



مركز الإحصاء
STATISTICS CENTRE

PRODUCER PRICE INDEX (PPI)
(Manufacturing)

Third Quarter 2014
(2012 = 100)

December 2014

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Introduction

In the light of the rapid economic and social development in the Emirate of Abu Dhabi, price indices and indicators are considered key tools that express changes in the prices of industrial and commercial production and services. Indices are also considered important economic indicators that provide accurate data to decision makers, economists, researchers and development policy makers and planners.

The remarkable economic development witnessed by Abu Dhabi Emirate has called for the construction of a statistical index that reflects the growth of the economic production sectors. Therefore, Statistics Centre – Abu Dhabi constructed the industrial producers price index for the Emirate of Abu Dhabi.

The Producers Price Index (PPI), which will be calculated on a quarterly basis, cover the manufacturing sector. The PPI design is based on the main list of products of the industrial manufacturing activities in the International Standard Industrial Classification-revision 4 (ISIC4) which covers all manufacturing economic activities.

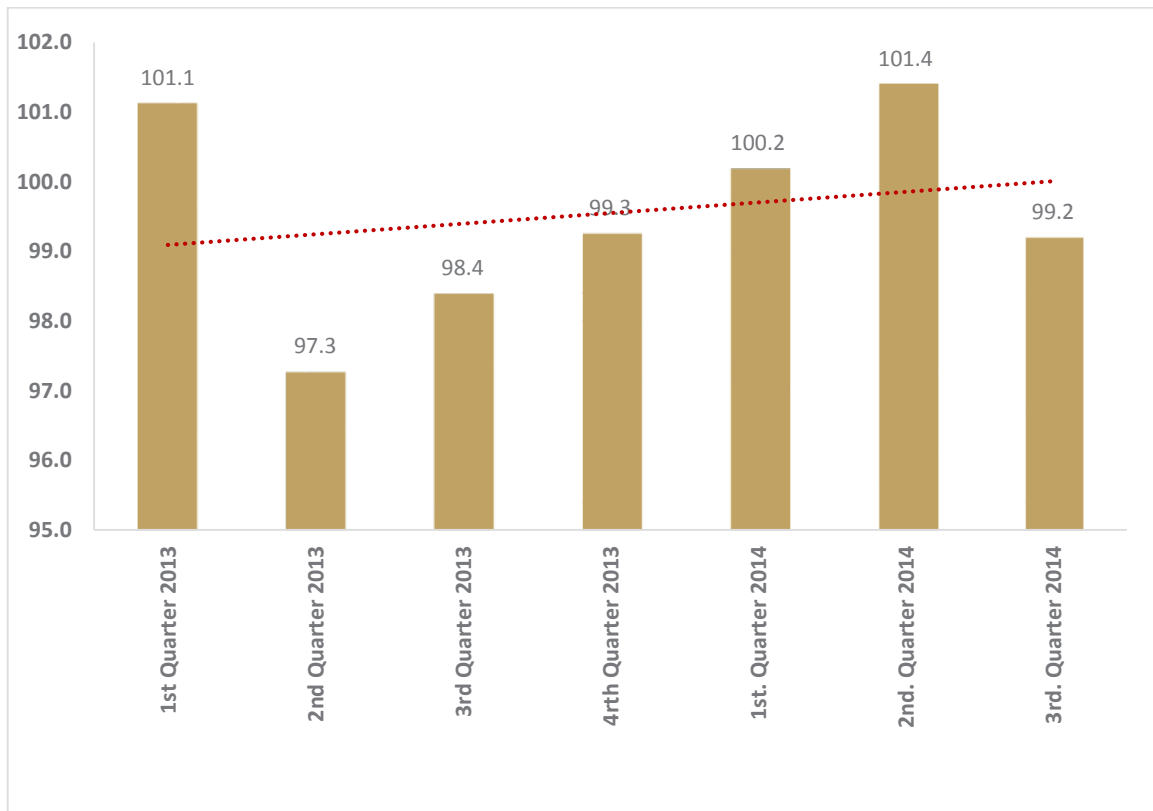
The calculated figures build a time series that measures the changes in the production prices during a specific period compared with the base year (2012). SCAD follows the best international practices and methodologies for the calculation of the PPI and the processing of data. Further development of the PPI will cover more activities such as mining and quarrying, and water and electricity .

