PRESS RELEASE

PRODUCER PRICE INDEX
August 2020

Table A. Year-on-Year and Month-on-Month Growth Rates
of Producer Price Index for Total Manufacturing (2000=100):
August 2020ᵖ, July 2020ʳ, and August 2019

Category	August 2020ᵖ	July 2020ʳ	August 2019
Producer Price Index (2000=100)	**130.0**	**130.6**	**136.0**
Year-on-Year Growth (%)	**-4.4**	**-3.0**	**1.5**
Month-on-Month Growth (%)	**-0.4**	**0.1**	**0.9**

p - preliminary, r - revised
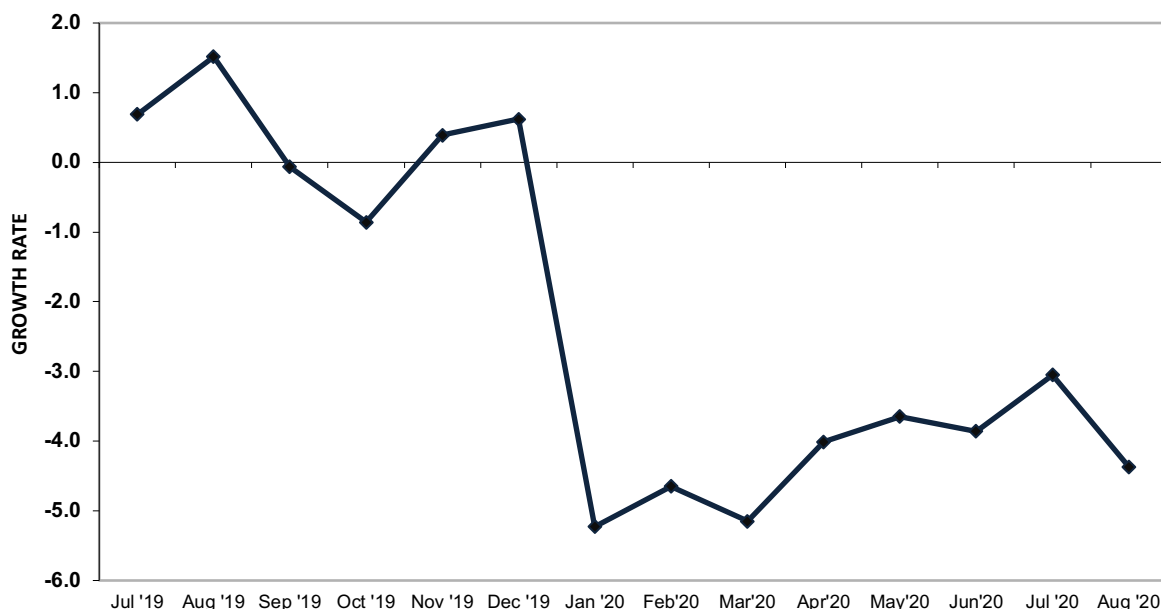Source: Philippine Statistics Authority

Year-on-Year

The Producer Price Index (PPI, 2000=100) for manufacturing continued to decrease at an annual rate of -4.4 percent in August 2020. This decline was faster compared with the previous month's annual rate of -3.0 percent. On the contrary, PPI in August 2019 increased at an annual rate of 1.5 percent.

The downward trend in the PPI in August 2020 can be attributed to the negative growth rates of the indices of 15 industry groups led by **transport equipment** with a -10.6 percent annual decline. On the other hand, **furniture and fixtures**, which rose by 16.6 percent, led the five industry groups that posted annual positive growth rates. *(Tables A-1, and 1)*

Figure 1. Year-on-Year Change in PPI for Total Manufacturing
July 2019 - August 2020^p
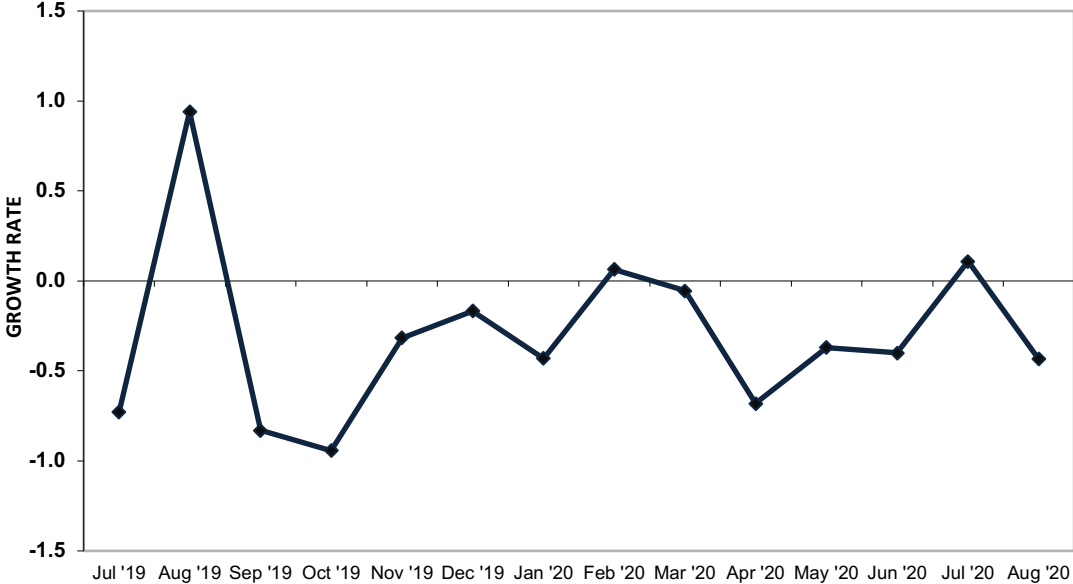### (2000 = 100)

