

Changes to the basket and weights of the Producer Price Index 25 February 2014

The January 2014 statistical release of the Producer Price Index (to be released on 27 February) will show changes to the weights and basket of the indices. The methodology of the new PPI series that was introduced last year is to update the weights on an annual basis.

The PPI has weights at two levels. The first is at the industry level where the weights are determined by the relative contribution of each industry to the total value added in the economy. These are updated annually with information from the national accounts published at the end of the preceding year.

Table 1. Changing weights of the Headline PPI

PPI for final manufactured goods	2014	2013	2012
Food products, beverages and tobacco products	36,80%	33,47%	31,77%
Textiles, clothing and footwear	4,08%	4,30%	5,02%
Wood and paper products	8,76%	8,23%	8,27%
Coke, petroleum, chemical, rubber and plastic products	16,84%	17,22%	19,73%
Non-metallic mineral products	3,87%	4,09%	4,83%
Metals, machinery, equipment and computing equipment	14,75%	15,65%	14,59%
Electrical machinery and apparatus, and subcomponents	3,04%	4,62%	4,44%
Transport equipment	9,51%	10,55%	9,26%
Furniture and other manufacturing	2,35%	1,87%	2,09%

Weights are also allocated at the product level using a variety of data sources. Among the most important of these data sources are the large sample surveys (LSS) conducted periodically by Stats SA. The LSS (2011) for manufacturing was published in 2013. The sales value for each product determines its inclusion in the basket and its weight. Typically products comprising the cumulative top 80% of sales are eligible for inclusion.

There will be 29 new items across the PPIs for intermediate and final manufacturing, plus a further two in agriculture and one in mining. Twenty-seven products are to be dropped from the manufacturing basket. A list is provided as Table 2.

It should be noted that the base year for the PPI remains 2012. This update does not represent any break in series of the PPI, and the publication level indices will not differ from those introduced in 2013. All calculations, including contributions, for the January 2014 release are calculated using the new weights. The index values for January 2014 will be linked to the corresponding index values for December 2013 to ensure continuity.

Stats SA has updated the PPI methods and sources manual to reflect these changes. It can be found at www.statssa.gov.za/cpi/documents.

Table 2. Changes to the PPI Basket

Products now included	Products now excluded
Final manufactured goods	
Dog and cat food	<i>Processed chicken products</i>
Sweet biscuits	<i>Corned meat</i>
Instant coffee	<i>Frozen fish</i>
Spices and condiments	<i>Canned tomato purée and paste</i>
Nutritional, dietary and formulated food supplements	<i>Oil cake</i>
Magazines	<i>Maize corn starch</i>
Vitamins, hormones and antibiotics	<i>Sparkling wines</i>
Antiviral and retroviral drugs	<i>Blankets</i>
Motor vehicle parts and components of plastic	<i>Tracksuits</i>
Industrial mouldings of plastic	<i>Bath soap</i>
Stationery goods of plastic	<i>Self-adhesive plastic products</i>
Gold jewellery	<i>Plastic tableware and kitchenware</i>
Number plates and signs	<i>Non-structural ceramic ware</i>
Containers of iron, steel or aluminium	<i>Ceramic tableware</i>
Locks, padlocks and parts thereof of base metal	<i>Ceiling boards</i>
Ventilation, ducting, booths, hoods of base metal	<i>Tombstones</i>
Heating and cooling systems	<i>Caps and lids</i>
Refrigerating and freezing equipment	<i>Co-axial cables</i>
Filtering or purifying machinery and apparatus	<i>Electronic components and subassemblies</i>
Geysers	<i>Tanker bodies</i>
Stoves and ovens	<i>Beds</i>
Electric motors	
Suspension, brakes, clutch, mountings and parts	
Seats for motor vehicles	

Intermediate manufactured goods	
Ferro-chromium alloy	<i>Cotton yarn</i>
Semi-finished products and ingots of iron and steel	<i>Twine, cord, rope and cables</i>
Angles, shapes, sections and similar products of iron or steel	<i>Carbon black</i>
Unwrought or semi-manufactured gold	<i>Tanning extracts</i>
Manganese metal	<i>Wood preservatives</i>
	<i>Copper tubes and pipes</i>
Mining	
Palladium	
Agriculture	
Lemons and limes	
Grapes	

For further details please contact

Patrick Kelly

Executive manager: Price statistics

patrickke@statssa.gov.za

012 310 8290

or

Marais Kleu

Manager: PPI

MaraisK@statssa.gov.za

012 310 8170