SPPIs by customer sector

Cross-Cutting Issues (1)

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Paris, France

01 Which SPPIs are required

02 What do NA need as SPPIs

01

- **WHICH SPPIs are required**

- *STS* regulation (1998) required **BtoB,**

- *FRIBS* regulation (2021) mentions **BtoAll**

  INSEE's choice : BtoAll = BtoB + BtoC + BtoX

- NB : European regulations never mention **BtoC** or **BtoX**, but :
  - CPIs could provide BtoC (excluding taxes on products...),
  - BtoC prices are collected when CPIs are not appropriate
  - BtoX vs BtoB only for the domestic market

Main uses of SPPIs:

- Short-term indicator of inflationary trends at national level;

- Indices required by international organizations for economic monitoring and international comparisons

  Eurostat, ECB, IMF (article IV reports), OECD (Economic Outlook) ...

- **Deflators for SPIs and National accounts**

Value indicators can be measured without notions of volume and price.

Volume and price indices are not defined independently
 => they must be consistent with the value indicator

The fundamental equation between evolution indices of value, volume and price is:

$$Ivalue = Ivolume * Iprice$$

System National Account 2008 (SNA) prefers deflation
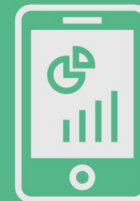(volume obtained by division of value by prices)

Ensuring:

- a better accounting of "volume" variation by dividing (deflating) the value change by appropriate prices Indices (15.103)

- a better measurement of price evolution according to the correlation of prices between products of a same group ...

  More importantly, the volume changes associated with new and disappearing products can be properly reflected when current values are deflated by prices indices. (15.104)
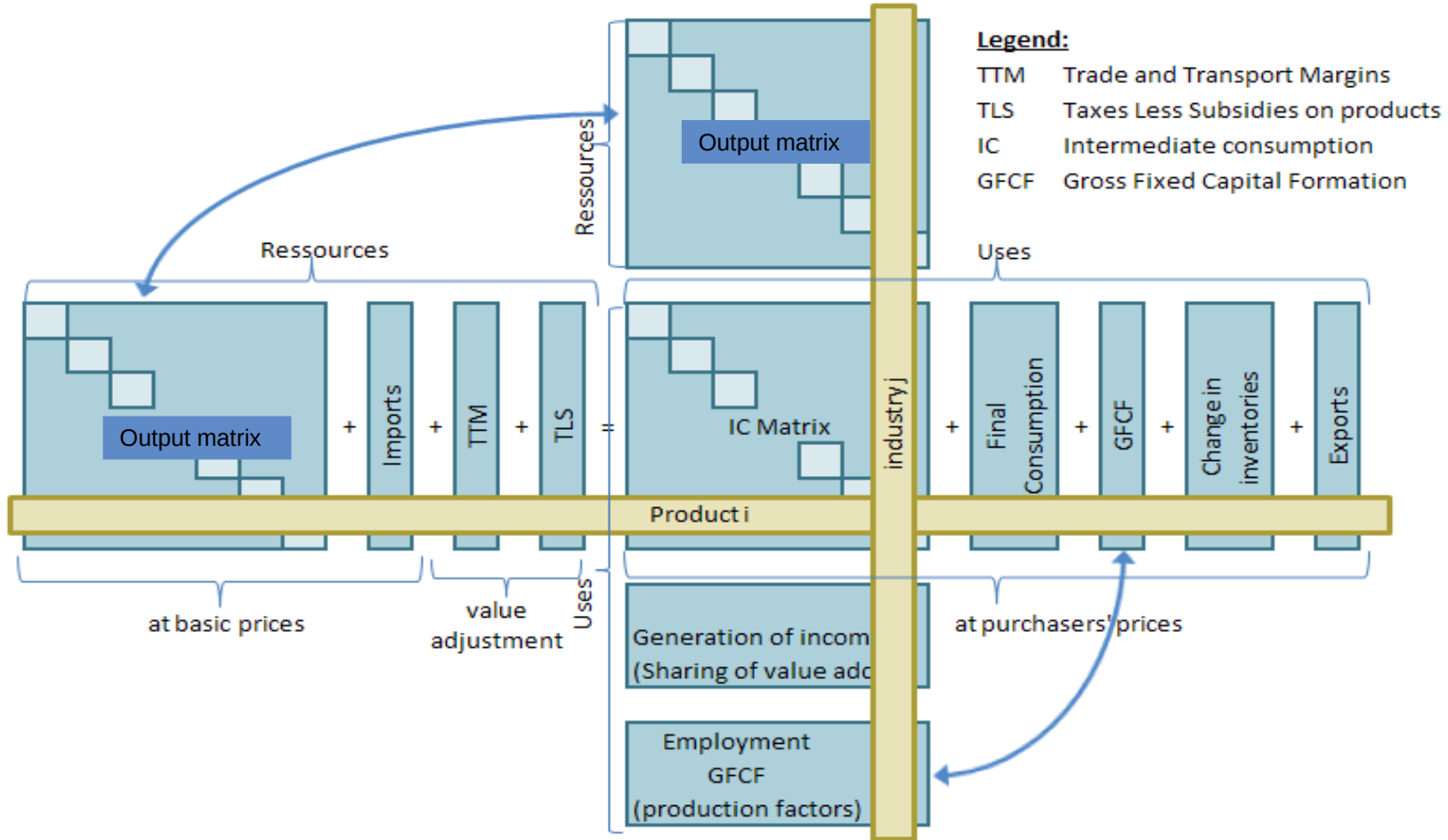
02 WHAT NA NEED AS SPPIs

