



مركز الإحصاء
STATISTICS CENTRE

Producer Price Index (PPI)

Manufacturing (2012=100)

Second Quarter
2020

Preliminary

Release Date: September 2020

Table of Contents

BRIEFING.....	2
KEY POINTS.....	3
FIGURES.....	4
FIGURE 1: QUARTERLY PRODUCER PRICE INDEX FOR 2019,2020 (2012=100)	4
METHODOLOGY	5
OVERVIEW	5
IMPORTANCE.....	5
OBJECTIVES	5
CONCEPTS AND DEFINITIONS USED	5
COVERAGE	6
PERIODICITY.....	6
CLASSIFICATIONS	6
DATA SOURCES.....	6
DATA COLLECTION FORMS	6
SAMPLE DESIGN.....	6
DATA COLLECTION	6
DATA AUDITING	7
OUTPUT INDICATORS	7
TIMELINE.....	7
DISSEMINATION.....	7
IMPROVEMENT.....	7
DISCLAIMER / TERMS OF USE	7

Briefing

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, policy makers and other users of official statistics.

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 Producer Price Index for the Emirate of Abu Dhabi.

The Producer Price Index (PPI), which is 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.

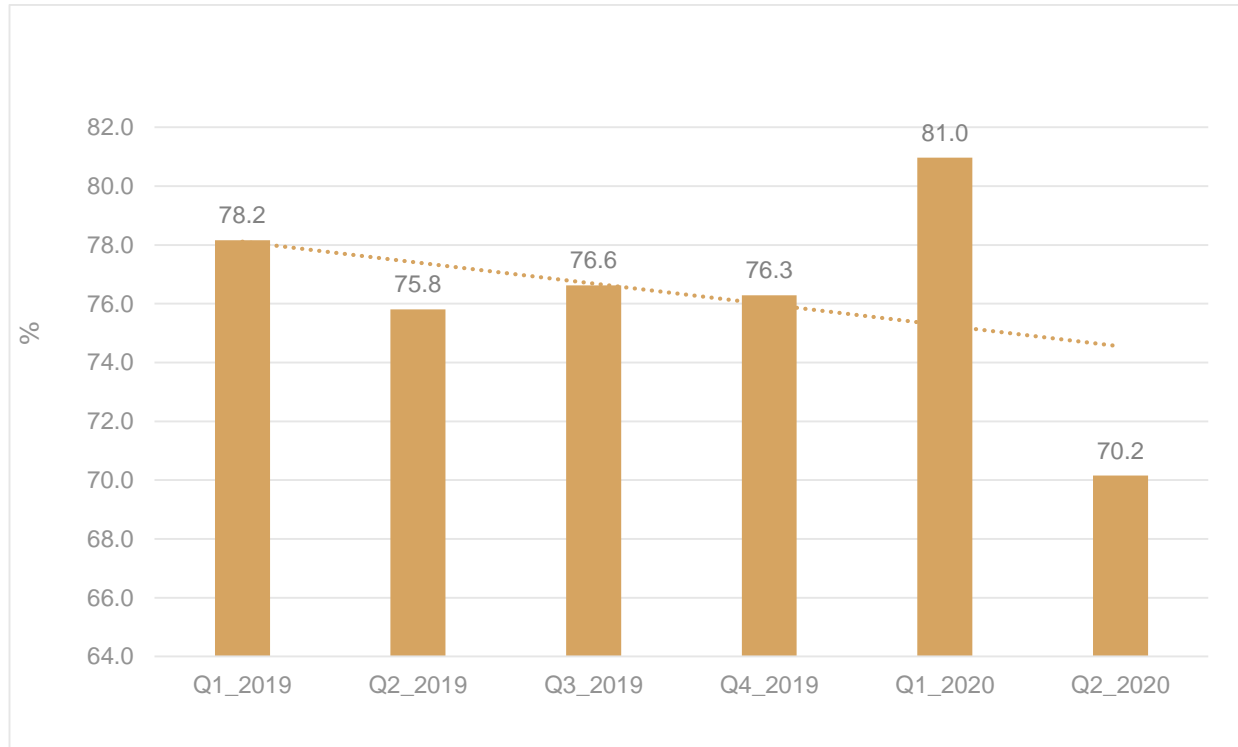
The calculated figures represent a time series that measures the changes in the production prices during a specific period compared with the base year 2012. SCAD follows the best international practices and methodologies for the calculation of the PPI and the processing of data. Further development of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

Key Points

1. The PPI in the second quarter of 2020 decreased by 7.5% compared with the same quarter in 2019, from 75.8% in the second quarter of 2019 to 70.2% in the second quarter of 2020.
2. In the second quarter of 2020, the PPI decreased by 13.4% from 81.0% in the first quarter of 2020, to 70.2%.
3. The key activity that recorded a decrease in its price, during the second quarter of 2020 compared with the corresponding quarter in 2019, was the 'Manufacture of coke and refined petroleum products' for which prices decreased by 25.3%, while contributing 94.1% to the overall change. The activity of 'Manufacture of basic metals' decreased by 16.2% and contributed 15.1% to the overall change.
4. Prices of the 'Manufacture of fabricated metal products, except machinery and equipment' group increased by 11.5% during the second quarter of 2020 compared to the same quarter of 2019, and contributed 25.5% in reducing the overall decrease.
5. Comparing the figures of the second quarter of 2020 with the first quarter 2020, the activity of 'Manufacture of coke and refined petroleum products' for which prices decreased by 39.3%, contributed 94.2% to the overall change. In addition, the activity 'Manufacture of basic metals' contributed 4.3% to the overall change, for which prices decreased by 9.6%.
6. Prices of the 'Manufacture of other non-metallic mineral products' group increased by 1.5% during the second quarter of 2020 compared to the first quarter of 2020, and contributed 1.5% in reducing the overall decrease.

