REPUBLIC OF THE PHILIPPINES
PHILIPPINE STATISTICS AUTHORITY

# PRESS RELEASE

## PRODUCER PRICE INDEX
## July 2020

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Table A. Year-on-Year and Month-on-Month Growth Rates of Producer Price Index for Total Manufacturing July 2020 $^{p}$, June 2020 $^{r}$, and July 2019

| Category | July 2020$^{p}$ | June 2020$^{r}$ | July 2019 |
|---|---|---|---|
| **Producer Price Index (2000=100)** | **130.3** | **130.4** | **134.7** |
| **Year-on-Year Growth (%)** | **-3.3** | **-3.9** | **0.7** |
| **Month-on-Month Growth (%)** | **-0.1** | **-0.4** | **-0.7** |

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

## Year-on-Year

The Producer Price Index (PPI, 2000=100) for manufacturing remained at a downward trend with an annual rate of -3.3 percent in July 2020. This decline was slower compared with the previous month's annual rate of -3.9 percent. On the contrary, PPI increased at an annual rate of 0.7 percent in July 2019.

The decline in the PPI in July 2020 can be attributed to the decreases in the indices of 15 industry groups led by **paper and paper products** by posting a -10.7 percent decline. On the other hand, **furniture and fixtures**, which increased by 19.4 percent, led the five industry groups that posted annual increments. *(Tables A-1 and 1)*


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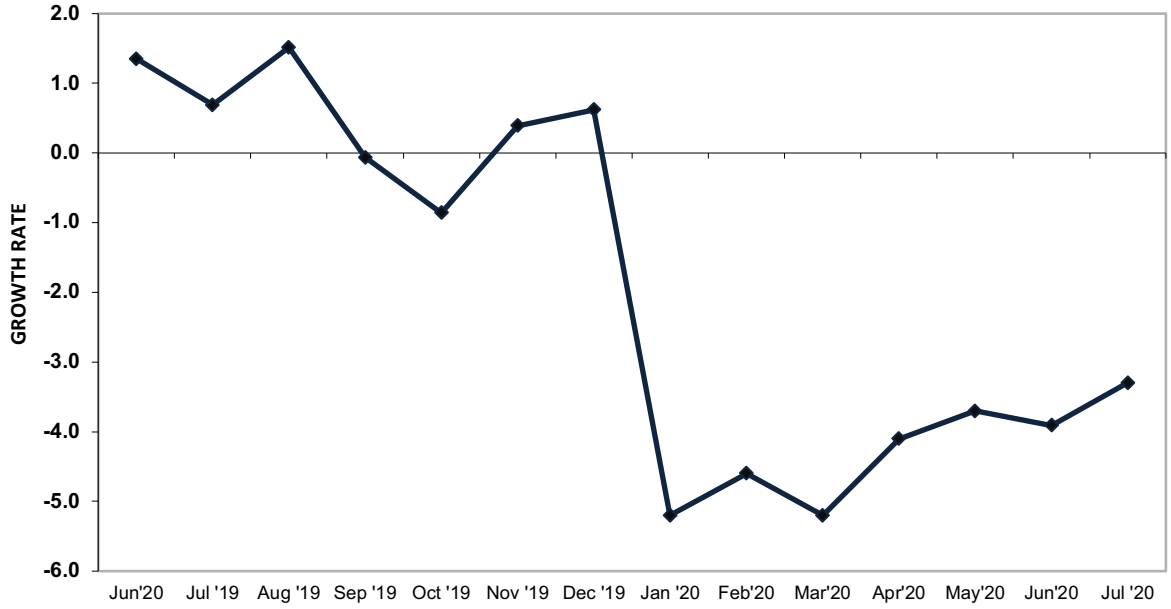
Figure 1. Year-on-Year Change in PPI for Total Manufacturing
June 2019 - July 2020[p]
(2000 = 100)



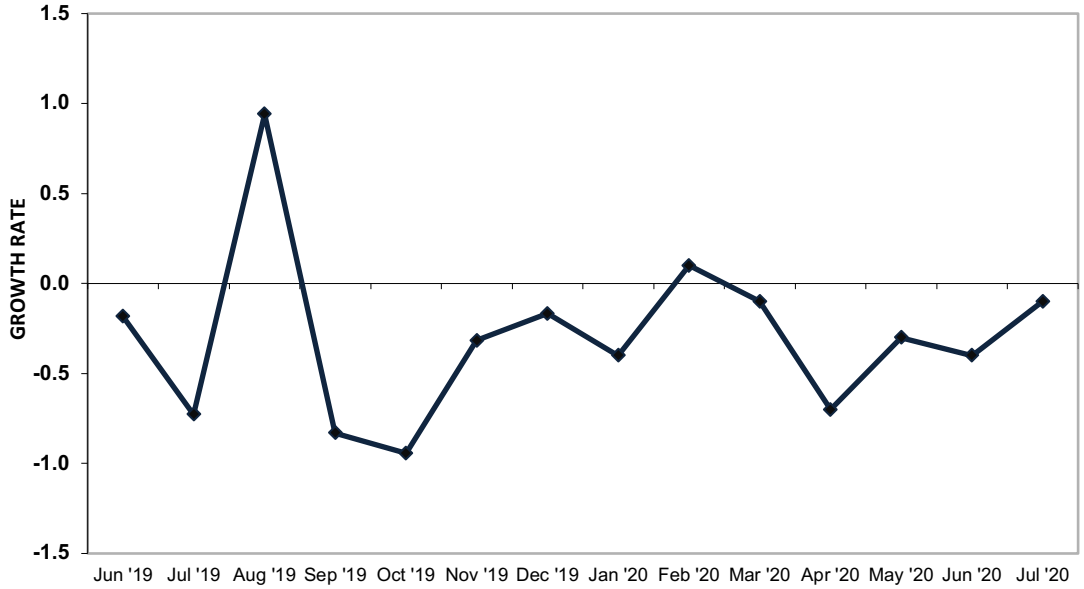

p - preliminary
Source: Philippine Statistics Authority

## Month-on-Month

Month-on-month, the PPI posted a slight decrement of -0.1 percent in July 2020, after a faster drop of -0.4 percent in the previous month. Moreover, the PPI also posted a -0.7 percent monthly decrease last July 2019.

