ARTICLE

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Services Producer Price Indices – First quarter 2010

SUMMARY

The services producer price indices (SPPI) replaced the former corporate services price index (CSPI). The SPPI's are primarily a suite of individual price indices that provide information on price change for a limited range of service industries. Each SPPI captures quarterly changes in the price received for services provided by UK businesses to other UK businesses and Government. These individual price indices are also aggregated together to create an 'aggregate' SPPI with limited coverage. This aggregate SPPI is not representative of the whole service sector.

This article shows the effects some industries are having on the aggregate 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.

In May 2010 the UK Statistics Authority Assessment team accredited the SPPI as a new National Statistics. Therefore, this will be the last SPPI article published in *Economic & Labour Market Review*.

Prices of business-to-business services rose 0.8 per cent in the 12 months to the first quarter of 2010. This is based on a comparison of the change in the aggregate services producer price index on the net sector basis.

Figure 1 shows how the percentage change for the aggregate SPPI (net sector) compares with the producer price index (PPI) for all manufactured goods (net sector) and the retail price index (RPI).

The aggregate SPPI results, on both gross and net sector bases, are shown in Table 1. In the first quarter of 2010, the aggregate SPPI (net sector) rose 0.5 per cent from the previous quarter.

Figure 2 depicts the aggregate SPPI annual percentage change for both the net and gross sector time series. The 12 month net aggregate SPPI rose 0.8 per cent in the first quarter of 2010, compared with a fall of 0.5 per cent in the fourth quarter of 2009.

The gross aggregate SPPI rose 1.2 per cent in the first quarter, compared with a rise of 0.2 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. The largest upward effects to the net sector aggregate SPPI over the past 12 months came from advertising placement and freight forwarding. Freight forwarding also had the largest upward effect on the aggregate SPPI (net sector) quarter on quarter percentage change.

Other notable upward contributions came from maintenance of motor vehicles and sewerage services as reported by the Office of Water Services (Ofwat).

These upward movements were partially

Figure 1

Aggregate SPPI compared with the PPI and RPI (services)

Percentage change, quarter on same quarter a year earlier

Source: Services Producer Price Indices

Table 1
Top-level 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 Q1	91.6	89.3	-0.9	1.0
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	108.9	109.9	2.7	2.9
2009 Q1	108.3	109.0	0.9	1.0
2009 Q2	108.5	109.1	0.2	-0.2
2009 Q3	108.7	109.1	0.0	-0.7
2009 Q4	109.1	109.4	0.2	-0.5
2010 Q1	109.6	109.9	1.2	0.8

Source: Services Producer Price Indices

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offset by downward contributions, especially from property rentals, construction plant hire and business telecoms.

Next results

The next set of SPPI results will be published on 25 August 2010 on the 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.ons.gov.uk/about-statistics/methodology-and-quality/quality/qual-info-economic-social-and-bus-stats/quality-reports-for-business-statistics/summary-quality-report-for-services-producer-price-indices.pdf

The assessment of SPPI and the letter of confirmation as National Statistics can be found at:

www.statisticsauthority.gov.uk/assessment/assessment-reports/index.html

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TECHNICAL NOTE

1. The SPPI replaced the former corporate services price index (CSPI). The SPPIs are primarily a suite of individual price indices that provide information on price change for a limited range of service industries. Each SPPI captures quarterly changes in the price received for services provided by UK businesses to other UK businesses and Government. These individual price indices are also aggregated together to create an 'aggregate' SPPI with limited coverage. This aggregate SPPI is not representative of the whole service sector.
2. Index numbers shown in this Statistical Bulletin are on a net sector basis. These relate only to transactions between the corporate services sector and other sectors. Detailed tables 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. Details of these follow:

Property rental payments – Investment Property Databank (IPD)

Business telecommunications – Office of Communications (Ofcom)

Financial Intermediation (Banks) – Bank of England (BoE)

Sewerage services – Office of Water Services (Ofwat)

Business rail fares – Office of Rail Regulation (ORR)

National post parcels - Parcelforce

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 aggregate 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)".
8. SPPI policy is to show significant revisions, but to suppress minor changes to avoid unnecessary inconvenience to users. Indices for the most recent two quarters are regarded as provisional and can be changed as later data become available. The National Statistics website contains information on the SPPI revisions policy:

www.statistics.gov.uk/about/methodology_by_theme/revisions_policies/default.asp
9. The complete run of data in the tables of this Statistical Bulletin is also available to view and download in other electronic formats free of charge using the National Statistics Time Series Data website service. Users can download the complete release in a choice of zipped formats or view and download their own selections of individual series. The Time Series Data service can be accessed at:

www.statistics.gov.uk/statbase/tsdintro.asp