

## PRODUCER PRICE INDICES

A variety of price indices may be used to measure inflation in an economy. These include consumer price indices (CPI), price indices relating to specific goods and/or services, GDP deflators and producer price indices (PPI). Whereas CPIs are designed to measure changes over time in average retail prices of a fixed basket of goods and services taken as representing the consumption habits of households, PPIs aim to provide measures of average movements of prices received by the producers of various commodities. They are often seen as advanced indicators of price changes throughout the economy, including changes in the prices of consumer goods and services.

### Definition

Producer price indices (PPI) measure the rate of change in prices of products sold as they leave the producer. They exclude any taxes, transport and trade margins that the purchaser may have to pay. Manufacturing covers the production of semi-processed goods and other intermediate goods as well as final products such as consumer goods and capital equipment.

The indexes shown here are weighted averages of monthly price changes in the manufacturing sector. These indexes capture the production of products intended for the domestic market.

### Overview

In the three years to 2008, producer prices in the OECD area as a whole increased at an annual rate of around 4.5%, a level almost identical to that recorded in the three years to 1997. This average stability, however, hides large differences across countries with, on one side, huge drops recorded by Turkey and Mexico and, to a smaller extent, in the Czech and Slovak republics, and increases recorded in most other countries.

PPI inflation in recent years ranged between rates a little higher than 1% in the Slovak Republic and close to 15% in Iceland.

### Comparability

The precise ways in which PPIs are defined and constructed depend on their intended use. In this context, national practices may differ and these differences may affect cross-country comparability. This is especially the case for aspects such as the weighting and aggregation systems, the treatment of quality differences, the sampling and collection of individual prices, the frequency with which the weights are updated, and in the index formulae used. Differences may also arise concerning the scope of the manufacturing sector and the statistical unit used for measurement. In some countries, for example, indices may reflect price changes in the output of the manufacturing sector as opposed to manufactured products.

While the PPI series for most countries refer to domestic sales of manufacturing goods, those for Australia, Canada, Chile, China, New Zealand, Switzerland, and the United States include prices applied for foreign sales (i.e. "total market").

### Sources

- OECD (2010), *Main Economic Indicators*, OECD, Paris.

### Further information

#### Analytical publications

- Brook, A.M. et al. (2004), *Oil Price Developments: Drivers, Economic Consequences and Policy Responses*, OECD Economics Department Working Papers, No. 412, OECD, Paris.
- OECD (2008), *OECD Economic Outlook*, June No. 83 – Vol. 2008/1, OECD, Paris.

#### Methodological publications

- IMF, ILO, OECD, Eurostat, UN, World Bank (2004), *Producer Price Index Manual: Theory and Practice*, IMF, Washington, DC.
- OECD (2002), "Comparative Methodological Analysis: Consumer and Producer Price Indices", *Main Economic Indicators, Volume 2002, Supplement 2*, OECD, Paris.

#### Web sites

- OECD Main Economic Indicators, [www.oecd.org/std/mei](http://www.oecd.org/std/mei).

