

Statistical bulletin

Services producer price inflation, UK: October to December 2014

A measure of inflation for the UK service sector based on changes in the price received for selected services provided by UK businesses to other UK businesses and government.



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1 . Key points

- The price of services sold by UK companies, as estimated by the aggregate Services Producer Price Index, increased 0.4% in the year to quarter 4 of 2014, compared with an increase of 1.4% in the year to quarter 3 of 2014
- Between quarter 3 and quarter 4 of 2014 the aggregate SPPI fell 0.1%, compared with an increase of 0.1% between quarter 2 and 3
- Professional, Scientific & Technical Activities and Transportation & Storage made the greatest upward contributions to the annual rate of inflation, partially offset by a fall in prices for Information and Communication Services
- Real Estate Activities showed the largest increase in prices with prices increasing by 3.5% in the year to quarter 4 of 2014

2 . What is Services Producer Price Inflation?

The [Services Producer Price Index \(SPPI\)](#) provides a measure of inflation for the UK service sector. It is constructed from a statutory quarterly survey which measures changes in the price received for selected services provided by UK businesses to other UK businesses and government. Individual SPPIs are available which provide information on price change for a selection of service industries. These individual price indices are also aggregated together to create a service industry SPPI with limited coverage (it does not provide full coverage of the 'service sector').

The primary use of the SPPI is as a deflator in the UK National Accounts. However, it is also important as an inflationary measure to inform monetary policy and to account for inflation in long-term service procurement contracts. For more information on the use made of SPPI please see the separate document [Users of Services Producer Price Indices data \(67.2 Kb Pdf\)](#).

The figures presented in this Statistical Bulletin are considered provisional for the latest two quarters (quarter 3 and quarter 4 of 2014) and may be revised as late data is received.

None of the indices presented in this Bulletin are seasonally adjusted.

Coverage of SPPI

The service sector currently accounts for around 78% of the UK economy based on its weight in Gross Domestic Product (GDP). ONS does not currently produce an SPPI for every industry in the service sector and so the aggregate SPPI is a partial, best estimate, of the overall inflation to UK businesses in the service sector. Currently, ONS estimates that the SPPIs presented in this statistical bulletin represent 59% of the total service sector at industry level. The SPPI's coverage of the service sector at SIC class, division and section level is available in the [SPPI Coverage Document](#). As resources allow, ONS will continue to review the existing SPPIs and expand coverage through developing SPPIs for new industries. As such, the aggregate SPPI will change composition from time to time but will always remain ONS' best estimate of inflation in the UK service sector. The fact that coverage may change over time should be considered by users when deciding which indices best meet their needs.

Newly developed SPPIs

A development project to increase the industrial coverage of the SPPI took place between 2009 and 2012 and has resulted in the development of eight new SPPIs. These are:

- accountancy services
- legal services
- architectural services
- engineering services
- cargo handling services
- advertising services
- business management consultancy
- storage and warehousing

Since their development, these indices have been [published as experimental series](#). Since the 2013 Q4 release, these indices are no longer published separately but are instead included in this release and make up part of the aggregate SPPI. The inclusion of these new indices has changed the composition of the aggregate SPPI, increasing the coverage of the service industry and improving the measure. Further information about the impact of adding these new indices to the aggregate can be found in the [2013 Q4 Statistical Bulletin](#).

All of the statistics contained in this release are official statistics. However, since these newly developed series have not yet undergone a full assessment against the [Code of Practice for Official Statistics by the UK Statistics Authority](#) they cannot currently be labelled as National Statistics.

3 . Summary

Between mid 2005 and mid 2008, the annual rate of inflation in the service sector, as estimated by the aggregate SPPI, rose steadily from an annual rate of 1.3% in quarter 2 of 2005 to a peak of 3.7% during quarters 1 and 2 of 2008. At the end of 2008, the rate of inflation fell rapidly, from annual inflation of 3.6% in quarter 3 of 2008 to deflation (prices lower than they were in the same quarter of the previous year) of 1.6% in quarter 3 of 2009.

