

Producer Price Indices – Comparative Methodological Analysis (OECD - 2011)

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Producer Price Indices (PPIs) serve two main functions. The first is to provide an indication of price change by producers of goods and services, and therefore as an indicator of inflationary pressure on consumer price indices, (CPIs). Increasingly, given the increased tendency of global production processes, they can also serve as indicators of inflationary pressures in importing countries. The second reflects their role in deflating current price estimates of economic activity to arrive at measures of activity in constant prices.

Clearly, analysts have a keen interest in comparisons of PPIs between countries, and not just because increased producer prices in one country have the potential to spill over into PPIs or CPIs in another. But, despite this interest, little readily accessible source of information currently exists to inform users of the conceptual comparability of PPIs across countries.

This paper is an attempt to fill that gap. It attempts to provide a detailed exposition of differences in the scope and coverage of PPIs throughout OECD countries, with additional commentary on the primary uses of PPIs across countries (which is often an explanatory factor for underlying practical differences). It also provides a summary description of a number of issues relating to the practical construction of PPIs; where different approaches may also have an impact on cross-country comparability. A more comprehensive description of these latter issues is provided in the Producer Price Index Manual.

The paper begins with a description of issues that arise in the context of international comparisons of PPIs in terms of scope and coverage (e.g. type of prices collected, classification used, treatment of export and weighting scheme). It then goes on to examine basic data and their collection methods (weights and their sources and sampling method) before considering compilation issues. In conclusion, most of these elements are set in regards within the internationally accepted statistical framework for PPIs.

Knowledgebase on Economic Statistics - Methods and Country Practices

<http://unstats.un.org/unsd/EconStatKB/KnowledgebaseArticle10418.aspx>