p - preliminary
Source: Philippine Statistics Authority

Month-on-Month

Month-on-month, the PPI dropped at a monthly rate of -0.4 percent in August 2020, following a 0.1 percent increase in July 2020. In August 2019, the PPI grew by 0.9 percent.

Half of the industry groups posted negative monthly growth rates in August 2020 which was led by **transport equipment** (-1.9%). On the other hand, PPI for nine industry groups led by **leather products** (2.3%) recorded positive monthly increments, while index for **printing** remained the same. *(Tables A-2, and 1)*

Figure 2. Month-on-Month Change in PPI for Total Manufacturing
July 2019 - August 2020ᵖ
(2000 = 100)

p - preliminary
Source: Philippine Statistics Authority

Table A-1. Year-on-Year Growth Rates in Percent of PPI
by Industry Group: July and August 2020
(2000=100)

INDUSTRY GROUP	August 2020ᵖ	July 2020
With Positive Growth Rates in August 2020		
Beverages	5.1	5.1
Food manufacturing	1.0	0.3ʳ
Tobacco products	3.6	3.5ʳ
Furniture and fixtures	16.6	19.4ʳ
Fabricated metal products	a/	0.9
With Negative Growth Rates in August 2020		
Transport equipment	-10.6	-7.2ʳ
Petroleum products	-9.4	-8.6ʳ
Machinery except electrical	-6.8	-2.6ʳ
Electrical machinery	-2.7	-1.3ʳ
Chemical products	-4.8	-4.7ʳ
Basic metals	-3.7	-4.3ʳ
Paper and paper products	-10.1	-11.1ʳ
Footwear and wearing apparel	-7.8	-5.4ʳ
Rubber and plastic products	-2.4	-2.1ʳ
Wood and wood products	-6.5	-5.1ʳ
Miscellaneous manufactures	-3.9	-1.3ʳ
Non-metallic mineral products	-1.3	-1.9ʳ
Leather products	-4.4	-8.7ʳ
Textiles	-1.2	-0.7ʳ
Printing	-1.4	-1.4

p – preliminary, r – revised
a/ – less than 0.05 percent increase
Source: Philippine Statistics Authority

Table A-2. Month-on-Month Growth Rates in Percent of PPI by Industry Group: July and August 2020
(2000=100)

INDUSTRY GROUP	August 2020ᵖ	July 2020
With Positive Growth Rates in August 2020		
Basic metals	1.1	-0.6ʳ
Food manufacturing	0.2	-0.4ʳ
Wood and wood products	1.7	a/ʳ
Paper and paper products	0.7	1.0ʳ
Tobacco products	0.4	-0.2ʳ
Non-metallic mineral products	0.3	-0.3ʳ
Leather products	2.3	0.1ʳ
Beverages	a/	a/
Textiles	a/	-0.3ʳ
With Zero Growth Rates in August 2020		
Printing	0.0	0.0
With Negative Growth Rates in August 2020		
Transport equipment	-1.9	0.6ʳ
Petroleum products	-1.2	0.6ʳ
Machinery except electrical	-1.1	-1.7ʳ
Electrical machinery	-0.2	1.8ʳ
Miscellaneous manufactures	-0.6	-0.6ʳ
Fabricated metal products	-0.3	-0.3
Furniture and fixtures	-0.7	-0.8ʳ
Rubber and plastic products	-0.1	b/ʳ
Footwear and wearing apparel	-0.2	-0.9ʳ
Chemical products	b/	b/ʳ

p – preliminary, r – revised
a/ – less than 0.05 percent increase; b/ – less than 0.05 percent decrease
Source: Philippine Statistics Authority

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Attachments:

1. *Table 1. Producer Price Index (2000=100) Year-on-Year and Month-on-Month Growth Rates for Manufacturing Sector, January 2019 – August 2020[P]*

2. *Table 2. Distribution of Samples and Responding Establishments by Major Industry Group: PPS, July 2020 and August 2020[P]*

3. *Technical Notes*

TECHNICAL NOTES

Introduction

The Philippine Statistics Authority generates various price indices, one of which is the Producer Price Index (PPI). The PPI is generated from the results of the Producer Price Survey (PPS) which is conducted nationwide. The survey gathers monthly producer prices of selected products included in the market basket of PPI from sample establishments.