The annual rate of inflation began to increase at the end of 2009, reaching its post-economic downturn high of 1.8% in quarter 2 of 2010. Since mid 2010, inflation has tended to remain relatively steady at around 1%. In quarter 4 of 2014, prices increased by 0.4%, this is the smallest increase in prices seen since the economic downturn of 2008/09 (Figure A).

Looking at the latest estimates (Table A) of the aggregate SPPI for quarter 4 of 2014, the main movements were as follows:

- Prices charged by UK service providers increased 0.4% in the year to quarter 4 of 2014, down from an increase of 1.4% in quarter 3 of 2014
- The main upward contributions to the annual rate came from increases in the prices charged for Professional, Scientific & Technical Activities and Transportation & Storage services but these were partially offset by falls in the price of Information & Communication services
- Service prices fell 0.1% between quarter 3 and quarter 4 of 2014, compared with an increase of 0.1% between quarter 2 and 3 of 2014
- The main downward contribution to the quarterly rate of inflation came from Accommodation & Food
- Real Estate Activities showed the greatest increase in prices, with prices up 3.5% in the year to quarter 4 of 2014 compared with an increase of 3.1% last quarter

Table A: Output Prices (Gross Sector) - Aggregate SPPI

Quarter 4 2014, United Kingdom

		Percentage change	
		Year	Quarter
2012	Q3	1.5	0.2
	Q4	1.5	0.4
2013	Q1	1.5	0.4
	Q2	0.8	-0.2
	Q3	0.8	0.2
	Q4	1.3	0.9
2014	Q1	0.9	0
	Q2	1.5	0.4
	Q3	1.4	0.1
	Q4	0.4	-0.1

Source: Services Producer Price Index (SPPI) - Office for National Statistics

Notes:

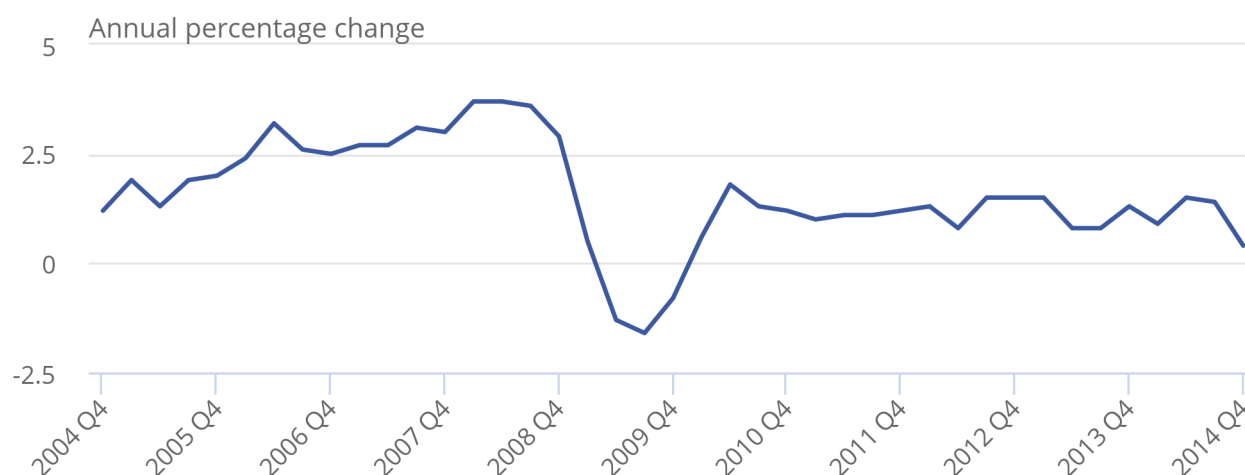
1. The aggregate SPPI is calculated on a gross sector basis
2. The aggregate SPPI is an aggregate of the individual industry level SPPIs (excluding Financial Intermediation) published in the SPPI Statistical Bulletin. It does not provide full coverage of the service sector
3. Not all of the industry level SPPIs used to construct the aggregate SPPI are National Statistics