Key Points

This publication presents the Producers Price Index results for the manufacturing industry in the Third quarter of 2014 (base year 2012) .The key findings are as follows:

1. The PPI in the third quarter of 2014 increased by 0.8% compared with the same quarter in 2013, rising to 99.2 points in the third quarter of 2014 from 98.4 points in the third quarter of 2013.
2. In the third quarter of 2014, the PPI decreased by 2.2% compared with the second quarter of 2014, reaching 99.2 points in the third quarter of 2014 compared with 101.4 points in the second quarter of 2014.

Figure 1: Quarterly Producers Price Indices for 2013, 2014 (2012=100)



Source: Statistical Centre-Abu Dhabi

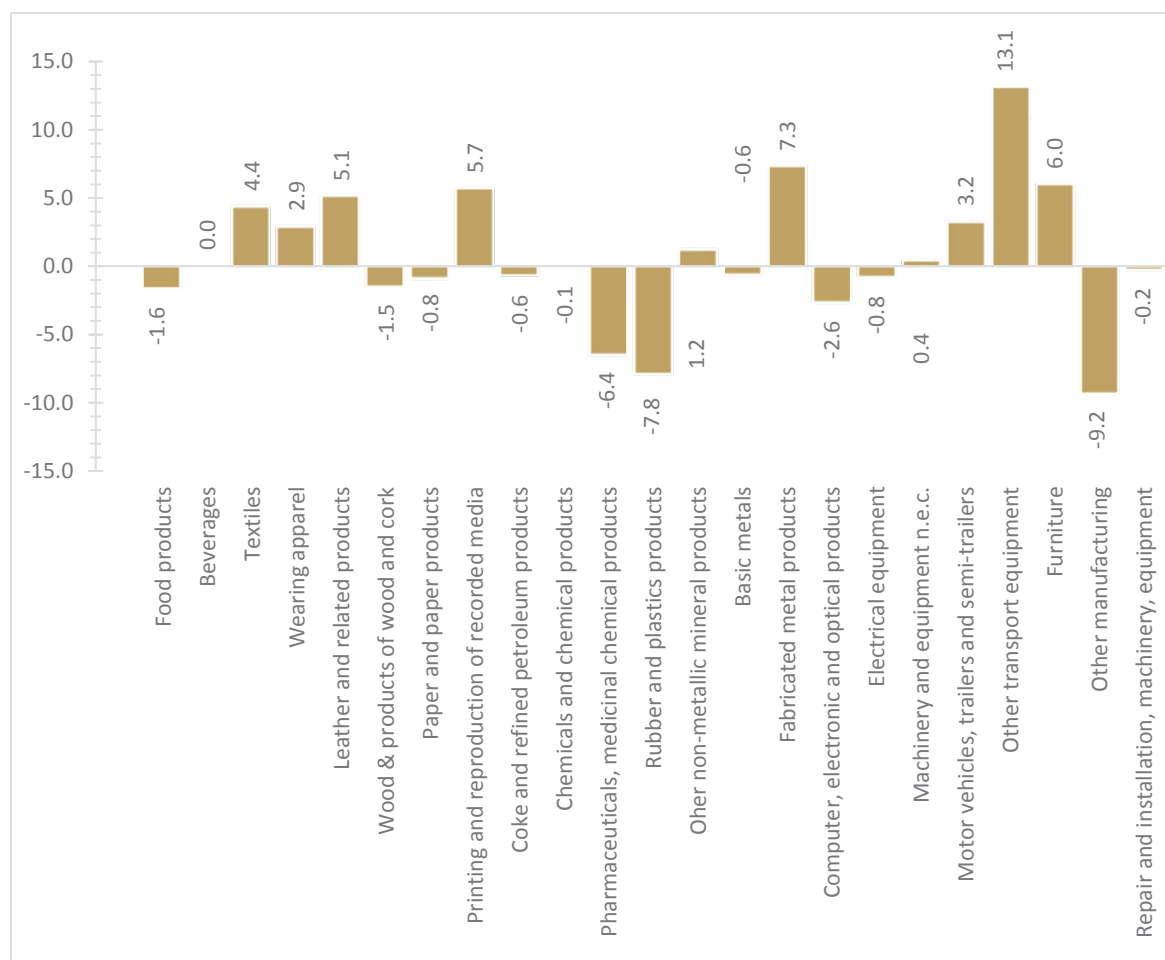
Producers Price Index for the Third Quarter of 2014 Compared With the Third Quarter 2013