The PPI is used as a deflator of the Monthly Integrated Survey of Selected Industries (MISSI) to derive indicators for the Volume of Production Index (VoPI) and Volume of Net Sales Index (VoNSI).

Method of Index Computation

PPI utilizes the Paasche-type method of index computation. The weights are computed from the value of production from the Census of Philippine Business and Industry (CPBI) or Annual Survey of Philippine Business and Industry (ASPBI). The weights are updated as soon as new results of the ASPBI or CPBI are available and these are applied at the beginning of each survey year.

For the 2020 PPI, the weights of the industry groups and industry classes were computed based on the final results of the 2017 ASPBI for Manufacturing establishments with total employment of 20 and over.

The computation of PPI adopts the following formula:

1) Computation of Index for Industry Class Level (4-digit PSIC)
   a. Initial Index

   $$PPI_{ijm} = \frac{N}{\sum\limits_{h=1}^{N} \dfrac{1}{p_{hm}/p_{ho}}} \times 100$$

   where:

   PPI_{ijm} = PPI for the ith industry class (4-digit) of the jth industry group (3-digit) at the current month m

   p_{hm} = producer price of commodity h at the current month m

   p_{ho} = average monthly producer price of commodity h at base year

   N   = total number of representative commodities for the ith industry class

   b. Monthly Index

   $$PPI_{ijm} = PPI_{ijm-1} \times \frac{N}{\sum\limits_{h=1}^{N} \dfrac{1}{p_{hm}/p_{hm-1}}}$$

   where:

   PPI_{ijm} = PPI for the ith industry class (4-digit) of the jth industry group (3-digit) at the current month m

   PPI_{ijm-1} = PPI for the ith industry class of the jth industry group for the previous month

   p_{hm} = producer price of commodity h at the current month m

   p_{hm-1} = producer price of commodity h for the previous month

   N   = total number of representative commodities for the ith industry class

2) Computation of Index for Industry Group Level (3-digit PSIC)

$$PPI_{jm} = \cfrac{1}{\displaystyle\sum_{i=1}^{p}\left(W_{ij} \times \cfrac{1}{PPI_{ijm}}\right)}$$

where:

PPI_{jm} = PPI for the jth industry group (3-digit) at the current month m

PPI_{ijm} = PPI for the ith industry class (4-digit) of the jth industry group at the current month m

W_{ij} = weight of the ith industry class of the jth industry group

p = number of industry classes

3) Computation of Index for Total Manufacturing (1-digit PSIC)

$$PPI_{m} = \cfrac{1}{\displaystyle\sum_{i=1}^{q}\left(W_{j} \times \cfrac{1}{PPI_{jm}}\right)}$$

where:

PPI_{m} = PPI for total manufacturing at the current month m

PPI_{jm} = PPI for the jth industry group (3-digit) at the current month m

W_{j} = weight of the jth industry group

Note:

Starting with the January 2017 PPI, a link factor has been used to adjust weight effects to measure the correct price change.

- **Computation of Growth Rates**

  <u>Year-on-year</u> growth rates are computed by dividing the current month's index by the index of the same month of the previous year less 1.

  <u>Month-on-month</u> growth rates are computed by dividing the current month's index by the previous month's index less 1.

- **Imputation and Revision**

  Imputation is done for sample establishments that are in operation during the reference period but with no received response during the release date. Results are revised accordingly when the actual data are received and these revisions are reflected in the next release.

- **Industry Coverage**

  Starting with the January 2013 reference month, PPI utilizes the 2009 Philippine Standard Industrial Classification (PSIC) to classify sectors and industries. Selected industry classes of the 2009 PSIC were grouped to form the 20 industry groupings of the 2020 PPS. These are presented in the table below.

2009 PSIC CODE	INDUSTRY DESCRIPTION
C10	Food manufacturing *
C11	Beverages
C12	Tobacco products
C13	Textiles*
C14, C152	Footwear and wearing apparel
C151	Leather products
C16	Wood and wood products*
C17	Paper and paper products

2009 PSIC CODE	INDUSTRY DESCRIPTION
C18	Printing
C19	Petroleum products*
C20, C21	Chemical products*
C22	Rubber and plastic products*
C23	Non-metallic mineral products*
C24	Basic Metals*
C25	Fabricated metal products
C262, C275, C28, C263, C268	Machinery except electrical*
C261, C264, C27, C29301	Electrical machinery*
C29 except C29301, C30	Transport equipment
C31	Furniture and fixtures
C265, C266, C267, C32	Miscellaneous manufactures

* - Industry groups categorized into industry classes