Figure A: Aggregate Services Producer Price Index

United Kingdom

Figure A: Aggregate Services Producer Price Index

United Kingdom



Source: Services Producer Price Index (SPPI) - Office for National Statistics

Notes:

1. The aggregate SPPI is calculated on a gross sector basis
2. The aggregate SPPI is an aggregate of the individual industry-level SPPIs (excluding Financial Intermediation) published in the SPPI Statistical Bulletin. It does not provide full coverage of the service sector
3. Not all of the industry-level SPPIs used to construct the aggregate SPPI are National Statistics

4 . Annual inflation

The aggregate SPPI increased by 0.4% in the year to quarter 4 of 2014, down from a rise of 1.4% in the year to quarter 3 of 2014. Of the ten sections (as defined by the [Standard Industrial Classification](#)) that are combined to form the aggregate SPPI, six showed price increases.

The main upward contributions to the annual rate of the aggregate SPPI came from Professional, Scientific & Technical Activities, which increased 1.6% in the year to quarter 4 of 2014 (up slightly from an increase of 1.5% last quarter) and Transportation & Storage, which increased by 2.0% in the year to quarter 4 of 2014 (up from a rise of 1.4% last quarter). These increases were partially offset by a fall in the price of Information & Communication services where prices fell by 1.8% in the year to quarter 4 of 2014 (down from there being no movement last month) and Accommodation & Food where prices decreased 3.1% in the year to quarter 4 of 2014 (down from an increase of 5.2% last quarter). (Table B and Figure B).

Real Estate Activities showed the largest increase in prices (Table B), with an annual rate of inflation of 3.5% in quarter 4 of 2014, up from a rate of 3.1% last quarter.

Table B: Growth in annual SPPI to Quarter 4 2014 (percentage change, latest quarter on corresponding quarter of previous year)

United Kingdom	
Section	Annual percentage change
Water Supply, Sewerage & Waste Management	-2
Repair & Maintenance of Motor Vehicles	2.3
Transportation & Storage	2
Accommodation & Food	-3.1
Information & Communication	-1.8
Real Estate Activities	3.5
Professional, Scientific & Technical Activities	1.6
Administrative & Support Services	-0.5
Education	0.3
Other Services	0.7
Aggregate SPPI	0.4

Source: Services Producer Price Index (SPPI) - Office for National Statistics

Notes:

1. The section level SPPIs are an aggregate of individual industry level SPPIs (excluding Financial Intermediation) published in the SPPI Statistical Bulletin. They do not provide full coverage of the service sector

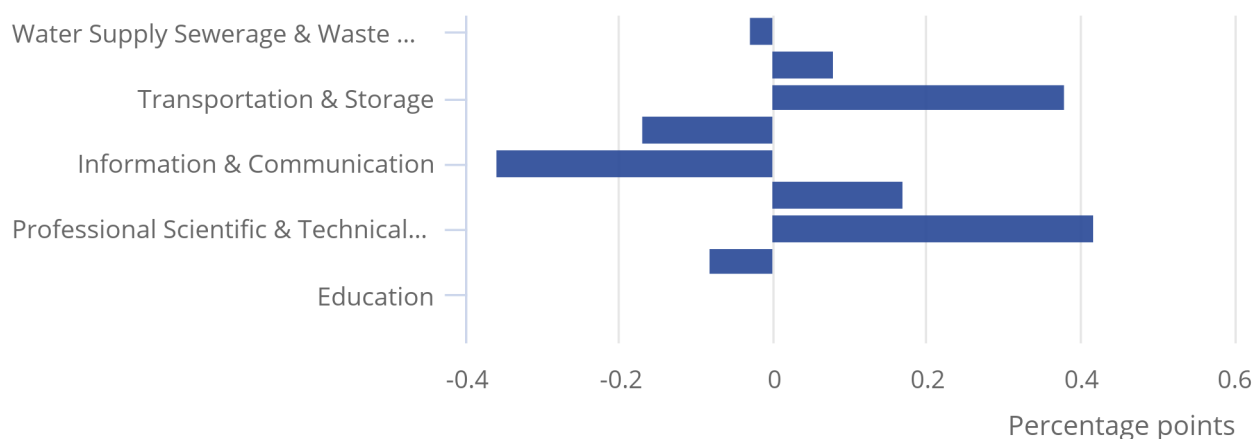
2. Not all of the industry level SPPIs used to construct the section level SPPIs are National Statistics