Legend:
TTM — Trade and Transport Margins
TLS — Taxes Less Subsidies on products
IC — Intermediate consumption
GFCF — Gross Fixed Capital Formation

Output matrix

Ressources

Uses

Ressources

Output matrix + Imports + TTM + TLS = IC Matrix + Final Consumption + GFCF + Change in inventories + Exports

Product i

industry j

at basic prices

value adjustment

Uses

at purchasers' prices

Generation of incom
(Sharing of value add

Employment
GFCF
(production factors)

1st way to calculate Value added in Volume : using only PPI by product (SPPIs_B2All are sufficient ...)

1. The output matrix is deflated by row, using the corresponding PPIs (SPPIs)

    => total volume output by "industry" (at year Y-1 price),

2. Define the Intermediate Consumptions (IC) Matrix year Y in volume,
    from the IC Matrix Y-1 in value and the evolution of the volume of output in
    volume of year Y, by "industry"

    => by industry, Value Added (Y, vol) = Output (Y, vol) - IC (Y, vol)

But … a IC matrix (Y, value) is missing for the next year calculations !

Insee — Measuring, understanding

2nd way to calculate VA in Volume: "expenditure approach"

PPIs by customer sectors provide deflators of the different expenditure agregates by "industry":

P	+ M	+ TTM	+ T-L	=	IC	+ FC	+ GFCF	+ X
Production	Imports	Transport and trade margins	Taxes less subsidies on products		Intermediate Consumption		Gross fixed capital formation	Exports
						Final Consumption		

P	+ M	+ T-L	=	IC	+ FC	+ GFCF	+ X
B to All	Import price ?	Implicit breakdown between volume and price relying on the uses side		B to B	B to C	B to B	B to E

In the "expenditure approach":

National Accountants would appreciate a framework more similar to goods, with a price indicator for output ("SPPI BtoAll"), another for IC or GFCF ("SPPI BtoB"), a CPI or "SPPI BtoC" for final consumption, and "SPPI BtoX" for exports.

Moreover, Consumer Price Indices (CPIs) are the main price indicators, the most significant for GDP expenditures approach, and it is very delicate not to respect them totally.

If NA are recognized as the main user of SPPIs:

- NA should be the source of SPPIs weights,

- The definitions of many SPPIs by customer has to be clarified,

- International trade of services as the new frontier of SPPIs …

And also, Imported Service Price Indices would be appreciated

Thanks for your attention !

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