Producer Price Index
U.S. Wholesale Trade
NAICS Sector 42

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Presentation Overview

- Update of paper originally written by James Gorko
- Highlights redux
- Use of Wholesale Trade USPPIs to deflate US National Accounts – more detail
- Comparisons with retail trade
Paper Update

- Update of paper on PPI for US Wholesale Trade written by James Gorko

- Update done by Bonnie Murphy

- Biggest change since original presentation is increased detail we now publish and why
Creation of utility

- **Time and place utility**
  - Making products available when and where customers are likely to find them

- **Possession utility**
  - Allowing customers to take ownership of products

- **Information utility**
  - Providing details about products sold
Channeling Function

- Selling and promoting
- Buying and assortment building
- Bulk breaking
- Warehousing
- Transportation
- Risk bearing
- Market information
- Management services and advice
Types of Wholesalers

- Merchant wholesalers
  - Generally take title to goods
- Sales branches and offices of manufacturing operations
  - Title generally stays with manufacturer until sale is complete
- Wholesale agents and brokers
  - Generally do not take title to goods
Highlights Redux: Issues

- Classification differences
- Wholesale vs. retail
- Wholesale vs. Manufacturing
- Treatment of Scrap/Recyclable Materials
  Wholesalers
Margin Pricing Preferences

1. Average gross margin per unit for a comparable customer class and/or supplier class for all sales within a comparable product line.
2. Average gross margin per unit for all customers and/or suppliers for a comparable product line.
3. Average gross margin per unit for a particular customer class and/or supplier class for all sales of a particular product.
4. Average gross margin per unit for all customers and/or suppliers for all sales of a particular product.
5. Gross margin for a single specific product transaction
Dollar Value of Commission Prices

1. Average dollar value of commission per unit for a comparable customer class for all sales within a comparable product line.

2. Average dollar value of commission per unit for all customers for a comparable product line.

3. Average dollar value of commission per unit for a particular customer class for all sales of a particular product.

4. Average dollar value of commission per unit for all customers for all sales of a particular product.

5. Dollar value of commission for a single specific product transaction
Meeting National Accounts Needs

- US national accounts publish at 3-digit NAICS level only but deflate at lower levels

- Without PPIs for wholesale, PPI goods prices are used, making questionable assumption that margin data will equate gross sales price data

- In July 2009, BLS was able to meet request to produce more detailed wholesale SPPIs, mostly at 4-digit level
More detail for Merchant Wholesalers, durable goods AND Merchant Wholesalers, nondurable goods at the industry group level

Accomplished without resampling and still reflective of original sampling constraints – reflective of a product line

Expectation that new indexes will be used for deflation once BEA completes analysis of new measures
Retail-Wholesale Comparisons

- Differences in functions and focus of activities
- Retail establishments classified by kind of business according to principal lines of commodities sold or the usual trade designation
- Quality adjustment for store characteristics
Pricing Methods – Benefits for Retail Trade

- Retail trade pricing in USPPI predates wholesale – struggled with pricing methodology
- Success of average gross margin pricing for wholesale trade led to establishing it as primary pricing method for retail trade as well, resulting in improvements
- 65% of wholesale trade respondents provide average price information for homogeneous product groupings; we believe it is even higher for retail trade
Experience with Wholesale Trade Still Relatively New – has not been resampled yet

Successfully introduced requested detail

Pricing methodology used for wholesale successfully applied to retail
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