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PRESS RELEASE

PRODUCER PRICE INDEX
February 2020

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Table A Year-on-Year and Month-on-Month Growth Rates of Producer Price Index for Total Manufacturing

February 2020, January 2020 and February 2019

Category	February 2020	January 2020	February 2019
Producer Price Index (2000=100)	132.2	132.3[r]	138.9
Year-on-Year Growth (%)	-4.8	-5.2[r]	3.4
Month-on-Month Growth (%)	-0.1	-0.1[r]	-0.5

r - revised

Year-on- Year

The Producer Price Index (PPI, 2000=100) for manufacturing continued to decline at an annual rate of 4.8 percent in February 2020. In January 2020, the downward trend was faster at 5.2 percent. On the contrary, the PPI in February of the previous year increased at an annual rate of 3.4 percent.

The decline in the PPI in February 2020 can be attributed to the decreases in the indices of 15 major industry groups, with three major industry groups posting double-

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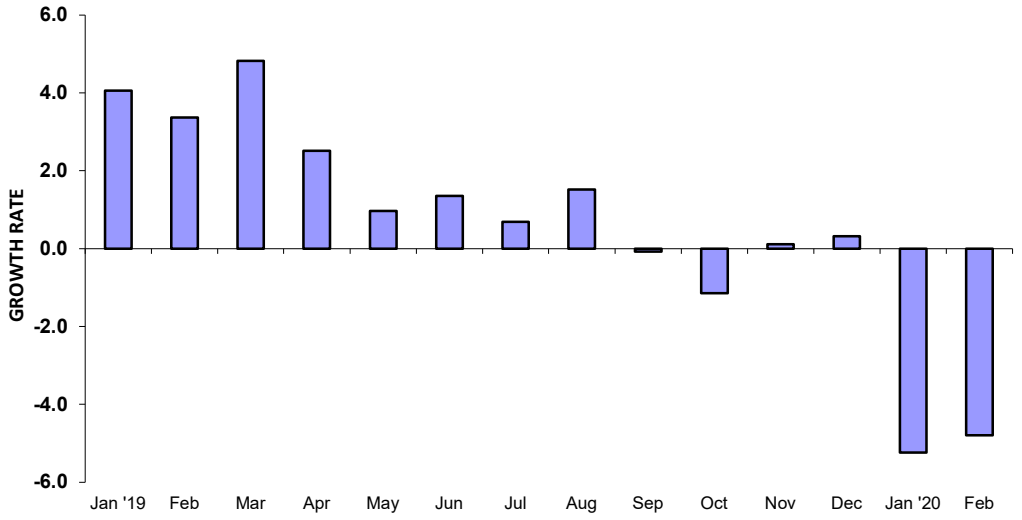
digit decrements as follows:

- leather products (-14.6%),
- fabricated metal products (-13.4%), and
- transport equipment (-11.1%).

On the other hand, five major industry groups had indices that rose in February 2020 with **furniture and fixtures** having the highest annual growth of 20.0 percent. *(Tables 1 and A-1)*

FIGURE 1 Year-on-Year Change in PPI for Total Manufacturing
January 2020 - February 2020
(2000 = 100)



Month-on-Month

Month-on-month, the PPI posted a slight decrement of 0.1 percent in February 2020, the same rate of decline recorded in January 2020. In February of the previous year, the PPI dropped at a faster monthly rate of 0.5 percent.

Ten of the major industry groups posted negative monthly growth rates in February 2020 which was led by **basic metals** with monthly rate of -1.8 percent. Moreover, PPI for seven major industry groups posted monthly increments while indices for three major industry groups remained the same. *(Tables 1 and A-2)*

FIGURE 2 Producer Price Index (PPI) for Total Manufacturing
January 2019 - February 2020
(2000 = 100)

