Requirements for Services Producer Price Indexes

Australian National Accounts
What is covered

- Why we need price indexes
- How volume estimates are constructed
- Need for Services PPIs
- Desired attributes for indexes
Why we need price indexes

- SNA provides an integrated set of price and volume measures.
- All aggregates in the accounts are estimates of the sums of individual transactions.
- These transactions have two components: price and volume.
- Volume estimates are required to understand the 'real' changes in production, income and wealth.
Deriving volume estimates

- Quantity revaluation
  - Used for homogenous products with no quality changes over time

- Price deflation
  - Appropriate price indexes
  - Factor price indexes - pricing of inputs
  - Proxy indexes - representative price
Use of Price Indexes

- Supply and use tables
  - annual tables provide benchmarks for GDP
  - balance supply (production) and use (expenditure)
- Annual and quarterly GDP
  - Production
  - Income
  - Expenditure
- Other outputs
  - Balance Sheets
  - Satellite Accounts
Production/Supply

- Supply and Use Tables
  - double deflation method
  - input and output PPIs
  - factor price indexes
- Annual GDP
  - as with Supply and Use
- Quarterly GDP
  - agriculture - double deflation
  - other - extrapolate using output (input) indicators
Expenditure/Use

- Same methodology used across supply-use tables and quarterly/annual GDP
- Price deflation for most components
  - Household final consumption - CPI
  - Government final cons - LPI, PPI, quantity reval
  - Capital Formation - PPI, MPI
  - Inventories - PPI, quantity reval
  - Exports - XPI, CPI, quantity reval
  - Imports - MPI, other indexes
Services PPIs

- Price indexes covering property & business services and transport and storage services used in the accounts

- Significant 'areas' still to be covered:
  - Finance and insurance services
  - Retail and wholesale trade
  - International trade in services
  - Intangible products

- Non-market services
  - Development of output measures rather than PPIs
Services PPIs

- Finance and insurance services
  - Very difficult to conceptualise volumes and prices
  - Onus sits with national accounts to develop complete framework - coherency
  - Work with Prices on requirements for index

- Retail and wholesale services
  - Experimental ABS series developed for retail
  - Further collaboration required to define 'volume' of trade services
Services PPIs

- International trade in services
  - poor coverage compared to merchandise trade
  - difficult collection issues
  - growing demand from users
  - address in conjunction with PPI developments

- Intangible assets
  - growing importance in most countries
  - expanding SNA asset boundary
  - significant measurement issues
Requirements in indexes

- Remove change in price caused by a change in quality
  - more work required to define 'volume' in difficult services industries
  - 'market' price of quality change, consistency across indexes
- Not reflect any changes in price due to underlying compositional change
Requirements in indexes

- Consistency & coherency across all data sources
  - Conceptual framework - collections based on SNA, use different aggregation methods to address different purposes
  - Units - consistent frame and unit rules across collections
  - Classifications - consistent classification for industries and products across collections
Wrap Up

- Price indexes required to separate price and volume components
- PPIs required at the product level covering the entire economy
- Services PPIs remain as a large data 'gap' for development of volume estimates
- Price indexes need to appropriately deal with quality and compositional changes
- Need for consistency and coherency across all data sources