



REPUBLIC OF THE PHILIPPINES
PHILIPPINE STATISTICS AUTHORITY BOARD

**PSA Board Resolution No. 13
Series of 2020**

REBASING TO YEAR 2018 THE PRODUCTION AND NET SALES INDICES, AND THE ESTIMATION OF THE AVERAGE CAPACITY UTILIZATION RATE GENERATED FROM THE MONTHLY INTEGRATED SURVEY ON SELECTED INDUSTRIES (MISSI)

WHEREAS, Executive Order (EO) No. 352, "Designation of Statistical Activities That Will Generate Critical Data for Decision Making of the Government and the Private Sector" issued on 01 July 1996, established the System of Designated Statistics (SDS) in the Philippine Statistical System;

WHEREAS, the Monthly Integrated Survey of Selected Industries (MISSI), which covers sample establishments of the manufacturing sector, is included in the SDS;

WHEREAS, the MISSI is the basic source of the monthly data on Value of Production Index (VaPI), Volume of Production Index (VoPI), Value of Net Sales Index (VaNSI), Volume of Net Sales Index (VoNSI) and Average Capacity Utilization Rate of the manufacturing sector;

WHEREAS, the VaPI and VoPI measure the average change over time of the value and volume of production of the manufacturing sector relative to a base period;

WHEREAS, the VaNSI and VoNSI measure the average change over time of the value and volume of sales of the manufacturing sector relative to a base period;

WHEREAS, the capacity utilization rate is the ratio of total output to the maximum capacity rate of the establishment;

WHEREAS, the VaPI, VoPI, VaNSI and VoNSI currently use the year 2000 as base year and Laspeyres as index computation;

WHEREAS, the VoPI and VoNSI are derived by deflating the VaPI and VaNSI, respectively, with the Producer Price Index (PPI) for Manufacturing;

WHEREAS, the Average Capacity Utilization Rate is estimated using a weighted formula which is a function of the actual value of production of responding establishments that are in operation;

WHEREAS, the current base period and methodologies of index computation and in the estimation of average capacity utilization rate have limitations, to wit:

- 1) The current base period no longer captures the changes after two decades in the industry structure of the manufacturing sector;

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- 2) The current methodology of index computation, which is Laspeyres, does not reflect the annual changes in the level of relevance of the industries of the manufacturing sector; and
- 3) The current methodology of computing the Average Capacity Utilization Rate does not reflect the zero production of sample establishments that are temporarily closed.

WHEREAS, after series of reviews and simulation of different scenarios, the proposed base year and methodologies in rebasing the abovementioned indices, and in estimating the Average Capacity Utilization Rate have the following details and advantages, to wit:

- 1) The base year is 2018 with the 2018 Census of Philippine Business and Industry as source of weights;
- 2) The computation of VaPI and VaNSI uses the Paasche method to annually reflect changes in the weights of the industries. Furthermore, the use of Paasche will be consistent with the methodology adopted in the computation of PPI for manufacturing which is used as deflator for the VaPI and VaNSI to derive VoPI and VoNSI;
- 3) The computation of VoPI and VoNSI uses the current method, that is, deflating the VaPI and VaNSI by the PPI for Manufacturing, respectively; and
- 4) The computation of Average Capacity Utilization Rate uses a simpler and direct estimation that takes into account the impact of establishments that are temporarily closed during the reference period to the production and sales of the manufacturing sector.

WHEREAS, the Interagency Committee on Trade and Industry Statistics in its meeting on 22 October 2020 agreed to recommend to the PSA Board the methodology in rebasing the VaPI, VoPI, VaNSI and VoNSI to year 2018 and the estimation of Average Capacity Utilization Rate with the following details, to wit:

- 1) The base year is 2018 with the 2018 Census of Philippine Business and Industry as source of data for the computation of weights at the base year;
- 2) The computation of VaPI and VaNSI uses the Chained Paasche-type method;
- 3) The computation of VoPI and VoNSI uses the current method, that is, deflating the VaPI and VaNSI by the PPI for Manufacturing, respectively; and
- 4) The computation of Average Capacity Utilization Rate uses a direct estimation methodology.

NOW, THEREFORE, BE IT RESOLVED, that the PSA Board approves the methodology in rebasing of the VaPI, VoPI, VaNSI and VoNSI to year 2018 and the estimation of Average Capacity Utilization Rate with the following details, as recommended by the Interagency Committee on Trade and Industry Statistics.



RESOLVED FURTHER, that the PSA shall start releasing the 2018-based VaPI, VoPI, VaNSI and VoNSI series in March 2021 covering the period January 2018 to December 2020; and every 34 days after the reference month starting with the January 2021 release.

Approved this 21st day of December 2020, in Metro Manila.



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Acting Secretary

National Economic and Development Authority
Chairperson, PSA Board



Attested by:



DENNIS S. MAPA

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