

FEATURE

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Services producer price index (experimental) – fourth quarter 2008

SUMMARY

The experimental Services Producer Price Index (SPPI) measures movements in prices charged for services supplied by businesses to other businesses, local and national government. This article shows the effects some industries are having on the top-level SPPI. The data produced are used internally by the Office for National Statistics as a deflator for the Index of Services and the quarterly measurement of gross domestic product. The index is also used by HM Treasury and the Bank of England to help monitor inflation in the economy.

Prices of business-to-business services rose by 2.9 per cent in the year to the fourth quarter of 2008. This is based on a comparison of the change in the top-level Services Producer Price Index (SPPI) on the net sector basis.

Figure 1 shows how the percentage change for the top-level SPPI (net sector) compares with the Retail Prices Index (RPI) all services sector, and the Producer Price Index (PPI) for all manufactured goods (net sector).

The top-level results, on both gross and net sector bases, are shown in Table 1. In 2008 Q4, the top-level SPPI (net sector) was unchanged compared with the previous quarter.

Figure 2 depicts the SPPI annual growths for both the net and gross sector time series. The annual growth for the SPPI net sector fell to 2.9 per cent in 2008 Q4, down from 3.4 per cent in 2008 Q3. The gross SPPI

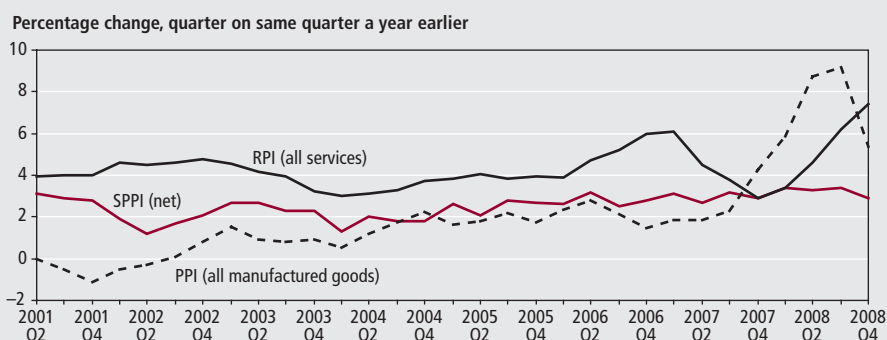
annual growth at 2.6 per cent in 2008 Q4 was down from 2.9 per cent in the previous quarter.

Industry-specific indices

Tables available on the ONS website contain the data for the 31 industries for which indices of services producer prices are currently available. The weights for each industry index are shown at both gross and net sector levels. Comparing Q4 2008 with Q4 2007, some key points to note are:

- freight forwarding rose by 11.8 per cent, largely due to fluctuations in the exchange rate
- freight transport by road rose 6.1 per cent, largely due to the rising cost of fuel earlier in 2008 and fluctuations in the exchange rate, and
- property rentals rose by 2.1 per cent, due to sustained growth within the

Figure 1
Experimental top-level SPPI compared with the RPI and PPI



Source: Office for National Statistics

Table 1
SPPI results

	SPPI quarterly index values, 2005=100		Percentage change, quarter on same quarter a year earlier	
	Gross sector	Net sector	Gross sector	Net sector
2000 Q2	91.4	89.4	-0.1	1.4
2000 Q3	91.5	89.7	0.4	1.8
2000 Q4	91.6	90.0	0.4	1.6
2001 Q1	92.1	90.8	0.5	1.7
2001 Q2	93.6	92.2	2.4	3.1
2001 Q3	94.0	92.3	2.7	2.9
2001 Q4	94.2	92.5	2.8	2.8
2002 Q1	94.3	92.5	2.4	1.9
2002 Q2	95.2	93.3	1.7	1.2
2002 Q3	95.9	93.9	2.0	1.7
2002 Q4	96.1	94.4	2.0	2.1
2003 Q1	96.4	95.0	2.2	2.7
2003 Q2	97.1	95.8	2.0	2.7
2003 Q3	97.4	96.1	1.6	2.3
2003 Q4	97.9	96.6	1.9	2.3
2004 Q1	97.2	96.2	0.8	1.3
2004 Q2	98.6	97.7	1.5	2.0
2004 Q3	98.5	97.8	1.1	1.8
2004 Q4	98.8	98.3	0.9	1.8
2005 Q1	98.9	98.7	1.7	2.6
2005 Q2	99.8	99.8	1.2	2.1
2005 Q3	100.4	100.5	1.9	2.8
2005 Q4	100.9	101.0	2.1	2.7
2006 Q1	101.4	101.3	2.5	2.6
2006 Q2	102.7	103.0	2.9	3.2
2006 Q3	102.7	103.0	2.3	2.5
2006 Q4	103.1	103.8	2.2	2.8
2007 Q1	103.9	104.4	2.5	3.1
2007 Q2	105.3	105.8	2.5	2.7
2007 Q3	105.6	106.3	2.8	3.2
2007 Q4	106.0	106.8	2.8	2.9
2008 Q1	107.3	107.9	3.3	3.4
2008 Q2	108.3	109.3	2.8	3.3
2008 Q3	108.7	109.9	2.9	3.4
2008 Q4	108.8	109.9	2.6	2.9

