



مركز الإحصاء
STATISTICS CENTRE



Industrial Producer Price Index

(PPI)

(Manufacturing) **2014**

April 2015

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Introduction

In light of the rapid economic and social changes, indices are considered an effective tool to measure the change in prices and quantities of industrial and commercial production and services. Indices are significant economic indicators that provide decision makers, economists and researchers with sound and accurate data.

The remarkable economic development taking place in the Emirate of Abu Dhabi was the reason that led the Statistics Centre – Abu Dhabi (SCAD) to create a statistical index that reflects the rate of change in the prices of industrial production. Consequently, SCAD initiated the Industrial Producer Price Index (PPI) for the Emirate of Abu Dhabi.

The PPI, which will be calculated on a quarterly and annual basis and at the end of year calculate yearly, will cover the manufacturing sector. The PPI calculation follows the International Standard Industrial Classification revision 4 (ISIC4) for the list of manufacturing economic activities.

The calculated figures build a time series that measure the changes in the production prices during a specific period compared with the base year (2012). SCAD is following the best practices and methodologies adopted worldwide while calculating the PPI and processing the data. Further development of the PPI will cover more activities such as mining and quarrying, water and electricity.

Key Points

This publication presents the Producer Price Index results for the manufacturing industry in 2014 compared with 2013, (2012=100). The key findings are:

- The PPI decreased by 1.1 % in 2014 compared with 2013, falling to 97.9 points in 2014 from 99.0 points in 2013.
- The PPI decreased by 0.9 % during the first quarter of 2014 compared with the same quarter in 2013, reaching 100.2 points in the first quarter of 2014 compared with 101.1 points in 2013.
- The PPI increased by 4.2 % during the second quarter of 2014 compared with the same quarter in 2013, reaching 101.4 points in the second quarter of 2014 compared with 97.3 points in 2013.
- The PPI increased by 0.8 % during the third quarter of 2014 compared with the same quarter in 2013, reaching 99.2 points in the third quarter of 2014 compared with 98.4 points in 2013.
- The PPI decreased by 8.6 % during the four quarter of 2014 compared with the same quarter in 2013, reaching 90.7 points in the four quarter of 2014 compared with 99.3 points in 2013.

The Industrial Producer Price Index for 2014

The Industrial Producers Prices Index (PPI) decreased by 1.1% in 2014 compared with 2013, the decline could be attributed to changes (increases and decreases) in the prices of manufacturing production.

The prices decreased significantly in four industrial activities; the largest decrease was experienced by the ‘Other manufacturing’ activity which fell by 8.7%, contributing 0.6% to the total decline, followed by the ‘Manufacture of rubber and plastics products’ activity with a decrease of 7.5%, contributing 8.3%, the ‘Manufacture of pharmaceuticals, medicinal chemical and botanical products’ activity with 7.0%, contributing 1.4% and the ‘Manufacture of coke and refined petroleum products’ activity with 6.1%, contributing 191.8%. In addition, the ‘Manufacture of food products’ activity decreased by 0.3%, contributing 8.2% to the total decrease in the overall index.

