

# **Standard-documentation Meta information**

**(Definitions, comments, methods, quality)**

on

## **Industrial Producer Price Index**

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STATISTICS AUSTRIA  
Bundesanstalt Statistik Österreich  
A-1110 Vienna, Guglgasse 13  
Phone: +43-1-71128-0  
[www.statistik.at](http://www.statistik.at)

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**Directorate Macro-economic Statistics  
Organizational unit Prices and Purchasing Power Parties**

Contact person:  
Mag. Ingrid Vrabec  
Phone +43-1-71128-8103  
E-Mail: [ingrid.vrabec@statistik.gv.at](mailto:ingrid.vrabec@statistik.gv.at)

## Executive Summary

The **Industrial Producer Price Index (IPPI)** is an important short term indicator for the domestic economy and the European Economic and Monetary Union. The objective of the Industrial Producer Price Index is to measure the average price development of economic activities (ÖNACE B – E) and the average price development of all goods that are produced by industries and sold on the market (total, domestic, and non-domestic market). The index includes all activities and products in ÖNACE 2008 sections B – E: mining and quarrying, manufacturing, and electricity, gas and water supply. In the coverage not included are activities and products in sewerage and waste collection, remediation activities and construction. Only services are included which are directly related resulting from an activity (ÖNACE B - E).

The EU Council Regulation (EC) No. 1165/98 and the EU Council Regulation (EC) No 1158/2005 concerning short term indicators stipulates the compulsory calculation of Industrial Producer Price Indices. An Industrial Producer Price Index has therefore been calculated and published in Austria monthly since July 2001.

According to the EU Council Regulation (EC) No. 1165/98 concerning short term indicators the base year of the Industrial Producer Price Index has to be changed every five years (that means in years ending by 0 or 5). Currently the Industrial Producer Price Index is available for the reference year 1996=100 and 2000=100 according to ÖNACE 2003 and for the reference year 2005=100, 2010=100 and 2015=100 according to ÖNACE 2008. From the reporting year 2009 onwards, the Industrial Producer Price Index has been changed to the new economic activities ÖNACE 2008 in compliance with the European Union. To provide long term time series according to ÖNACE 2008 to users, old time series up to 2000 (according to EU Council Regulation (EC) No 472/2008) was recalculated for reference year 2005=100.

The **data base for the index compilation** is based on the monthly survey of about 9,000 producer prices, which are collected for 1,180 selected product groups for approximately 1,570 domestic manufacturing enterprises and on the value of production sold which is used as the basis for the weights. The Industrial Producer Price Index is compiled according to categories of goods (i.e. for the purpose of indexation) as well as according to economic activities (i.e. for the purpose of deflation).

For the sample of products and enterprises a **cut-off method** is used. It is a nonprobability sample and is often used in price statistics surveys.

The producer price is defined as the ex-factory price without VAT, which is the price that the reporting unit charges the customer (transaction price). This **price concept** approximates as close as possible to a market price, and is therefore regarded as adequate for purposes of measuring the development of producer prices.

The weights of the Industrial Producer Price Index consist of a micro and a macro weight. The data source of the **micro weight** (weight on the ÖPRODCOM level) is the preliminary result of the PRODCOM survey of the previous year (J-1). The data source of the **macro weight** (weight up from ÖCPA 6 level and weight up from ÖNACE 4 level) is a cantile of the make-matrix for the sections B – E which is generated on the data base of the input/output statistics (J-3). This special make-matrix enables the compilation of an Industrial Producer Price Index according to economic activities (activity approach) as well as according to categories of goods (goods approach). By including the export matrix in this weighting, it is also possible to calculate the producer price indices for the export market.