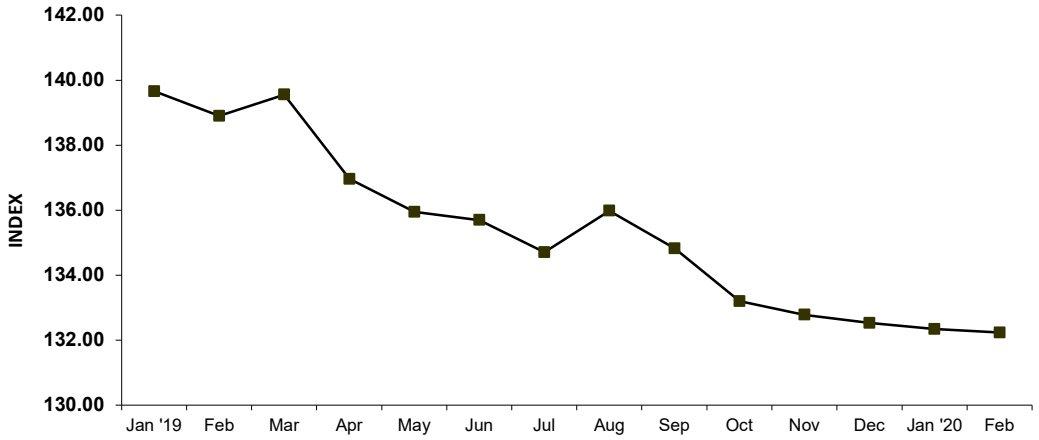


TABLE A-1 Year-on-Year Growth Rate (%) of Producer Price Index by Major Industry Group January 2020 and February 2020 (2000=100)

MAJOR INDUSTRY GROUP	February 2020	January 2020
Gainers		
Petroleum Products	2.6	-1.5[r]
Tobacco Products	4.8	7.5
Beverages	2.6	3.6[r]
Furniture & Fixtures	20.0	18.8[r]
Printing	1.8	1.8[r]
Losers		
Transport Equipment	-11.1	-9.9[r]
Electrical Machinery	-4.1	-5.6[r]
Chemical Products	-9.1	-8.0[r]
Fabricated Metal Products	-13.4	-13.8
Machinery Except Electrical	-4.1	-6.2[r]
Basic Metals	-2.3	-2.2[r]
Footwear & Wearing Apparel	-8.7	-10.3[r]
Rubber and Plastic Products	-2.7	-2.9[r]
Non - Metallic Mineral Products	-2.6	-1.2[r]
Food Manufacturing	-0.4	-1.2[r]
Wood & Wood Products	-8.6	-10.7[r]
Paper & Paper Products	-3.9	-3.5
Leather Products	-14.6	-13.1[r]
Textiles	-5.2	-5.3[r]
Miscellaneous Manufactures	-1.6	-1.1[r]

r - revised

Note:

1) Industry groups are ranked according to their contributions to the overall growth rate

TABLE A-2 Month-on-Month Growth Rate (%) of Producer Price Index by Major Industry Group January 2020 and February 2020 (2000=100)

MAJOR INDUSTRY GROUP	February 2020	January 2020
Gainers		
Electrical Machinery	1.1	b/[r]
Tobacco Products	4.3	0.4
Food Manufacturing	0.4	0.2[r]
Rubber and Plastic Products	0.4	-1.7[r]
Footwear & Wearing Apparel	0.7	0.1[r]
Petroleum Products	a/	1.9[r]
Furniture & Fixtures	a/	24.4[r]
Beverages	0.0	1.2[r]
Printing	0.0	1.8[r]
Fabricated Metal Products	0.0	b/
Losers		
Machinery Except Electrical	-1.7	0.2[r]
Transport Equipment	-0.7	-0.7[r]
Basic Metals	-1.8	2.6[r]
Paper & Paper Products	-0.8	-0.5
Chemical Products	-0.2	-2.5[r]
Miscellaneous Manufactures	-0.7	1.3[r]
Leather Products	-1.7	7.4[r]
Non - Metallic Mineral Products	-0.1	0.2[r]
Wood & Wood Products	-0.2	-0.9[r]
Textiles	-0.3	0.5

r - revised
a/ - Less than 0.05 percent increase
b/ - Less than 0.05 percent decrease
Note:
1) Industry groups are ranked according to their contribution to the overall growth rate

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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 major industry groups and industry sub-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. For Base Year

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

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. For Current Months after the Base Year

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

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
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

Same formula for industry Groups without Sub-sector

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

$$PPI_{jm} = \frac{1}{\sum_{i=1}^{p} \left(W_{ij} \times \frac{1}{PPI_{ijm}} \right)} x100$$

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)

$$PPI_{m} = \frac{1}{\sum_{i=1}^{q} \left(W_{j} \times \frac{1}{PPI_{jm}} \right)} x100$$

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 major 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*

2009 PSIC CODE	INDUSTRY DESCRIPTION
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

* - Major industry groups categorized into industry sub-classes