Services Producer Price Index (SPPI)

User Feedback 2014

Throughout the year we welcome feedback from our users on all aspects of the Services Producer Price Index (SPPI) including its content, format and timing. This document sets out our response to the main feedback we received in 2014.

If you have any comments on anything contained in this document or on SPPI more generally, please let us know! You can email us at sppi@ons.gov.uk. We plan to publish a response to feedback we receive on an annual basis.

Timeliness

The SPPI is currently published around 58 days after the end of the quarter to which the data relate. While this is well within the deadline set by Eurostat, who require us to deliver data within 90 days of the relevant quarter under the Short-term Statistics regulation, it doesn’t meet the needs of all of our users, most notably the National Accounts who are not able to include SPPI in its estimates of the Index of Services or the first and second estimates of GDP as the SPPI is available too late.

There are a number of different ways in which we could improve the timeliness of SPPI:

1. Calculate the index earlier
   (without any change to level of ONS resources, level of response chasing or changes to the questionnaire deadline)

   Advantages
   - Would require no change to current questionnaire deadlines so would not increase burden on respondents
   - Would require no additional resource in ONS

   Disadvantages
   - Would mean index values would be based on a lower response rate which could introduce bias
   - Would increase the likelihood of revisions in subsequent quarters

2. Reduce the questionnaire deadline
   (without any change to level of ONS resources or level of response chasing)

   Advantages
   - Would require no additional resource in ONS

   Disadvantages
   - Would place additional burden on respondents who would have to return data to ONS more quickly
   - May increase the number of errors in data provided by respondents
3. Reduce the period of time spent response chasing  
(so that target response rates are reached earlier without any change to the questionnaire deadline)

Advantages  
• Would require no change to current questionnaire deadlines so would not increase burden on respondents

Disadvantages  
• Would require additional resource in ONS to achieve the current response rates in a shorter time frame
• Would require additional resource in ONS to validate data received with respondents

4. Reduce the time taken to quality assure and prepare SPPI publication  
(without any change to the questionnaire deadline or period of time spent response chasing)

Advantages  
• Would require no additional resource in ONS

Disadvantages  
• Reduces the time available to quality assure the data, increasing the risk of errors

Maximising the value of our statistics to our users is important to us so we will continue to investigate ways to make SPPI available in a more timely fashion. Successfully improving the timeliness is likely to require implementing more than one of the options outline above to ensure create an appropriate balance between data quality, respondent burden and resources required. Our intention is to make the SPPI available at around 40 days after the end of the quarter to which the statistics relate. This level of timeliness should be achievable and would mean that SPPI could be used in the calculation of the second and third estimate of GDP as well as the Index of Services, rather than just the third estimate of GDP. We will publish details of any decisions we make regarding timeliness and any plans ahead of making any changes.

Frequency

The SPPI is currently published on a quarterly basis, as required by Eurostat under the Short-term Statistics regulation and in line with majority of countries across the world. Some users would prefer for SPPI to be available on a monthly basis as this would provide a more responsive indicator for use in monitoring the economy, would allow additional flexibility for use in contract escalation and would allow the SPPI to feed directly into the monthly Index of Services release produced by ONS, without the need to estimate monthly measures of price change from the published quarterly statistic.

The main advantages of producing SPPI on a monthly basis are:
• Would allow SPPI to better meet user needs
• Would improve speed at which changes could be introduced or new members of staff trained
• May improve data quality as companies will be more familiar with the process for providing data to ONS and the reasons for the change in price since their last return

The main disadvantages of producing SPPI on a monthly basis would be:
• Increased respondent burden as companies would need to return data to us more frequently. This is likely to be a particular problem for respondents who are in the sample for SPPIs that use time based methods as a lot of data is collected
• Increased resources required in ONS for all aspects of the survey – data entry and validation, response chasing, quality assurance and publication

We have no plans to consider moving to a monthly publication at present. This is because we feel that the additional resource required to do this would be better utilised in alternative development of the statistic such as the improvements to sampling and coverage which are currently underway. We will consider this again once the planned changes to the sampling process for SPPI are implemented. These changes will allow us to rotate the SPPI sample, rather than respondents remaining in the sample indefinitely and would thereby lessen the impact on respondents of returning data on a monthly basis.

Regional Breakdowns

SPPI is currently produced at a UK level only without any further disaggregation by geographical area. However, some users have expressed an interest in SPPI being made available at lower geographic levels. ONS has not carried out any work to investigate whether the prices received by UK Service providers does indeed vary by geographical area. A pilot study to examine this would need to be carried out prior to any attempt to calculate regional SPPIs.

The likely advantages of producing SPPIs at lower geographical areas include:
• Statistics would better meet the needs of SPPI users
• May improve data quality for indices at UK level

The likely disadvantages of producing SPPIs at lower geographical areas include:
• Increased respondent burden – since the SPPI sample is selected for the UK as a whole, it is likely that more price quotes would be required to provide adequate coverage at a lower geographic levels
• Increased ONS resource needed – to validate, calculate, quality assure and publish the potentially increased sample size and additional indices produced
• Price changes may not vary significantly by geographical area, thereby reducing the possible benefits of producing SPPIs at lower geographical levels
• It is possible that the range of service providers will vary between geographical areas of the UK so that, at an aggregate level, the actual coverage of the SPPI may vary, thereby reducing comparability
• There is currently no source of data for weights at lower geographical levels – the Services Turnover Survey is conducted at a UK level, so could not provide detailed data for weighting the SPPI for areas beneath UK level. Until changes to the Services Turnover Survey could be made, any weights would need to be estimated.

We have no plans to consider producing SPPIs at lower geographical levels at present.

Data Accessibility

Throughout the year the majority of the queries we receive relate to requests for help accessing our data. We are constantly trying to improve the way in which we present the SPPI Statistical Bulletin and its associated datasets but it is often the ONS website itself that causes accessibility problems. Further information about how we are improving access to ONS data is available here.
Information on Methods

In addition to requests for help accessing data, we also receive a large number of user queries requesting information about the methods used to compile the SPPI. In response this we have published an SPPI Methods and Guidance Manual which is available on the Guidance and Methodology pages of the ONS website.

Information on Rebasing

In February 2014, we published SPPI on a 2010=100 basis for the first time. Although we announced the change, published an article explaining the impact of rebasing on SPPI and released a question and answer document, we still received a large number of queries from users asking for help and advice on the use of the revised indices. The majority of these queries came from users who do not use SPPI regularly so our use of the quarterly Statistical Bulletin as a vehicle to communicate this did not successfully reach these users. To ensure that we reach more users in future we hope to improve our user engagement in general and have published a document setting out how we plan to do this. We have also taken feedback from users on board to influence the way in which we publish revised figures after the next rebasing of SPPI.

Information on Revisions

Since the SPPI is subject to revisions, which are largely due to the receipt of late data, some users have asked us for more information about the extent of and reasons for revising our data. In response to this we have extended the range of tables available in the quarterly Statistical Bulletin that show revisions made since the last quarter. We have also put together a revisions triangle for the aggregate SPPI which shows the extent to which our initial estimates are revised from their first publication to the current period. This will be published for the first time alongside the 2014 Q4 Statistical Bulletin (published on 25th February 2015).

Quantifying Uncertainty

A small number of users have asked us for more information about the degree of uncertainty around our estimates of service sector inflation as measured by the SPPI. In response to this we plan to calculate standard errors for SPPI. These will be published in August 2015.