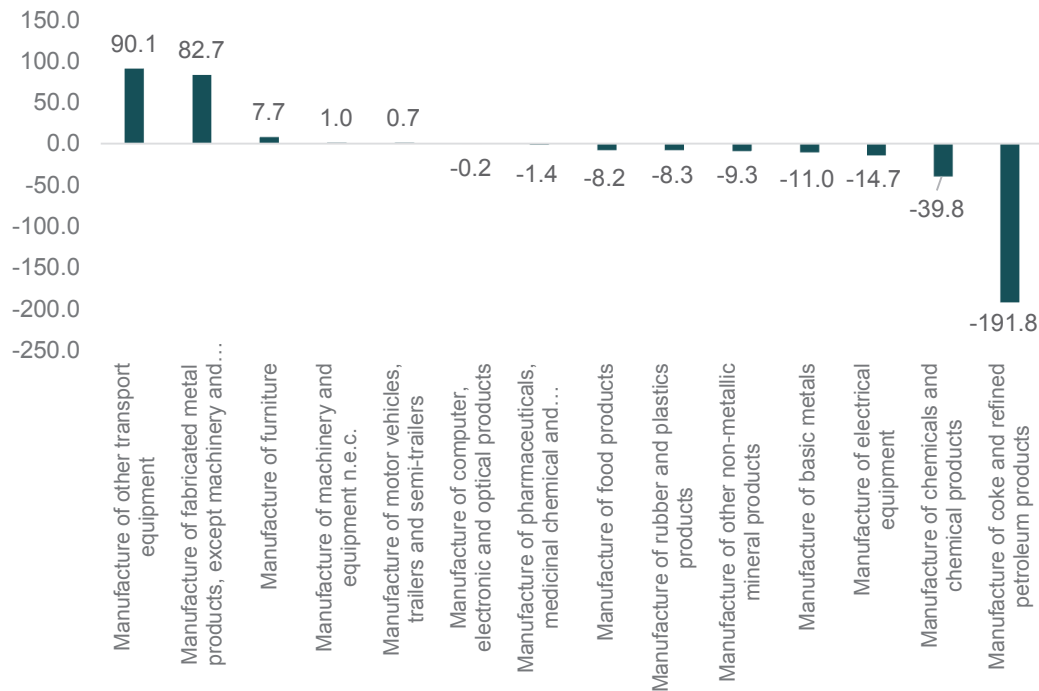
At the same time, the prices of the ‘Manufacture of other transport equipment’ activity increased by 44.6%, contributing 90.1% and the ‘Manufacture of furniture’ activity with an 11.4% increase, the ‘Manufacture of fabricated metal products, except machinery and equipment’ activity with 9.7% and the ‘Manufacture of leather and related products’ activity with 6.9%.

Table 1: PPI and relative change in the industrial producers prices in 2014 compared with 2013 (2012=100)

	PPI	Relative change %
Quarter one 2014	100.2	-0.9
Quarter two 2014	101.4	4.2
Quarter three 2014	99.2	0.8
Quarter four 2014	90.7	-8.6
Year 2014	97.9	-1.1

Source: Statistics Centre – Abu Dhabi

Figure 1: Contributions of manufacturing activities in the 2014 PPI compared with 2013



Source: Statistics Centre – Abu Dhabi

The Average Quarterly Prices of Industrial Producers for 2014, compared with 2013

The Producers Price Index (PPI) dropped by 0.9% in the first quarter of 2014 compared with the same quarter in 2013; the PPI of the 'Other manufacturing' activity decreased by 11.4%, followed by the 'Manufacture of pharmaceuticals, medicinal chemical and botanical products' activity and the 'Manufacture of rubber and plastics products' activities with 7.6% and 6.4% respectively.

The PPI increased by 4.2% in the second quarter of 2014 compared with the same quarter in 2013, mainly as a result of price increases in four manufacturing activities. The largest increase of 30.6% was in the 'Manufacture of fabricated metal products, except machinery and equipment' activity, followed by the 'Manufacture of other transport equipment' activity with 19.0%. The 'Manufacture of motor vehicles, trailers and semi-trailers' activity and the 'Manufacture of furniture' activity increased by 13.4% and 12.7% respectively.

The PPI increased by 0.8% in the third quarter of 2014 compared with the same quarter in 2013. The 'Manufacture of other transport equipment' activity increased by 60.2% and the 'Manufacture of leather and related products' activity increased by 12.8%, followed by the 'Manufacture of fabricated metal products, except machinery and equipment' activity with increases of 9.3% while the 'Manufacture of furniture' activity rose by 8.7%.

During the fourth quarter of 2014, the PPI decreased by 8.6% compared with the same quarter in 2013, while the decreases occurred in four manufacturing activities; the largest decrease was in 'Manufacture of coke and refined petroleum products' (19.9%), 'Manufacture of fabricated metal products, except machinery and equipment' (17.7%), followed by the 'Manufacture of rubber and plastics products' and the 'Manufacture of pharmaceuticals, medicinal chemical and botanical products' activities with 7.8% and 7.6% respectively.

Trends in the Producer Price Index (PPI) during 2014

The PPI rose by 1.2% in the second quarter of 2014 compared with the first quarter of the same year, increasing from 100.2 points in the first quarter to 101.4 points in the second quarter.

The PPI decreased by 2.2% in the third quarter of 2014 compared with the second quarter of the same year, dropping from 101.4 points in the second quarter to 99.2 points in the third quarter.

The PPI decreased by 8.5% in the fourth quarter of 2014 compared with the third quarter of the same year, decreasing from 99.2 points in the third quarter to 90.7 points in the fourth quarter, as shown in Table 2.

