIC (2007) with weighting patterns based on overall purchases and sales by manufacturers within those groupings. The indices published in this monitor are widely used by business in price escalation clauses in contracts and for monitoring price movements in the products they trade.

Special Indices

ONS may, for a charge, make up a special index for you and provide regular monthly updates. Each case is considered against the resources required to produce and maintain the series requested.

If you would like more details of this service please call +44 (0)1633 455941 or write to the following address: National Statistics, Producer Price Index Operations (PPI), Room 2.001, Government Buildings, Cardiff Road, Newport, South Wales, NP10 8XG or email us at ppi@ons.gsi.gov.uk
What are Net Sector Output Indices?

The weighting patterns used to calculate net sector output indices exclude transactions between companies classified to the same sector e.g. manufacturing sector or manufacturing excluding food, drink, tobacco and petroleum. For example, for Net Sector Output purposes, the value of an electronic component manufacturer’s sales to a car manufacturer would be excluded from the weighting patterns used to derive final index values (thereby reflecting the value of sales to only those purchasers outside the manufacturing sector).

What are Gross Sector Output Indices?

The indices found in Reference Tables 2 and 4 represents the price movement of goods sold within the UK by companies classified to manufacturing as defined by SIC (2007). Weights are calculated on a gross basis i.e. all transactions are included in deriving the weighting patterns, including sales within the same industry.

What are SIC Group Input Indices and Supply/Use tables?

These indices represent the price movement of materials and fuels purchased by UK manufacturers and are found in Reference Table 3. The SIC input groups include all purchases of materials and fuel including those between manufacturers classified to the same sector of industry (e.g. one chemical manufacturer to another). These index groups are SIC (2007) based and reflect the industry groupings used in the UK Supply and Use Tables used in the National Accounts. The Supply and Use Tables are part of the input-output framework of the European System of Accounts (Eurostat). More specifically, the Supply/Use framework is the part of the National Accounts system which focuses on the production economy and reflects industries intermediate purchases and primary inputs.

How are Export Prices calculated?

The Export Price Indices (EPIs) use broadly the same methodology as the PPI. A range of representative products are selected and the prices of these goods collected each month from established exporters within specified 6-digit SIC (2007) codes. The movement in these prices are weighted to reflect the relative importance of these products and aggregated to provide the published indices in Reference Table 6. The series are calculated on a base year of 2010=100.

What about VAT and Excise Duties?

All indices are compiled exclusive of Value Added Tax. Excise duties (on cigarettes, tobacco, alcoholic liquor and hydrocarbon oils) are included except where specified otherwise.

What about Provisional Data?
Indices for the latest two months are provisional and flagged with a ‘p’ marker due to the level of imputation present for items where the latest prices are not available. The latest five months are subject to revisions in light of (a) late and revised contributor data and (b) revisions to seasonal adjustment factors which are re-estimated every month.

**What about Revisions?**

Occasionally, information is received that produces a change in an index value that has already been published as firm. Where the change is significant, index values are recalculated and annotated with an ‘r’ marker.

**What about Price Changes?**

The monthly index data relates to an average calculation for the month. The effect of price changes occurring part way through the period will only be reflected in an index in the following month’s publication.

**No Data?**

Various symbols are used throughout the MM22 Reference Table to provide meaning to the gaps in the data or where the quality of the index values is reduced. There are a number of these and the following key will provide an explanation:

**B** - These index values are considered less reliable mainly due to the lack of market coverage.

**F** - Indices labelled F are based on relatively few quotes and in the long term should not be relied upon for contractual purposes.

**..** - These values have been suppressed because the index would risk disclosure of individual price movements.

**n.e.c.** - Not elsewhere classified.