



مركز الإحصاء
STATISTICS CENTRE

Economy Statistics | 2020

Producer Price Index (PPI)

Fourth Quarter

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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, policy makers and other users of official statistics.

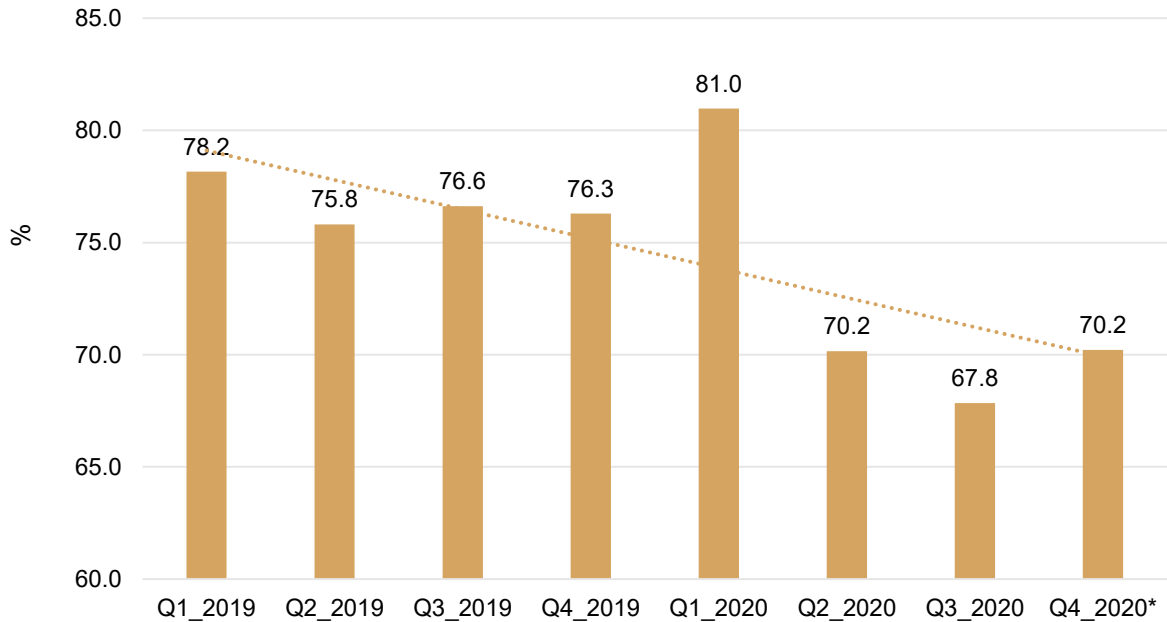
The remarkable economic development witnessed by Abu Dhabi Emirate has called for the construction of a statistical index that reflects the growth of the economic production sectors. Therefore, Statistics Centre – Abu Dhabi constructed the Producer Price Index for the Emirate of Abu Dhabi.

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 Producer Price Index (PPI) decreased in the fourth quarter of 2020 by 8.0% compared with the same quarter of 2019, from 76.3% in the fourth quarter of 2019 to 70.2% in the fourth quarter of 2020.
- 2. The PPI increased in the fourth quarter of 2020 by 3.5% compared with the third quarter of 2020, from 67.8% in the third quarter of 2020 to 70.2% in the fourth quarter of 2020.

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



Source: Statistics Centre Abu Dhabi

*Note: Data preliminary

Table 1: Contribution to change in the Producer Price Index in the fourth quarter of 2020 compared with the fourth quarter of 2019 by economic activity (2012=100)

Economic Activity	Weights	PPI_Q4 2019	PPI_Q4 2020*	Contribution %
Manufacturing Industry	10,000.0	76.3	70.2	100.0-
Manufacture of food products	287.4	87.7	88.9	0.6
Manufacture of beverages	84.9	100.8	100.8	0.0
Manufacture of textiles	33.9	91.4	92.8	0.1
Manufacture of wearing apparel	118.4	94.1	92.0	0.4-
Manufacture of leather and related products	5.3	99.5	99.0	0.0
Manufacture of wood and of products of wood and cork	65.8	69.9	69.9	0.0
Manufacture of paper and paper products	37.7	91.2	81.3	0.6-
Printing and reproduction of recorded media	33.1	117.7	117.6	0.0
Manufacture of coke and refined petroleum products	3,653.8	59.3	41.3	108.1-
Manufacture of chemicals and chemical products	1,690.4	47.4	41.7	15.9-
Manufacture of pharmaceuticals, medicinal chemical products	23.0	90.9	90.9	0.0
Manufacture of rubber and plastics products	126.3	79.9	80.0	0.0
Manufacture of other non-metallic mineral products	1,104.4	91.1	94.7	6.6
Manufacture of basic metals	626.5	74.3	79.3	5.2
Manufacture of fabricated metal products, except machinery and equipment	960.1	142.0	147.3	8.3
Manufacture of computer, electronic and optical products	11.7	94.9	94.9	0.0
Manufacture of electrical equipment	410.9	81.9	88.5	4.4
Manufacture of machinery and equipment n.e.c	59.0	101.7	100.2	0.1-
Manufacture of motor vehicles, trailers and semi-trailers	12.1	115.1	115.8	0.0
Manufacture of other transport equipment	164.5	106.9	106.9	0.0
Manufacture of furniture	75.0	118.1	117.3	0.1-
Other manufacturing	7.5	93.1	91.9	0.0
Repair and installation of machinery and equipment	408.0	99.3	99.5	0.1

Source: Statistics Centre Abu Dhabi

*Note: Data preliminary

Explanatory Notes

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. Provide 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. Monitor 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.

Basic 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 defined in this index as the year of 2012 in which the average prices of the Industrial Producer Price Index basket were calculated and their weights were calculated, and the comparison periods were compared with it.

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

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.

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