Statistical Tables

Table 2: Industrial Producer Price Index, 2014 (2012= 100)

Activity Name	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Year 2014
Manufacturing	100.2	101.4	99.2	90.7	97.9
Manufacture of food products	100.3	99.9	98.3	96.5	98.7
Manufacture of beverages	100.0	100.0	100.0	100.0	100.0
Manufacture of textiles	102.5	106.7	103.4	103.5	104.0
Manufacture of wearing apparel	104.5	104.6	104.6	100.3	103.5
Manufacture of leather and related products	100.8	100.8	112.3	112.1	106.5
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	102.5	101.1	102.3	101.4	101.8
Manufacture of paper and paper products	103.3	100.5	101.1	99.9	101.2
Printing and reproduction of recorded media	104.8	109.0	109.0	109.0	107.9
Manufacture of coke and refined petroleum products	97.0	97.0	92.8	78.7	91.4
Manufacture of chemicals and chemical products	101.9	97.6	96.4	90.6	96.6
Manufacture of pharmaceuticals, medicinal chemical and botanical products	90.9	90.9	90.9	90.9	90.9
Manufacture of rubber and plastics products	93.8	91.5	91.5	91.2	92.0
Manufacture of other non-metallic mineral products	96.4	97.1	98.5	96.9	97.2
Manufacture of basic metals	90.9	93.1	94.0	92.3	92.6
Manufacture of fabricated metal products, except machinery and equipment	116.8	132.2	110.1	82.1	110.3
Manufacture of computer, electronic and optical products	96.9	96.9	95.8	95.8	96.4
Manufacture of electrical equipment	93.1	90.7	92.5	93.1	92.3
Manufacture of machinery and equipment n.e.c.	100.0	99.8	104.2	103.6	101.9
Manufacture of motor vehicles, trailers and semi-trailers	114.2	114.1	111.7	113.1	113.3
Manufacture of other transport equipment	134.5	151.8	236.3	281.0	200.9
Manufacture of furniture	109.4	112.9	110.6	118.6	112.9
Other manufacturing	89.5	93.4	94.3	91.1	92.1
Repair and installation of machinery and equipment	99.6	99.6	99.7	99.5	99.6

Source: Statistics Centre – Abu Dhabi

Table 3: Industrial Producer Price Index during 2014 and 2013, and Percentage changes