Figure B: Contribution to annual growth rate (0.4%), Quarter 4 2014

United Kingdom

Figure B: Contribution to annual growth rate (0.4%), Quarter 4 2014

United Kingdom



Source: Services Producer Price Index (SPPI) - Office for National Statistics

Notes:

1. The section-level SPPIs are an aggregate of individual industry-level SPPIs (excluding Financial Intermediation) published in the SPPI Statistical Bulletin. They do not provide full coverage of the sections listed
2. Not all of the industry-level SPPIs used to construct the section-level SPPIs are National Statistics

The main upward contribution to the aggregate SPPI came from Professional, Scientific & Technical Activities where prices increased by 1.6% in the year to quarter 4 of 2014. This was mainly caused by an increase in the prices charged by UK business for Accountancy services. Accountancy services prices increased by 4.0% in the year to quarter 4 of 2014, compared with an increase of 3.6% last quarter. This increase is mainly a result of Audit & Assurance services where prices have increased by 3.7% in the year to quarter 4 of 2014, up slightly from an increase of 3.6% last quarter. Sufficient demand for these services has meant that Accountancy companies have felt able to increase the prices they charge to their clients at the end of 2014.

An increase in prices for Transportation & Storage also had a notable upward contribution to the annual rate of inflation seen in the aggregate SPPI. Prices increased by 2.0% in the year to quarter 4 of 2014, up from an increase of 1.4% last quarter. This was caused mainly by an increase in the price of Business Air Fares, where prices increased by 5.1% in the year to quarter 4 of 2014, up slightly from an increase of 3.8% last quarter (Figure C), as a result of increases in long-haul, European and domestic fare prices. Price increases for National Post Parcels (up 4.6% in the year to quarter 4 of 2014, unchanged from last quarter) and Commercial Vehicle Ferries (up 12.5% in the year to quarter 4 of 2014, down from 13.1% last quarter) also made a significant contribution to the annual rate of inflation seen for Transportation & Storage Services.

The increases seen in Professional, Scientific & Technical Activities and Transportation & Storage were partially offset by a fall in the prices charged for Information & Communication services where prices fell 1.8% in the year to quarter 4 of 2014, down from there being no movement in price seen last quarter. This is mainly a result of a fall in prices for Telecommunications where prices fell by 8.3% in the year to quarter 4 of 2014, down from a fall of 2.4% last quarter. The falling cost of mobile phone calls, in particular when roaming abroad, has contributed to this increase.

