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STATISTICAL NEWS

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PRODUCER PRICE INDEX (SERVICES) RE-BASE 2014

[Base: Average 4 quarters 2014 = 100.0]

The results of the 2014 Services Producer Price Index (SPPI) re-weighting exercise is presented in this release. The new weights are based on data gathered from the 2014 Transport and Storage industry.

The Services PPI measures the changes in price levels of locally provided services from the perspective of the producers. Whilst it can be a leading indicator for inflation, its major use is to eliminate the effect of price changes when estimating Real GDP.

The rebase updates the weight assigned to the various service/s based on their contribution to the total value of services in these industries. The higher the weight the greater the influence of the service/s to the movement of the index.

The New Base

The new Services Producer Price Index has been re-structured, re-weighted and re-classified and now has as its Base, Average 4 quarters 2014 = 100.0. It has adopted the Fiji Standard Industrial Classification (FSIC) to classify its services in line with recommended international best practices. The annual Services Producer Price indexes based on the old and new bases move in a similar direction when comparing the figures from 2014 backwards, however, movements have been revised from 2014 onwards using the 2014 base.

The New Weights

In deriving the new weighting pattern, Fiji Standard Industrial Classification (FSIC) was used to group the services. Divisions have been assigned weights based on the relative importance of that division to the overall industry. The combined weight of all divisions equals 100.0.

Table 1 shows the absolute change in weight from the base years 2011 and 2014.

Table 1: Comparison of PPI Services Weights

FSIC	Services	Weights		Absolute change
		2011	2014	
49	Land Transport	68.4	65.8	-2.6
4922	Other passenger land transport	51.4	48.7	-2.7
4923	Freight transport by road	17.0	17.1	0.1
50	Water Transport	31.6	34.2	2.6

Please find attached the following:

- Table 2:** Yearly & Quarterly SPPI series;
- Appendix I:** 2011 & 2014 Base Comparison; and
- Appendix II:** Steps Involved in Re-weighting and Re-structuring the index

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The Producer Price Index for June quarter of 2018 on the new base will be released in September, 2018.



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APPENDIX II: STEPS INVOLVED IN RE-WEIGHTING AND RE-STRUCTURING THE INDEX

The following tasks were involved in re-basing the Services PPI from 2011 to 2014, compiling the new index on a reference base of Average 4 quarters 2014 = 100.0:

- i. A list of the establishments with their Gross Output was obtained from the 2014 Transport and Storage Survey as per 2010 FSIC;
- ii. A sampling method was used to allow sample selection at 5-digit sub-class level of the Fiji Standard Industrial Classification (FSIC) using a cut-off of 70% making the price observations more representative;
- iii. During the current base year shift, there were adjustments in the weights of both the product groups and establishments within a product group. The weights of the establishments among themselves better reflect the current market conditions;
- iv. The weighting patterns in terms of 100.0 were calculated based on the relative contribution to the upper level weights;
- v. Weights were derived at the Section level, Division level, Group level, Class level and Sub-class level based on the Fiji Standard Industrial Classification;
- vi. Re-weighting was done and establishments below the cut – off were eliminated. Weights of the deleted establishments were re-allocated (distributed proportionally) to the remaining establishments within the Class;
- vii. List of index services were finalized - major new services for pricing were picked and old services that had gone out of the market dropped;
- viii. Prices were collected for the new services (from March quarter 2014); and
- ix. The indices were compiled up to March quarter 2018 for each published group.