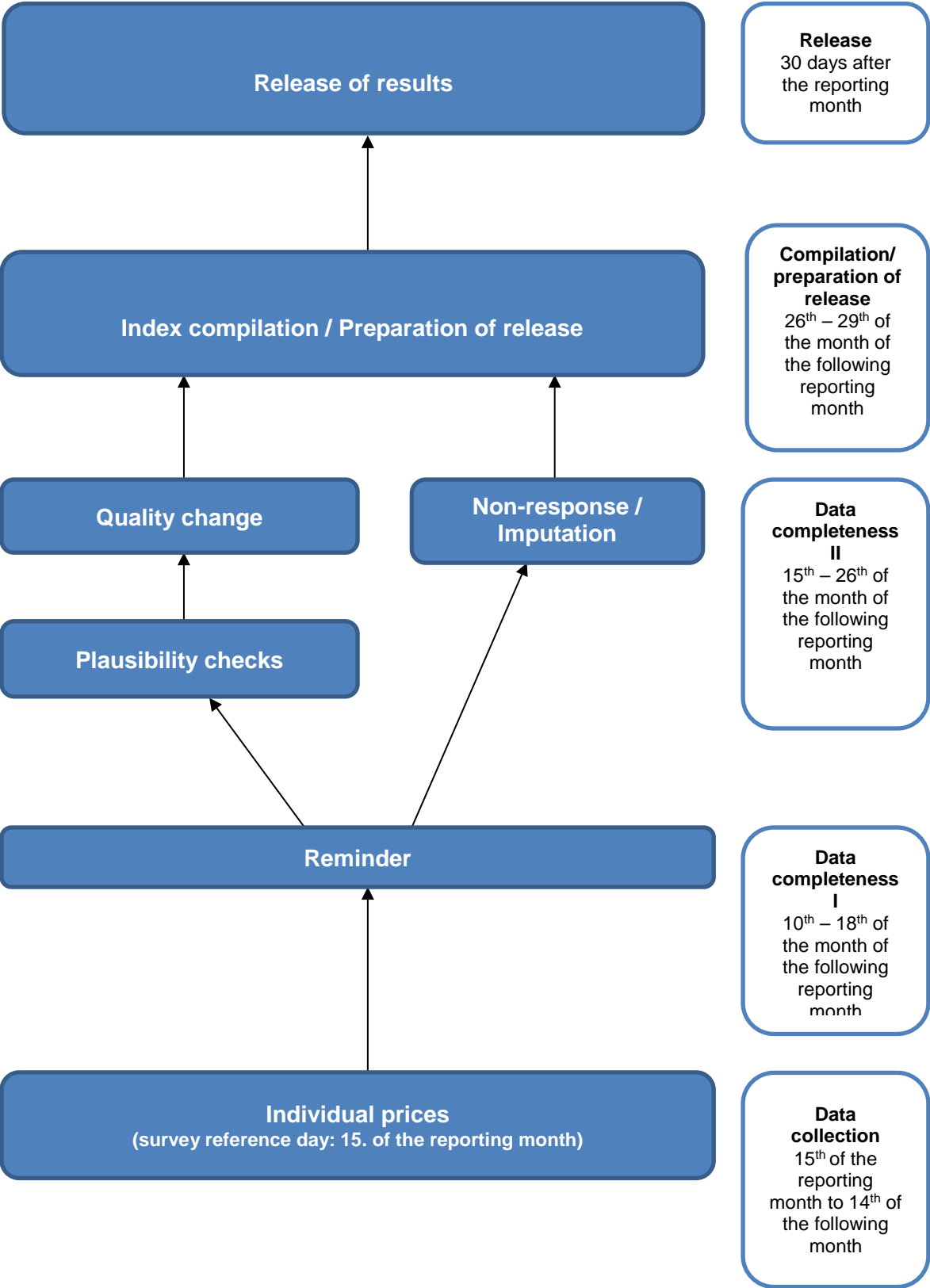
The **index compilation** is according to the method of a Laspeyres chain index. This method is the most used method in price statistics for showing the pure price change over time and to counteract an overage weighting scheme as well as an overaged basket of goods. This complies with Eurostat's recommendation to update the weights annually (in combination with the use of a Laspeyres chain index). The one-month-overlap Laspeyres chain index is used, the December of the previous year is chosen as the chain-linking month.