The Producers Price Index increased in the third quarter of 2014 by 0.8% compared with the same quarter in 2013. The rise resulted from changes (increases and decreases) in the rates of the economic activities indices. The key economic activity contributing to this rise was the 'Manufacture of fabricated metal products, except machinery and equipment', which rose by 7.3% and contributed 90.9% of the total rise in the industrial producer prices. In addition, the producers price index of the 'Manufacture of other transport equipment' activity increased by 13.1%, contributing 40.8% of the total rise, while the 'Manufacture of other non-metallic mineral products' activity increased by 1.2%, contributing 16.5%, The prices of the 'Manufacture of furniture' activity increased by 6.0% contributing 5.9% of the overall increase. The index price of activity 'Manufacture of wearing apparel' increased by 2.9%, contributing 4.4% of total increase of the overall index.

The key activity that contributed to the decline in the producers price index, during the third quarter of 2014 compared with the corresponding quarter in 2013 was the 'Manufacture of coke and refined petroleum products' activity for which prices decreased by 0.6%, resulting in a decrease in the producer price index by 29.1%, Likewise, the prices of the 'Manufacture of rubber and plastics products' and the 'Manufacture of food products' activities decreased by 7.8%, 1.6%, respectively, with contribution 12.6%, 5.9% respectively. Also the 'Manufacture of basic metals' activity for which prices decreased by 0.6%, resulting in a decrease in the producer's price index by 4.4%. Likewise, the prices of the 'Manufacture of electrical equipment' activity decreased by 0.8% contributing 3.8% of the drop in the general index.

Figure 2 shows the relative change in the Industrial Producers Price Index during the third quarter of 2014 compared with the same quarter in 2013 by economic activity.

Figure 2: Relative change in the Producers Price Index in Q3 2014 compared with Q3 2013



Source: Statistical Centre-Abu Dhabi

Table 1 shows the contribution of each activity to the change in the general index in the third quarter of 2014 compared with the corresponding quarter in 2013.

Table 1: Contribution to change in Producers Price Index by activity, Q3/2014 compared with Q3/2013

Activity Name	Contribution %
Manufacture of food products	-5.9
Manufacture of beverages	0.0
Manufacture of textiles	2.0
Manufacture of wearing apparel	4.4
Manufacture of leather and related products	0.3
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	-1.2
Manufacture of paper and paper products	-0.4
Printing and reproduction of recorded media	2.5
Manufacture of coke and refined petroleum products	-29.1
Manufacture of chemicals and chemical products	-2.4
Manufacture of pharmaceuticals, medicinal chemical and botanical products	-1.8
Manufacture of rubber and plastics products	-12.6
Manufacture of other non-metallic mineral products	16.5
Manufacture of basic metals	-4.4
Manufacture of fabricated metal products, except machinery and equipment	90.9
Manufacture of computer, electronic and optical products	-0.4
Manufacture of electrical equipment	-3.8
Manufacture of machinery and equipment n.e.c.	0.3
Manufacture of motor vehicles, trailers and semi-trailers	0.6
Manufacture of other transport equipment	40.8
Manufacture of furniture	5.9
Other manufacturing	-0.9
Repair and installation of machinery and equipment	-1.2

Source: Statistical Centre-Abu Dhabi

Producers Price Index for the Third Quarter of 2014 Compared With the Second Quarter Of 2014

The industrial producers price index decreased by 2.2% in the third quarter of 2014 compared with the second quarter of 2014, mainly due to the decline in the producers price index of the 'Manufacture of fabricated metal products, except machinery and equipment' by 18.2%. The prices of the 'Manufacture of furniture' decreased by 4.4%, and 'Manufacture of chemicals and chemical products' and 'Manufacture of computer, electronic and optical products' decreased by 1.2%,0.4% respectively. Likewise, the prices of the 'Manufacture of coke and refined petroleum products' activities decreased by 0.2%.

