

INTERNATIONAL MONETARY FUND

TECHNICAL EXPERT GROUP ON THE PRODUCER PRICE INDEX: Background and Points for Discussion Regarding Development of a Forum for PPI Issues

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1. In its inaugural meeting late last year the Intersecretariat Working Group on Price Statistics (IWGPS)¹ agreed on a broad Terms of Reference (TOR) encompassing the production of manuals for compiling all major price indicators.² The first project it initiated was revision and update of *Consumer Price Indices: An ILO Manual*, which, since its publication in 1989, has been considered the principal methodological reference on international best practice for consumer price statistics. For this purpose, the IWGPS agreed to form a Technical Expert Group on the Consumer Price Index (TEG-CPI) to oversee authoring and editing the new CPI manual, and designated ECE as the coordinating agency of the new expert group.

2. As TEG-CPI coordinator, ECE assembled a team of CPI experts from national statistical offices (NSOs) and international organizations (INOs) and arranged a first meeting early this year. During this meeting, the TEG-CPI refined a draft manual chapter outline composed by the IWGPS and parceled out responsibility for sponsoring authorship of chapters to various members of the expert group.³ The work of the TEG-CPI is the subject of this third session of the Fifth Ottawa Group Meeting.

3. During the same February meeting, the IWGPS also agreed to begin a second project to produce a manual on international best practice for compilation of the Producer Price Index, with IMF as the coordinating agency. The most recent international PPI guidance is the *Manual on Producers' Price Indices for Industrial Goods* published by the United Nations in 1979, and is in even greater need of updating than the ILO CPI manual. Accordingly, the Fund has undertaken to assemble a Technical Expert Group on the Producer Price Index (TEG-PPI) from NSOs and INOs to oversee authorship of the new PPI manual. To establish a network of communications among TEG-PPI membership, the Fund is arranging to have an electronic discussion facility operational on its website during September 1999, and is considering venues for meetings.

4. In view of the concepts and of the statistical and compilation methodology that are common to all price statistics, the chapter outline and portions of the content of the PPI manual are to closely follow the CPI manual. Accordingly, from its earliest drafts, the CPI chapter outline has been designed with the subsequent PPI manual in mind. The topical coverage of the prospective price statistics manuals comprises four major topics: concepts, collection and compilation methodology, sector-specific issues, and data dissemination. The CPI and PPI have significant areas of overlap in concepts, in methodology, and in dissemination, which the manuals are intended to exploit to the fullest. Consistent with the guidelines laid down in the IWGPS TOR, particular attention will be given in both manuals to (i) adherence to a common technical terminology, and (ii) reference to applicable international standards, including most notably the *System of National Accounts 1993*. There are, of course, aspects of concepts and

¹ The IWGPS comprises the following organizations: the International Labor Organization (ILO), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the Statistical Agency of the European Communities (EUROSTAT), the United Nations Economic Commission for Europe, (ECE), and the World Bank.

² The meeting was held September 24, 1998 at the OECD, Paris. The International Labor Organization (ILO) was designated the Secretariat of the IWGPS at this meeting.

³ The TEG-CPI first met during February 11–12, 1999 at the ECE, Geneva. The IWGPS, in a meeting of its own membership held prior to convening the TEG-CPI during the morning of February 11, agreed to ask Mr. Peter Hill to serve as Editor of the new CPI manual.

collection methodology that are specific to each index, and the sector specific issues for the PPI will cover the production of intermediate and other non-consumption goods and services that are out of scope for the CPI.

5. It is efficient and logical that, wherever possible, the IWGPS and its TEGs coordinate their work with existing major international fora on price statistics methodology. The Ottawa Group is one such forum, particularly for CPI experts, given its principal focus from its inception in 1994 through the current meeting. Indeed, the membership of the current TEG-CPI draws significantly from participants in the Ottawa Group, and this session of its current meeting evidences the conscious effort of the IWGPS to coordinate its work with city groups having relevant areas of interest. Along the same lines, several members of the newly formed TEG-PPI also represent their organizations on the Voorburg Group on Service Statistics as well as on the Ottawa Group.

6. Regarding the TEG-PPI, the following observations could be made regarding this coordination effort:

- Coordination of the work of both of the IWGPS TEGs with that of the Voorburg Group is sensible for issues in price statistics methodology for services.
- Regarding methodology and collection issues, such as elementary aggregation, formula selection, quality adjustment, and maintenance of detailed product specifications, the work of the TEG-PPI would be greatly facilitated by the Ottawa Group establishing a forum for the PPI such as that now provided for the CPI. This might involve including papers from PPI experts as well as CPI experts in methodology sessions, as well as organizing a special session, if needed, on specific issues for products in-scope for the PPI and out-of-scope for the CPI.
- The IWGPS and its TEGs operate with the support of the organizations that send participants to attend their meetings and contribute to the drafting work. It is also important for logistical reasons that the meetings of the IWGPS expert groups in particular be scheduled closely with the meetings of fora of ongoing operational or methodological significance to the participating NSOs and INOs, and to which their price statistics staffs are more or less routinely sent. At the moment, it seems that the Ottawa Group (November 2000 or March 2001, Canberra, Australia) and ECE/ILO Consumer Price Index meetings (November 3–5, 1999, Geneva, Switzerland) are the best such venues for the TEG-CPI. The Voorburg Group (October 11–15, 1999, Christchurch, New Zealand) appears to be such a venue for the TEG-PPI, but for the reasons noted in the previous bullet, the Ottawa Group could easily become an important PPI venue. The Services theme of the next meeting is particularly important and topical for both CPI and PPI compilers.

7. In view of these observations, the following questions arise:

- *Would it be logical for the Ottawa Group to consciously expand its de facto sphere of interest to include the Producer Price Index and provide a forum for the discussion of PPI issues?*
- *Would the Ottawa Group consider including on the program of its next meeting a broadened topic such as “International Manuals in Price Statistics Methodology” during which the activities of both the TEG-CPI and TEG-PPI might be discussed in one or two sessions?*