The weighting is adapted annually (as well as price-updated on December of the previous year). Therefore top-selling new products and reporting units can be included in the basket of goods annually or even abandoned products and enterprises that fail due to bankruptcy or merger can be dropped out. On the elementary level the index compilation is based on each surveyed price for a product is related to the price of the reference period.

The **main users** of the Industrial Producer Price Index are, at the international level, the European Commission and the European Central Bank, at national level the enterprises, the Austrian National Bank, the Federal Ministries and other public bodies as well as economic research institutes and special interest groups. Internal of Statistics Austria the Industrial Producer Price Index is mainly used by national accounts and business statistics.

The Industrial Producer Price Index is **published** monthly. Preliminary results will be published simultaneously with the data transmission to Eurostat by the 30th of the next month (t+30 days) and the final results after 60 days (t+60 days). The indices are compiled and published for the total market as well as for domestic and export markets. There is a distinction between Eurozone and non-Eurozone for the export market.

figure 1: monthly process of the Industrial Producer Price Index



<b>Industrial Producer Price Index (ÖNACE/ÖCPA B-E) - Main Features</b>	
Subject Matter	Measurement of the average price development of economic activities (ÖNACE B – E) and the average price development of all goods that are produced by industries and sold on the market (total, domestic, and non-domestic market).
Population	All sales of domestic production enterprises whose production falls within the ÖNACE sections B to E (excluding activities ÖNACE 07.2, ÖNACE 24.46, ÖNACE 25.4, ÖNACE 30.1, ÖNACE 30.3, ÖNACE 30.4, ÖNACE 37 to 39)
Type of statistics	Price Index The index compilation is according to the method of a Laspeyres chain index.
Data sources/Survey techniques	<u>Price data</u> : primary statistical survey of approximately 1,570 production enterprises <u>Data of weights</u> : the data source of the micro weight (ÖPRODOM level) is the preliminary result of the PRODCOM survey of the previous year (J-1) and the data source of the macro weight (weight up from ÖCPA 6 level and weight up from ÖNACE 4 level) is a cantile of the make-matrix for the sections B – E which is generated on the data base of the input/output statistics (J-3).
Reference period or due day	Calendar month, reference day of the survey is the 15 <sup>th</sup> of the month
Periodicity	Monthly
Survey participation (in case of a survey)	Mandatory according to §10 und § 11 of the national Regulation of the Federal Minister of Economics and Labor, the Federal Minister of Transport, Innovation and Technology and the Federal Minister of Justice on the compilation of indices of price developments in the economy <a href="#">BGBl. II Nr. 147/2007</a>
Main legal acts	<u>National Regulation</u> : Regulation of the Federal Minister of Economics and Labor, the Federal Minister of Transport, Innovation and Technology and the Federal Minister of Justice on the compilation of indices of price developments in the economy <a href="#">BGBl. II Nr. 147/2007</a> <b>Amendment</b> <a href="#">BGBl. II Nr. 36/2009</a> <a href="#">BGBl. II Nr. 263/2012</a> <a href="#">BGBl. II Nr. 222/2015</a> <a href="#">BGBl. II Nr. 223/2019</a> <u>EC Regulation</u> : <a href="#">COUNCIL REGULATION (EC) No 1165/98</a> of 19 May 1998 concerning short-term statistics. <a href="#">REGULATION (EC) No 1158/2005</a> OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 6 July 2005 amending Council Regulation (EC) No 1165/98 concerning short-term statistics. <a href="#">REGULATION (EC) No 1893/2006</a> OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains. <a href="#">COMMISSION REGULATION (EC) No 1503/2006</a> of 28 September 2006 implementing and amending Council Regulation (EC) No 1165/98 concerning short-term statistics as regards definitions of variables, list of variables and frequency of data compilation. <a href="#">COMMISSION REGULATION (EC) No 656/2007</a> of 14 June 2007 amending Regulation (EC) No 586/2001 on implementing Council Regulation (EC) No 1165/98 concerning short-term statistics as regards the definition of main industrial groupings (MIGS).
Most detailed regional breakdown	Austria
Availability of results	Preliminary data: t+30 days Final data: t+60 days (excluding reference month January t+65)
Other	-