Activity Name	Weights	2013	Industrial Producers Prices Index						Percentage change 2014 / 2013				Rel . Change 2014		
			Q1 2014	Q2 2014	Q3 2014	Q4 2015	Year 2014	2014/ 2013	Q1 2014/ Q1 2013	Q2 /2014 Q2 2013	Q3 2014 Q3 / 2013	Q4 / 2014 Q4 2013	Q2 / Q1 2014	Q3 / Q2 2014	Q4 / Q3 2014
Manufacturing	10,000.0	99.0	100.2	101.4	99.2	90.7	97.9	-1.1	-0.9	4.2	0.8	-8.6	1.2	-2.2	-8.5
Manufacture of food products	287.4	101.9	100.3	99.9	98.3	96.5	98.7	-3.2	-2.7	-2.9	-2.7	-4.3	-0.4	-1.6	-1.9
Manufacture of beverages	84.9	100.0	100.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacture of textiles	33.9	102.6	102.5	106.7	103.4	103.5	104.0	1.4	1.3	6.9	0.0	-2.4	4.0	-3.0	0.1
Manufacture of wearing apparel	118.4	101.5	104.5	104.6	104.6	100.3	103.5	2.0	3.6	2.9	2.8	-1.4	0.1	-0.1	-4.1
Manufacture of leather and related products	5.3	99.6	100.8	100.8	112.3	112.1	106.5	6.9	1.1	1.4	12.8	12.4	0.0	11.4	-0.2
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	65.8	102.7	102.5	101.1	102.3	101.4	101.8	-0.8	-0.2	-1.5	-0.3	-1.2	-1.4	1.2	-0.9
Manufacture of paper and paper products	37.7	101.5	103.3	100.5	101.1	99.9	101.2	-0.3	3.3	-0.1	-0.8	-3.6	-2.7	0.6	-1.1
Printing and reproduction of recorded media	33.1	102.4	104.8	109.0	109.0	109.0	107.9	5.4	3.1	7.1	5.7	5.7	3.9	0.0	0.0
Manufacture of coke and refined petroleum products	3,653.8	97.3	97.0	97.0	92.8	78.7	91.4	-6.1	-4.5	5.5	-4.8	-19.9	0.1	-4.4	-15.2
Manufacture of chemicals and chemical products	1,690.4	99.3	101.9	97.6	96.4	90.6	96.6	-2.7	-1.1	-1.3	-0.2	-8.1	-4.2	-1.3	-6.0
Manufacture of pharmaceuticals, medicinal chemical and botanical products	23.0	97.7	90.9	90.9	90.9	90.9	90.9	-7.0	-7.6	-6.4	-6.4	-7.6	0.0	0.0	0.0
Manufacture of rubber and plastics products	126.3	99.4	93.8	91.5	91.5	91.2	92.0	-7.5	-6.4	-7.9	-7.7	-7.8	-2.4	0.0	-0.4
Manufacture of other non-metallic mineral products	1,104.4	98.2	96.4	97.1	98.5	96.9	97.2	-1.0	-3.1	-3.4	2.2	0.6	0.7	1.4	-1.6
Manufacture of basic metals	626.5	94.5	90.9	93.1	94.0	92.3	92.6	-2.1	-6.3	-2.8	0.5	0.3	2.4	1.0	-1.9
Manufacture of fabricated metal products, except machinery and equipment	960.1	100.6	116.8	132.2	110.1	82.1	110.3	9.7	16.3	30.6	9.3	-17.7	13.2	-16.7	-25.4
Manufacture of computer, electronic and optical products	11.7	98.7	96.9	96.9	95.8	95.8	96.4	-2.3	-1.2	-1.5	-3.4	-3.2	0.0	-1.2	0.0
Manufacture of electrical equipment	410.9	96.4	93.1	90.7	92.5	93.1	92.3	-4.2	-6.0	-7.0	-1.8	-1.9	-2.6	1.9	0.6
Manufacture of machinery and equipment n.e.c.	59.0	100.0	100.0	99.8	104.2	103.6	101.9	1.9	-0.3	-0.2	4.4	3.6	-0.2	4.3	-0.5
Manufacture of motor vehicles, trailers and semi-trailers	12.1	106.5	114.2	114.1	111.7	113.1	113.3	6.4	14.8	13.4	1.4	-2.1	-0.1	-2.1	1.3
Manufacture of other transport equipment	164.5	139.0	134.5	151.8	236.3	281.0	200.9	44.6	21.8	19.0	60.2	64.9	12.8	55.7	18.9
Manufacture of furniture	75.0	101.3	109.4	112.9	110.6	118.6	112.9	11.4	8.4	12.7	8.7	15.8	3.2	-2.0	7.2
Other manufacturing	7.5	100.8	89.5	93.4	94.3	91.1	92.1	-8.7	-11.4	-7.8	-9.4	-5.9	4.4	1.0	-3.4
Repair and installation of machinery and equipment	408.0	99.8	99.6	99.6	99.7	99.5	99.6	-0.2	-0.2	-0.2	-0.1	-0.3	0.0	0.1	-0.1