Source: Office for National Statistics

sector as reported by the Investment Property Databank

Next results

The next set of SPPI results will be published on 27 May 2009 on the Office for National Statistics website at: www.statistics.gov.uk/sppi

Further information

All SPPI tables and articles on the methodology and impact of rebasing the SPPI and the re-development of an index for business telecommunications (together with more general information on the SPPI) are available at:

www.statistics.gov.uk/sppi

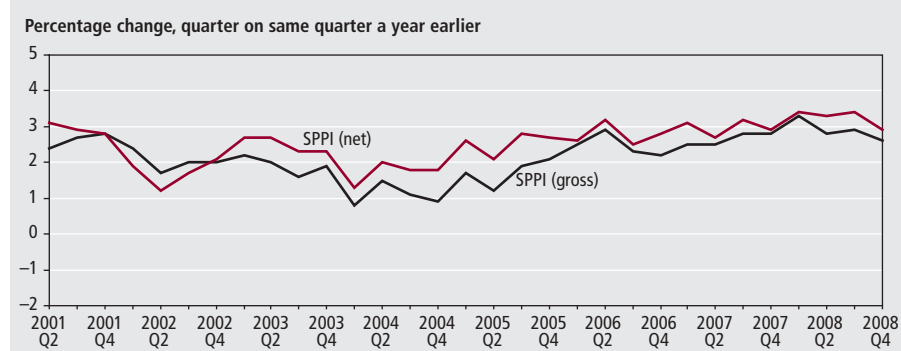
A Summary Quality Report for the SPPI can be found at:

www.statistics.gov.uk/about/data/methodology/quality/information_business_statistics.asp

CONTACT

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Figure 2
Experimental top-level SPPI



Source: Office for National Statistics

TECHNICAL NOTE

- 1 The experimental Services Producer Price Index (SPPI) replaced the former Corporate Services Price Index (CSPI). It measures movements in prices charged for services supplied by businesses to other businesses, local and national government. It is not classified as a National Statistic.
- 2 Unless otherwise stated, index numbers shown in the main text are on a net sector basis. These relate only to transactions between the corporate services sector and other sectors. Detailed tables available on the ONS website also contain gross sector indices which include transactions within the corporate services sector.
- 3 Indices relate to average prices per quarter. The full effect of a price change occurring within a quarter will only be reflected in the index for the following quarter. All index numbers exclude VAT and are not seasonally adjusted.
- 4 SPPI inflation is the percentage change in the net sector index for the latest quarter compared with the corresponding quarter in the previous year.
- 5 Grants from the European Commission helped ONS to begin developing the SPPI. Funding of approximately 600,000 euros was awarded between 2002 and 2005. This has now ceased.
- 6 A number of external data sources are currently used in the compilation of the SPPI, as follows:
 - Investment Property Database (IPD) – property rental payments
 - Office of Communications (Ofcom) – business telecommunications
 - Office of Water Services (OFWAT) – sewerage services
 - Parcelforce – national post parcels
 - Office of Rail Regulation (ORR) – business rail fares.
 - Bank of England (BOE) – financial intermediation (Banks)
- 7 Following a quality review by ONS in January 2007 a decision was made to withdraw the Banking SPPI from publication. As a result the index has been re-developed and was re-introduced in Q3 2008. Under the re-development, the quality of the data collection and processing has been improved and the number of products included in the index has increased. However, the new index is not regarded as proxy for all Financial Intermediation services within the Standard Industrial Classification (SIC) 65. It has not therefore been included in the top level SPPI. The services measured are classified to SIC 65.12/1, and are published as a separate index known as the 'SPPI for Financial Intermediation (Banks)'.