Half of the 20 industry groups posted negative monthly growth rates in July 2020 which was led by **machinery except electrical** (-1.9%). On the other hand, PPI for eight industry groups registered positive monthly increments while indices for two industry groups exhibited zero monthly growth. *(Tables A-2 and 1)*

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




p - preliminary
Source: Philippine Statistics Authority

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

| INDUSTRY GROUP | July 2020[p] | June 2020[r] |
|---|---|---|
| **With Positive Growth Rates in July 2020** | | |
| Beverages | 5.1 | 5.1 |
| Food manufacturing | 0.8 | 0.7 |
| Tobacco products | 4.6 | 4.7 |
| Furniture and fixtures | 19.4 | 19.7 |
| Fabricated metal products | 0.9 | 0.4 |
| **With Negative Growth Rates in July 2020** | | |
| Transport equipment | -8.4 | -7.5 |
| Petroleum products | -7.0 | -7.9 |
| Basic metals | -5.4 | -5.3 |
| Chemical products | -4.6 | -4.9 |
| Electrical machinery | -1.6 | -5.8 |
| Machinery except electrical | -3.4 | -4.0 |
| Paper and paper products | -10.7 | -12.4 |
| Non-metallic mineral products | -2.2 | -0.9 |
| Rubber and plastic products | -1.9 | -2.4 |
| Footwear and wearing apparel | -4.8 | -4.6 |
| Wood and wood products | -5.2 | -8.6 |
| Leather products | -8.6 | 2.9 |
| Miscellaneous manufactures | -1.3 | -1.4 |
| Printing | -1.4 | -1.4 |
| Textiles | -0.3 | -0.9 |

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

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

| INDUSTRY GROUP | July 2020[p] | June 2020[r] |
|---|---|---|
| **With Positive Growth Rates in July 2020** | | |
| Electrical machinery | 1.3 | -1.5 |
| Petroleum products | 1.1 | 10.8 |
| Paper and paper products | 1.5 | -1.1 |
| Chemical products | a/ | -0.1 |
| Beverages | a/ | 1.3 |
| Leather products | 0.1 | -2.3 |
| Textiles | a/ | 2.3 |
| Rubber and plastic products | a/ | -0.2 |
| **With Zero Growth Rates in July 2020** | | |
| Tobacco products | 0.0 | 0.0 |
| Printing | 0.0 | 0.0 |
| **With Negative Growth Rates in July 2020** | | |
| Machinery except electrical | -1.9 | -1.9 |
| Basic metals | -1.4 | -0.2 |
| Transport equipment | -0.2 | -1.6 |
| Non-metallic mineral products | -0.6 | -0.2 |
| Fabricated metal products | -0.3 | 0.1 |
| Miscellaneous manufactures | -0.5 | -1.5 |
| Furniture and fixtures | -0.8 | -1.1 |
| Footwear and wearing apparel | -0.3 | 0.6 |
| Food manufacturing | b/ | 0.2 |
| Wood and wood products | -0.1 | -0.1 |

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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# 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

$$PPI_{ijm} = \frac{N}{\sum_{h=1}^{N} \frac{1}{p_{hm}/p_{ho}}} x100$$

where:

$PPI_{ijm}$ = PPI for the $i^{th}$ industry class (4-digit) of the $j^{th}$ 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 $i^{th}$ industry class

b. Monthly Index

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

where:

$PPI_{ijm}$ = PPI for the $i^{th}$ industry class (4-digit) of the $j^{th}$ industry group (3-digit) at the current month m

$PPI_{ijm-1}$ = PPI for the $i^{th}$ industry class of the $j^{th}$ 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 $i^{th}$ industry class

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

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

where:

$PPI_{jm}$ = PPI for the $j^{th}$ industry group (3-digit) at the current month m

$PPI_{ijm}$ = PPI for the $i^{th}$ industry class (4-digit) of the $j^{th}$ industry group at the current month m

$W_{ij}$ = Weight of the $i^{th}$ industry class of the $j^{th}$ industry group

$p$ = number of industry classes

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

$$PPI_m = \frac{1}{\sum_{i=1}^{q}\left(W_j \times \frac{1}{PPI_{jm}}\right)}$$

where:

$PPI_m$ = PPI for total manufacturing at the current month m

$PPI_{jm}$ = PPI for the $j^{th}$ industry group (3-digit) at the current month m

$W_j$ = Weight of the $j^{th}$ 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**

Year-on-year growth rates are computed by dividing the current month index by the index in the same month of the previous year less 1.

Month-on-month growth rates are computed by dividing the current month 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 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 |
| 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 |

| 2009 PSIC CODE | INDUSTRY DESCRIPTION |
|---|---|
| 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