

FEATURE

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# Services producer price index (experimental) – first quarter 2007

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. It continues the quarterly feature previously published in *Economic Trends*. 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 2.7 per cent in the year to the first quarter of 2007. 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 2007 Q1, the top-level SPPI (net sector) rose by 0.4 per cent 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 2.7 per cent in 2007 Q1, down from 2.9 per cent in 2006 Q4. The gross SPPI growth fell to 2.5 per cent in 2007

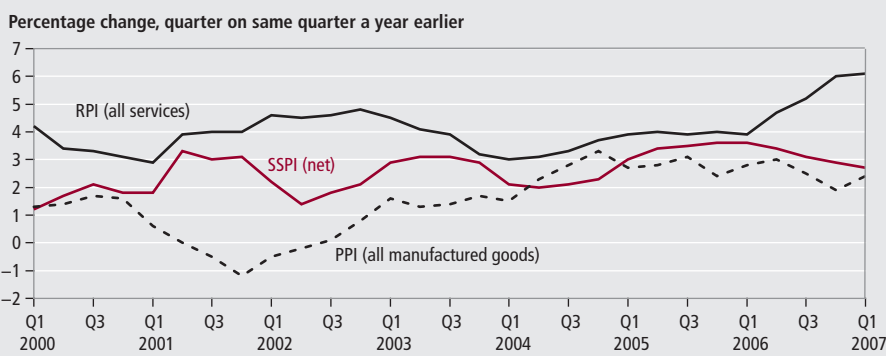
Q1 down from 2.6 per cent in the previous quarter. The difference in the annual growth between the gross and net sector SPPI is 0.2 per cent this quarter.

Industry-specific indices

Tables available on the National Statistics website contain the data for the 34 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 Q1 2007 with Q1 2006, some key points to note are:

- property rentals rose 4.6 per cent, due to sustained growth within the sector as reported by the Investment Property Databank
- sewerage services prices rose by 8.3 per cent, following rises reported by OFWAT

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



**Figure 2**  
**Experimental top-level SPPI**

Percentage change, quarter on same quarter a year earlier



**Table 1**  
**Top-level SPPI results**

|         | SPPI quarterly index values, 2000=100 |            | Percentage change, quarter on same quarter a year earlier |            |
|---------|---------------------------------------|------------|---|------------|
|         | Gross sector                          | Net sector | Gross sector  | Net sector |
| 2000 Q1 | 100.0                                 | 99.5       | -0.7  | 1.2        |
| 2000 Q2 | 99.9                                  | 99.8       | 0.1   | 1.7        |
| 2000 Q3 | 100.0                                 | 100.2      | 0.7   | 2.1        |
| 2000 Q4 | 100.1                                 | 100.5      | 0.7   | 1.8        |
| 2001 Q1 | 100.7                                 | 101.3      | 0.7   | 1.8        |
| 2001 Q2 | 102.5                                 | 103.1      | 2.6   | 3.3        |
| 2001 Q3 | 102.8                                 | 103.2      | 2.7   | 3.0        |
| 2001 Q4 | 103.3                                 | 103.6      | 3.1   | 3.1        |
| 2002 Q1 | 103.3                                 | 103.6      | 2.7   | 2.2        |
| 2002 Q2 | 104.4                                 | 104.6      | 1.9   | 1.4        |
| 2002 Q3 | 104.9                                 | 105.0      | 2.1   | 1.8        |
| 2002 Q4 | 105.4                                 | 105.8      | 2.1   | 2.1        |
| 2003 Q1 | 105.7                                 | 106.5      | 2.3   | 2.9        |
| 2003 Q2 | 107.0                                 | 107.9      | 2.4   | 3.1        |
| 2003 Q3 | 107.4                                 | 108.3      | 2.4   | 3.1        |
| 2003 Q4 | 107.8                                 | 108.8      | 2.3   | 2.9        |
| 2004 Q1 | 107.6                                 | 108.7      | 1.7   | 2.1        |
| 2004 Q2 | 108.9                                 | 110.0      | 1.8   | 2.0        |
| 2004 Q3 | 109.4                                 | 110.6      | 1.8   | 2.1        |
| 2004 Q4 | 109.9                                 | 111.3      | 1.9   | 2.3        |
| 2005 Q1 | 110.5                                 | 112.0      | 2.7   | 3.0        |
| 2005 Q2 | 111.7                                 | 113.7      | 2.6   | 3.4        |
| 2005 Q3 | 112.5                                 | 114.5      | 2.9   | 3.5        |
| 2005 Q4 | 113.3                                 | 115.3      | 3.1   | 3.6        |
| 2006 Q1 | 113.9                                 | 116.0      | 3.1   | 3.6        |
| 2006 Q2 | 115.4                                 | 117.6      | 3.3   | 3.4        |
| 2006 Q3 | 115.7                                 | 118.0      | 2.8   | 3.1        |
| 2006 Q4 | 116.3                                 | 118.6      | 2.6   | 2.9        |
| 2007 Q1 | 116.8                                 | 119.1      | 2.5   | 2.7        |

- real estate agency activities rose 11.4 per cent, due to upward price movements reported across the whole of their sector
- employment agencies rose 2.6 per cent, due to a rise in wages

**Next results**

The next set of SPPI results will be issued on 22 August 2007 on the National Statistics website at [www.statistics.gov.uk/sppi](http://www.statistics.gov.uk/sppi)

**Further information**

All SPPI tables and articles on the methodology and impact of rebasing the SPPI, the redevelopment of an index for business telecommunications and the introduction of an index for banking services (together with more general information on the SPPI) are available at [www.statistics.gov.uk/sppi](http://www.statistics.gov.uk/sppi)

**CONTACT**

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**TECHNICAL NOTE**

- 1 The experimental services producer price index (SPPI) replaces 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:
  - Bank of England – banking services
  - 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
  - Yew Tree – maintenance and repair of motor vehicles
- 7 The SPPI for banking has been published since 2003 and is calculated using information from the Bank of England. In 2004 the Bank of England made changes to the forms used to collect data. This led to collection of new data that would facilitate some improvements to the index. However, ONS have been unable to devote the resources to include the new data and from this point these items have been imputed. Recent work has highlighted that inclusion of the new data would lead to significant improvement in the index and therefore the ongoing imputation has led to quality concerns regarding the banking SPPI. Pending further work by ONS to include the effects of the new data within the banking SPPI, ONS plans to withdraw the index from the next release in August 2007.