The price index of the 'Manufacture of other transport equipment' activity increased by 9.8%, and similarly the 'Manufacture of leather and related products' and 'Manufacture of electrical equipment' activities increased by 3.8% and 3.0% respectively, also 'Manufacture of textiles' activity increase its average prices by 1.2%.

Table 2 shows the producers price indices for the second and third quarters of 2014. The table also shows the relative importance (weights) and the relative change in the price index in the third quarter of 2014 compared with the second quarter of 2014 by economic activity.

Table2: Relative change in the PPI in Q3 of 2014 compared with Q2 in 2014

Economic activity	Relative importance	Q3 2013	Q2 2014	Q3 2014	Relative change Q3/Q2 2014 (%)
Manufacturing industry	10,000	98.4	101.4	99.2	-2.2
Manufacture of food products	287.4	101.1	99.9	99.5	-0.4
Manufacture of beverages	84.9	100.0	100.0	100.0	0.0
Manufacture of textiles	33.9	103.4	106.7	107.9	1.2
Manufacture of wearing apparel	118.4	101.7	104.6	104.6	0.0
Manufacture of leather and related products	5.3	99.5	100.8	104.6	3.8
Manufacture of wood, wood products and cork, except furniture, and manufacture of straw items and plaiting material	65.8	100.0	98.6	98.6	0.0
Manufacture of paper and paper products	37.7	101.9	100.5	101.0	0.6
Printing and reproduction of recorded media	33.1	103.1	109.0	108.9	0.0
Manufacture of coke and refined petroleum products	3653.8	97.5	97.0	96.9	-0.2
Manufacture of chemicals and chemical products	1690.4	96.6	97.6	96.4	-1.2
Manufacture of pharmaceuticals, medicinal chemicals and botanical products	23.0	97.1	90.9	90.9	0.0
Manufacture of rubber tyres and pipes, and renewal and restructure of outer surfaces of rubber tyres	126.3	99.2	91.5	91.5	0.0
Manufacture of other non-metallic mineral products	1104.4	96.3	97.1	97.5	0.4
Manufacture of basic metals	626.5	93.5	93.1	93.0	-0.1
Manufacture of fabricated metal products, except machinery and equipment	960.1	100.8	132.2	108.2	-18.2
Manufacture of computer, electronic and optical products	11.7	99.1	96.9	96.5	-0.4
Manufacture of electrical equipment	410.9	94.2	90.7	93.5	3.0
Manufacture of machinery and equipment n.e.c.	59.0	99.8	99.8	100.2	0.4
Manufacture of motor vehicles, trailers and semi-trailers	12.1	110.1	114.1	113.7	-0.4
Manufacture of other transport equipment	164.5	147.5	151.8	166.7	9.8
Manufacture of furniture	75.0	101.8	112.9	107.9	-4.4
Other manufacturing industries	7.5	104.1	93.4	94.5	1.2
Repair and installation of machinery and equipment	408.0	99.8	99.6	99.5	0.0

Source: Statistical Centre-Abu Dhabi

Next Release

The PPI for the fourth quarter of 2014 will be released in March 2015. For more information about price indices and other statistics, please visit the website of the Statistics Centre Abu Dhabi: www.scad.ae

Producers Price Index Methodology

Definition

The Producers Price Index (PPI) is an economic and statistical indicator that measures the change in the prices of industrial production (manufacturing industries) in two periods, the base period and the comparison period.

PPI importance

- The PPI reflects the trends of the industrial producers' prices in the Emirate of Abu Dhabi, which help decision makers, planners and researchers to make sound decisions that support the industry sector.
- The PPI measures the change in the prices of industrial production and is used by the government to process and create economic plans and strategies.
- The PPI is used as a main deflator for economic indicators over time. It is used to deflate time series of economic data, based on price changes that reflect inflation, to their real values in fixed prices within the national accounts estimates.
- The PPI is used as a tool that monitors abrupt rises in sale and purchase contracts, especially futures contracts in which a future date for payment is set. It is often recommended to list the items whose prices have increased for further study, and to identify their impact on input prices.
- The PPI is used by international economic organizations such as the International Monetary Fund as a tool for comparison and evaluation.

