

## **Changes to the producer price index (P0142.1) and construction price indices (P0151) in 2018**

25 January 2018

### **Introduction**

A number of changes will be made to the weights and product list of the Producer Price Index from January 2018 (to be published on 22 February 2018). Additional tables are to be added to the release containing construction price indices (P0151).

### **Changes to the PPI weights and basket**

Since the revamp of the PPI in 2013, the industry weights have been updated each year on the basis of value added estimates sourced from the national accounts. The product weights for agriculture, forestry & fishing, mining & quarrying, and electricity & water are updated annually on the basis of various administrative sources. The product weights for intermediate and final manufacturing (headline PPI) are updated using the manufacturing large sample survey (LSS).

The latest manufacturing LSS, which surveyed 15 500 businesses for the reference period 2013/14, was published in September 2016 (Report 30-02-04). Cut-off sampling is used to identify the most significant outputs of the manufacturing industry and these form the basis of the PPI collection sample. Table 1 shows the new weights for 2018 compared with those for 2017.

**Table 1 – Producer price index value added weights 2017 and 2018**

	2017	2018
<b>Final manufactured goods</b>	100,00	100,00
Food products, beverages and tobacco products	33,72	34,77
Textiles, clothing and footwear	4,07	5,04
Wood and paper products	9,18	
Paper and printed products		7,53
Coke, petroleum, chemical, rubber and plastic products	21,66	20,99
Non-metallic mineral products	4,20	3,21
Metals, machinery, equipment and computing equipment	14,82	14,66
Electrical machinery and apparatus and subcomponents	1,91	
Electrical machinery and communication and metering equipment		3,78
Transport equipment	8,16	7,89
Furniture and other manufacturing	2,28	2,13

	2017	2018
<b>Intermediate manufactured goods</b>	100,00	100,00
Textiles and leather goods	10,11	4,56
Sawmilling and wood	19,64	23,59
Chemicals, rubber and plastic products	34,55	33,41
Glass and glass products	3,65	3,43
Basic and fabricated metals	27,54	31,24
Recycling and manufacturing n.e.c.	4,50	3,77

Introducing the results of the 2014 LSS provides the opportunity to update the basket of products surveyed for the PPI. A total of 47 products will fall out of the final and intermediate manufacturing baskets and 49 will be added. Minor changes will be made to the product lists for mining & quarrying and agriculture, forestry & fishing. These will not have any consequence for the composition of the published indices. Table 2 shows the total number of products comprising the two manufacturing PPIs.

**Table 2 – Producer price index: number of basket products**

	2017	2018
Final manufactured goods	186	181
Intermediate manufactured goods	42	35

The change in products will result in small changes to the format of the PPI publication.

- The index for '*Other wood products*' will no longer be published as its weight being below the threshold for inclusion;
- The scope of the index '*Electrical machinery and apparatus and subcomponents*' will be broadened and renamed '*Electrical machinery and communication and metering equipment*'; and

- The subcomponents '*Bodies for motor vehicles*' and '*Parts and accessories for motor vehicles and their engines*' will be combined and broadened to include parts relating to other transport equipment. The new index will be '*Parts for transport equipment*'.

### **Changes to P0151 – construction price indices**

For many years Stats SA has published indices for use in construction industry contract escalations. This publication will provide an additional set of materials and equipment indices as from January 2018.

The CPAP indices (Table 1 in the monthly statistical release), compiled in conjunction with an industry task team, are not affected by these changes.

In line with the note included in the CPAP statistical release since June 2017, Tables 2-4 of the release will be terminated. They will be replaced with a set of construction input price indices (CIPI). These indices are based on expenditures of businesses in the construction industry. Selection of the specific products is based on the Construction industry large sample survey (Report 50-02-01) and consultations with industry associations.

The following tables will be available:

- *Table 2 - Material purchases by type of service*, showing price indices for 12 construction services, and their weighted average;
- *Table 3 - Material purchases for whole industry*, showing price indices for 37 product categories purchased by construction industry enterprises, and their weighted average. This will be of use to firms needing indices to escalate specific contract prices;
- *Table 4 - Mining and construction plant and equipment*, showing price indices for a breakdown of machinery according to the standard classification used by Stats SA, and their weighted average;
- *Table 5 - Mechanical and electrical engineering*, showing price indices for materials used as inputs in the production of machinery and electrical components;
- *Table 6 - Civil engineering material*, showing price indices for materials weighted according to use in specific civil engineering activities.

The new publication will be known as Construction materials price indices. The number of the statistical release will change from P0151 to P0151.1 More detailed information is available in a separate note available on the Stats SA website.

## **For more information**

Visit the Stats SA website:

[http://www.statssa.gov.za/?page\\_id=252.](http://www.statssa.gov.za/?page_id=252)

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