Figures

Figure 1: Quarterly Producer Price Index for 2019,2020 (2012=100)



Source: Statistics Centre - Abu Dhabi

Methodology

Overview

The Producer Price Index is a statistical economic indicator that measures the change in the prices of industrial production (manufacturing industries) between two time periods. These are the base period, which is the period for which the value of the index is set at 100 and the comparison period for which prices are compared with the prices of the base period.

Importance

- Identify trends in the Producer Price Index within the Emirate of Abu Dhabi to assist decision-makers, policy-makers and researchers in planning and making decisions that support the industrial sector.
- An economic indicator that monitors the change in the prices of industrial producers, as the government employs this figure in processing and formulating economic policies and plans.
- PPI is used as a deflator of other economic series, it is used to adjust the national accounts economic time series for price changes and translate it into constant prices.
- A tool for monitoring the price escalation in the sale and purchase contracts, especially in contracts in which the future date (point) of the payment is determined. An escalation clause is included in commercial contracts to take possible increases in input prices into consideration and to monitor their impact on input prices.
- It is used by international economic organizations, such as the International Monetary Fund, as an evaluation and comparison tool.

Objectives

1. Provide the necessary data to assist decision-makers, policy-makers and researchers in planning and making decisions that support the industrial sector.
2. Providing the necessary data for processing and formulating economic policies and plans.
3. Provide the necessary data to process the time series of contributing economic data
4. Monitoring the emergency escalation in the sale and purchase contracts

Concepts and definitions used

The publication contains technical terms related to index numbers and the income and prices section. To understand the publication, the reader is encouraged to read the methodology section including the following terms:

Index Number: A number which shows by its variations the changes of a magnitude over time or space.

Price: The amount received by the producer from the purchaser for a unit of good or service produced as output. It includes subsidies on products and other taxes on production. It excludes taxes on products, other subsidies on production, supplier's retail and wholesale margins, and separately invoiced transport. Basic prices are the prices most relevant for decision making by suppliers.

Comparison Period: It is the period of time for the index number, which is compared with the base period.

Base Period: It is the period for which the value of the index is set at 100

Coverage

The Industrial Producer Price Index covers all activities of the manufacturing sector in the Emirate of Abu Dhabi and represents all manufacturing activities at the two-digit level according to the International Standard Industrial Classification of All Economic Activities (ISIC4). The number of activities that were selected to represent the manufacturing sector covers 23 industrial activities.

Periodicity

Quarterly.

Classifications

The International Standard Industrial Classification of All Economic Activities (ISIC4) and represents all manufacturing activities at the two-digit level.

Data sources

The prices of 284 products are collected through 65 establishments representing economic activity at the two-digit level. The establishments sample is distributed in Abu Dhabi and Al Ain: 52 establishments in Abu Dhabi and 13 establishments in Al Ain.

Data collection forms

Prices are collected through field visits (form) or by e-mail communication (form).

Sample design

Sample proportional to size

Data collection

Prices data are collected on a monthly basis through field visits to a specific sample of 65 establishments that have been identified to represent the activities of the manufacturing industry, and by communicating via e-mail according to prior coordination with the facility and explaining the items of the form and the data required. The field researchers have been prepared and trained to collect the data. In addition, the field researchers were provided with the forms prepared for this purpose.

Data auditing

This process includes checking the data entry, where the prices of industrial producers are linked with the quantities produced on a monthly basis. Also, at this stage, the prices collected in the current month are compared to the prices of the previous month in order to avoid entry errors and errors in collecting product prices that do not match the required specifications.

The index is calculated using the Laspeyres formula
$$PPI_L = \sum \frac{P_{Li}}{P_{0i}} \times W_{0i}$$

The average quarterly product price is calculated by calculating the mathematical mean of the product price during the three months. Then the price level is calculated at the product level within each establishment, and then the higher levels are compiled through the weights of the products within the same economic activity.

Output indicators

Industrial producer price index, quarterly, for each economic activity of the transformative industrial activities at the level of the second digit according to the ISIC4 classification.

Timeline

The Industrial Producer Price Index is issued during the following quarter after the end of the reference quarter.

Dissemination

The Industrial Producer Price Index data is published on the Abu Dhabi Statistics Center website, through the link: <https://www.scad.gov.ae/ar/pages/GeneralPublications.aspx>

Improvement

- Work is currently underway to develop the industrial producer price index to include extractive activities, water and electricity.
- Update of the base year, which will include updating the sample of economic establishments and the index commodity basket and their weights.

Disclaimer / Terms of Use

SCAD produces official statistics for the benefit of government, communities, individuals, and businesses. SCAD shall not be liable for any loss or damage suffered by the user following the misuse of the statistics supplied in good faith by SCAD. Users of official statistics are responsible for determining when and how to use the statistics for specific purposes. The user exempts SCAD from any legal obligation related to

errors that may occur outside its control or without its knowledge. The user also waives the right to obtain compensation for losses or damages that may be caused as a result of any error.

SCAD's official statistics are protected under copyright laws, except where otherwise indicated. The contents of this publication may be reproduced, in whole or in part, and by any means, without further permission from SCAD, provided that SCAD is fully acknowledged as follows:

Source: Statistics Centre – Abu Dhabi, year of publication, name of product, catalogue number, reference period and page(s).

For more information about the PPI and other official statistics, please visit the statistics link on the SCAD website at www.scad.gov.abudhabi