Source: Statistics Centre – Abu Dhabi

Table 4: Contribution rate (%) of manufacturing activities to the PPI, 2014

Activity Name	Weights	Contribution rate%				
		Q1 2014	Q2 2014	Q3 2014	Q4 2014	Year 2014
Manufacturing	10,000	100	100	100	100	100
Manufacture of food products	287.4	-8.9	-2.1	-10.4	-1.5	-8.2
Manufacture of beverages	84.9	0.0	0.0	0.0	0.0	0.0
Manufacture of textiles	33.9	0.5	0.6	0.0	-0.1	0.4
Manufacture of wearing apparel	118.4	4.7	0.8	4.4	-0.2	2.1
Manufacture of leather and related products	5.3	0.1	0.0	0.9	0.1	0.3
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	65.8	-0.1	-0.3	-0.3	-0.1	-0.5
Manufacture of paper and paper products	37.7	1.4	0.0	-0.4	-0.2	-0.1
Printing and reproduction of recorded media	33.1	1.2	0.6	2.5	0.2	1.6
Manufacture of coke and refined petroleum products	3,653.80	-183.3	44.6	-221.9	-83.9	-191.8
Manufacture of chemicals and chemical products	1,690.40	-22	-5.4	-3.3	-15.9	-39.8
Manufacture of pharmaceuticals, medicinal chemical and botanical products	23	-1.9	-0.3	-1.9	-0.2	-1.4
Manufacture of rubber and plastics products	126.3	-8.9	-2.4	-12.6	-1.2	-8.3
Manufacture of other non-metallic mineral products	1,104.40	-37.6	-9.2	31.0	0.7	-9.3
Manufacture of basic metals	626.5	-41.9	-4.0	4.1	0.2	-11.0
Manufacture of fabricated metal products, except machinery and equipment	960.1	173	72.0	116.6	-20.0	82.7
Manufacture of computer, electronic and optical products	11.7	-0.2	0.0	-0.5	0.0	-0.2
Manufacture of electrical equipment	410.9	-26.9	-6.8	-9.1	-0.9	-14.7
Manufacture of machinery and equipment n.e.c.	59	-0.2	0.0	3.4	0.2	1.0
Manufacture of motor vehicles, trailers and semi-trailers	12.1	2	0.4	0.2	0.0	0.7
Manufacture of other transport equipment	164.5	43.6	9.6	190	21.4	90.1
Manufacture of furniture	75	7	2.3	8.6	1.4	7.7
Other manufacturing	7.5	-0.9	-0.1	-1.0	-0.1	-0.6
Repair and installation of machinery and equipment	408	-0.8	-0.2	-0.5	-0.1	-0.6

Source: Statistics Centre – Abu Dhabi

The PPI Methodology

Definition

The Producer Price Index is an economic and statistical indicator that measures the change in the prices of industrial production between two periods, the base period and the comparison period.

PPI importance

The PPI reflects the trends of the industrial producer 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 create economic plans and strategies.

The PPI is used as a main deflator for economic indicators over time. It is used to deflate nominal values of Gross Domestic Product components.

The PPI is used to measure the rise occurring in sales and purchases contracts, especially futures contracts in the derivatives market.

It is required by international organizations such as the International Monetary Fund for economic monitoring and comparison.

PPI representation and coverage level

The Producer Price Index (PPI) covers all manufacturing activities in the Emirate of Abu Dhabi; the PPI represents all manufacturing activities (23 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 selected establishments through field visits or e-mail; these establishments are carefully chosen to represent the manufacturing industry, (65) establishments. SCAD field researchers explain the items of the questionnaire and the required data to ensure accurate data are collected.

Data source

The prices of 284 products are collected from 65 establishments at the 2-digit level. The sample includes 52 establishments in the Abu Dhabi region and 13 establishments in the Al_Ain region.

PPI periodicity

The PPI is compiled 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 important products.

Editing

The editing phase aims at validating 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 during the three months. Then, the price level is calculated for the product in each establishment.

Base year

The year 2012 was adopted as a base for the prices, while 2009 was adopted as a base year for the weights used in the PPI.

Weights and relative importance

The weights used in the PPI calculation depend on the data of the economic establishment census, which was conducted in 2010. The census has provided a frame for the economic establishments in Abu Dhabi. This frame was used to design and select the 2009 Economic Survey's sample. The PPI sample was designed as a partial sample of the 2009 Economic Surveys sample to provide data on production and revenues. The weights have been calculated on both levels of economic activity (two digits), and establishment. The weights at the commodity level were calculated by distributing the establishment weight to all main products

Relative importance of manufacturing activities in 2012

Code	Activity	Weight
	Manufacturing	10,000
10	Food products	287.4
11	Beverages	84.9
13	Textiles	33.9
14	Wearing apparel	118.4
15	Leather and related products	5.3
16	Wood & products of wood and cork	65.8
17	Paper and paper products	37.7
18	Printing and reproduction of recorded media	33.1
19	Coke and refined petroleum products	3,653.80
20	Chemicals and chemical products	1,690.40
21	Pharmaceuticals, medicinal chemical products	23
22	Rubber and plastics products	126.3
23	Other non-metallic mineral products	1,104.40
24	Basic metals	626.5
25	Fabricated metal products	960.1
26	Computer, electronic and optical products	11.7
27	Electrical equipment	410.9
28	Machinery and equipment n.e.c.	59
29	Motor vehicles, trailers and semi-trailers	12.1
30	Other transport equipment	164.5
31	Furniture	75
32	Other manufacturing	7.5
33	Repair and installation, machinery, equipment	408

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 covered local production and exports.

Publishing

SCAD publishes the annual PPI report after finish the fourth quarter report for the previous year. SCAD also releases other periodical reports on PPI including inflation.

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