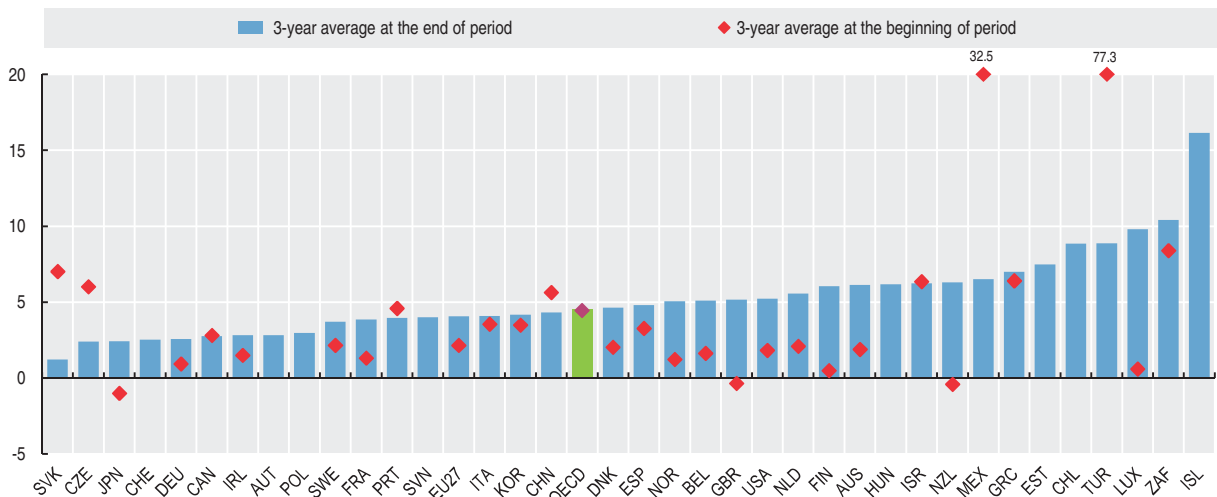


**PPI: domestic manufacturing**  
Annual growth in percentage

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	3.6	0.9	1.2	0.7	0.7	7.1	3.1	0.2	0.5	4.0	6.0	7.9	2.3	8.3
Austria	..	..	..	..	..	3.8	0.0	-1.4	0.3	2.2	3.7	1.7	3.4	3.4
Belgium	2.3	0.7	1.9	-1.5	0.0	9.8	-1.0	0.1	0.9	4.2	2.0	4.7	4.7	5.9
Canada	7.5	0.4	0.7	0.4	1.8	4.3	1.0	0.1	-1.4	3.2	1.5	2.4	1.6	4.3
Czech Republic	8.4	4.9	4.8	4.6	0.1	6.3	2.4	-1.3	-0.4	5.7	2.0	0.6	3.5	3.1
Denmark	3.1	1.4	1.6	-0.6	0.3	4.0	2.9	1.0	0.0	1.0	3.1	3.4	4.8	5.7
Finland	2.3	-1.1	0.3	-1.3	-0.8	5.7	-1.5	-2.0	-1.4	0.4	4.7	5.6	4.5	8.1
France	3.6	0.2	0.2	-1.3	-0.1	4.0	1.3	-0.6	0.8	2.8	3.0	3.3	3.0	5.3
Germany	2.1	0.1	0.6	-0.2	-0.3	3.1	1.3	0.2	0.6	1.7	2.4	2.3	2.3	3.1
Greece	9.5	6.0	3.8	2.9	2.4	5.9	3.4	2.1	2.1	3.8	6.4	7.9	3.5	9.7
Hungary	..	..	..	9.1	6.9	16.1	9.4	2.0	3.7	7.3	4.3	5.7	4.3	8.6
Iceland	..	..	..	..	..	..	..	..	..	..	..	17.5	1.8	31.0
Ireland	2.1	1.6	0.8	0.4	1.5	7.5	2.4	2.1	0.8	0.4	1.8	1.8	1.6	5.1
Italy	8.2	1.8	0.8	0.6	0.2	4.0	1.1	0.8	1.4	3.3	3.1	4.0	3.3	5.0
Japan	-1.1	-2.0	0.1	-1.8	-1.8	-0.4	-2.6	-2.4	-1.4	0.3	0.8	1.9	1.3	4.1
Korea	4.9	2.2	3.4	14.5	-3.3	2.9	-2.1	-1.5	1.8	7.5	6.8	0.2	0.8	11.9
Luxembourg	3.4	-4.4	3.0	2.7	-2.3	6.4	2.5	0.9	3.3	14.8	0.0	9.0	7.6	12.9
Mexico	48.1	33.9	17.3	14.8	15.1	8.9	4.1	3.2	6.6	8.6	4.5	6.0	5.0	8.6
Netherlands	2.6	1.5	2.2	-1.8	0.3	9.1	1.9	-0.6	1.3	3.6	4.6	4.2	5.2	7.3
New Zealand	0.0	-0.8	-1.3	0.9	1.0	7.0	4.8	0.3	-1.3	2.0	3.6	4.6	3.3	11.2
Norway	0.8	1.4	1.5	2.6	3.0	5.0	1.9	-0.4	1.4	3.1	3.5	3.0	4.4	7.8
Poland	..	..	..	..	..	7.9	0.6	-1.7	0.6	7.9	1.2	1.9	3.6	3.4
Portugal	5.0	5.8	3.0	-4.7	3.6	15.0	2.7	0.4	0.4	2.9	3.2	4.2	2.5	5.2
Slovak Republic	11.6	4.7	4.9	2.3	3.9	8.6	3.8	2.5	-0.1	2.5	1.3	1.5	0.2	2.0
Spain	6.9	1.7	1.3	-0.4	0.9	5.7	1.7	0.6	1.4	3.7	4.7	5.0	3.4	6.0
Sweden	7.5	-1.7	0.9	-0.2	0.4	3.9	3.1	0.6	-0.9	1.8	4.0	3.9	3.3	3.9
Switzerland	..	..	..	..	..	..	..	..	0.0	1.4	1.4	1.7	2.6	3.3
Turkey	81.0	70.4	80.6	66.7	57.2	56.1	66.7	48.3	23.8	11.0	9.6	9.3	5.6	11.8
United Kingdom	..	2.4	-1.4	-2.0	-0.2	1.9	-0.6	-0.3	1.1	2.2	4.0	3.1	3.0	9.5
United States	2.9	2.3	0.3	-1.1	1.7	4.1	0.8	-0.7	2.5	4.3	5.5	4.0	3.8	7.9
EU27 total	4.7	1.3	0.5	-0.6	0.1	4.3	1.2	0.1	1.0	2.9	3.3	3.5	3.2	5.5
OECD total	6.6	3.9	2.9	1.8	2.2	5.1	2.0	0.8	1.8	3.6	4.1	3.7	3.2	6.8
Chile	..	..	..	..	..	..	..	..	..	..	2.9	5.0	6.0	15.9
China	14.9	2.9	-0.3	-4.1	-2.4	2.8	-1.3	-2.3	2.4	6.1	4.9	3.0	3.1	6.9
Estonia	..	..	..	..	..	..	..	..	-0.6	3.4	2.3	4.8	10.1	7.6
Israel	..	8.6	6.3	4.2	7.1	3.6	-0.1	3.9	4.3	5.4	6.2	5.7	3.5	9.6
Slovenia	..	..	..	..	2.7	8.4	9.9	4.9	2.9	4.2	3.3	2.4	4.4	5.2
South Africa	10.0	8.0	7.2	3.8	5.3	7.6	7.1	13.3	4.6	2.0	3.7	6.4	9.8	15.2

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**PPI: domestic manufacturing**  
Annual growth in percentage



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