PPI representation and coverage level

The Producers Price Index (PPI) covers all manufacturing activities in the Emirate of Abu Dhabi; representing all twenty three manufacturing activities based on the International Standard Industrial Classification, revision 4 (ISIC4/2-digit). At the current time, SCAD is developing the PPI to include the 'Mining and quarrying' activities and 'Water and electricity'.

Data Collection

Prices are collected on a monthly basis from the sampled establishments through field visits or e-mail; these 65 establishments are carefully selected to represent the manufacturing industry. SCAD field enumerators, who have been appropriately prepared and trained for this purpose, explain the items of the questionnaire and the

required data to ensure the collection of accurate data. Field enumerators are also provided with questionnaires that are specially designed for this purpose.

Data source

The prices of 290 products are collected from 65 establishments at the 2-digit level. The sample distribution covers 52 establishments in the Abu Dhabi region and 13 establishments in the Al Ain region.

PPI periodicity

The PPI is designed on a quarterly basis; while prices are collected on a monthly basis. The PPI sample is fixed, all establishments included in the sample are visited by enumerators to collect the prices of the establishment's key products.

Auditing

The auditing phase aims to validate all data to ensure consistency. It also includes comparing the prices against the quantities and the prices of the month with the previous month to avoid input errors, collection errors and incorrect specification of products.

PPI calculation

The PPI is calculated using the "Laspeyres Equation":

$$PPI_L = \sum \frac{P_{1i}}{P_{0i}} \times W_{0i}$$

The quarterly average price of the product is calculated using the arithmetic mean of the product price during the three months. Then, the price level is calculated for the product in each establishment. Then, the higher levels are aggregated using the product weights within the same economic activity.

Base year

The year 2012 was adopted as a base year for the industrial producers price index, while 2009 was adopted as a base year for the weights used in the PPI, when the latest economic data was provided from field surveys. Accordingly, the base year for the PPI weights is 2009 and 2012 for the PPI prices.

Weights and relative importance

The weights used in the PPI calculation depend on the available data of the economic establishment census, which was conducted in 2010. The census has provided a

frame for the economic establishments in Abu Dhabi Emirate. This frame was used to design and select the 2009 Economic Survey's sample. The PPI sample was drawn as a partial sample of the 2009 Economic Surveys sample to represent the index for the industrial producers' prices. The data provided on production and revenues in the partial sample was used to calculate weights at the two-digit economic activity level. Weights were also calculated at establishment level. Weights at item level were calculated through the proportional distribution of the establishment's weight by its key products.

Relative importance of manufacturing activities in 2012

Activity name	Weight
Manufacturing industry	10,000.0
Manufacture of food products	287.4
Manufacture of beverages	84.9
Manufacture of textiles	33.9
Manufacture of wearing apparel	118.4
Manufacture of leather and related products	5.3
Manufacture of wood, wood products and cork, except furniture, and manufacture of straw items and plaiting material	65.8
Manufacture of paper and paper products	37.7
Printing and reproduction of recorded media	33.1
Manufacture of coke and refined petroleum products	3653.8
Manufacture of chemicals and chemical products	1690.4
Manufacture of pharmaceuticals, medicinal chemicals and botanical products	23.0
Manufacture of rubber tyres and pipes, and renewal and restructure of outer surfaces of rubber tyres	126.3
Manufacture of other non-metallic mineral products	1104.4
Manufacture of basic metals	626.5
Manufacture of fabricated metal products, except machinery and equipment	960.1
Manufacture of computer, electronic and optical products	11.7
Manufacture of electrical equipment	410.9
Manufacture of machinery and equipment n.e.c.	59.0
Manufacture of motor vehicles, trailers and semi- trailers	12.1
Manufacture of other transport equipment	164.5
Manufacture of furniture	75.0
Other manufacturing industries	7.5
Repair and installation of machinery and equipment	408.0

Producer's prices

Compiling PPI depends on monthly price data for the main products of establishments, using producer prices (at factory gate price) without any production tax. The prices of 2012 as price base year. The prices cover local production and exports.

Publishing

SCAD publishes the PPI quarterly report by the third month after each reference quarter and it is made accessible to everyone on the SCAD website.