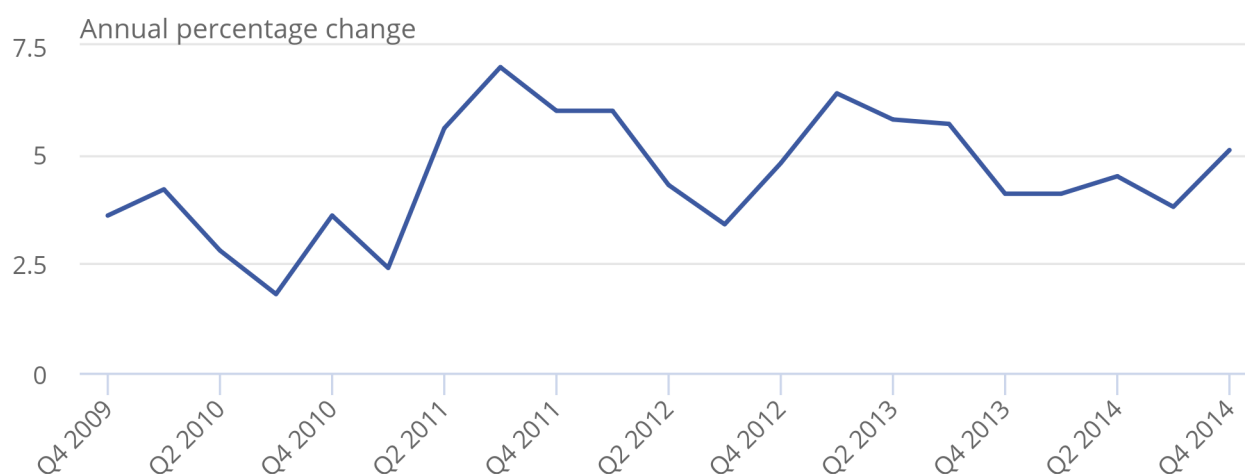
Real Estate Activities prices increased by 3.5% in the year to quarter 4 of 2014, up from an increase of 3.1% last quarter. This was caused by an increase in the fees received by Estate Agents, which rose by 8.9% in the year to quarter 4 of 2014, up from an increase of 8.0% in the year to quarter 3 2014. Price rises were mainly seen for the service of letting offices and were as a result of increases in property values rather than an increase in the percentage fee charged by the Estate Agent (Figure D).

Figure C: Services Producer Price Index for Business Air Fares, Quarter 4 2014

United Kingdom

Figure C: Services Producer Price Index for Business Air Fares,
Quarter 4 2014

United Kingdom



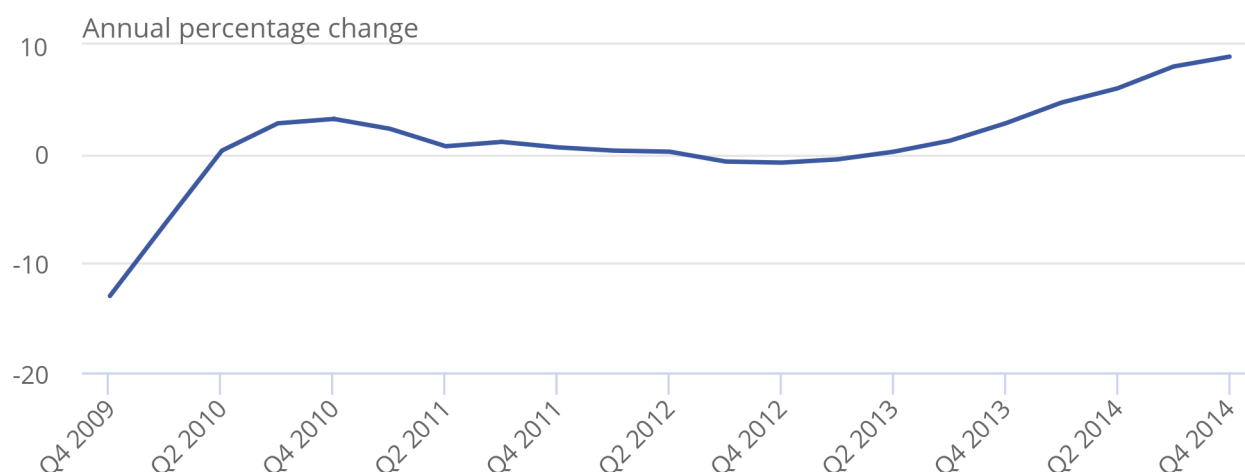
Source: Services Producer Price Index (SPPI) - Office for National Statistics

Figure D: Service Producer Price Index for Estate Agent Activities, Quarter 4 2014

United Kingdom

Figure D: Service Producer Price Index for Estate Agent Activities, Quarter 4 2014

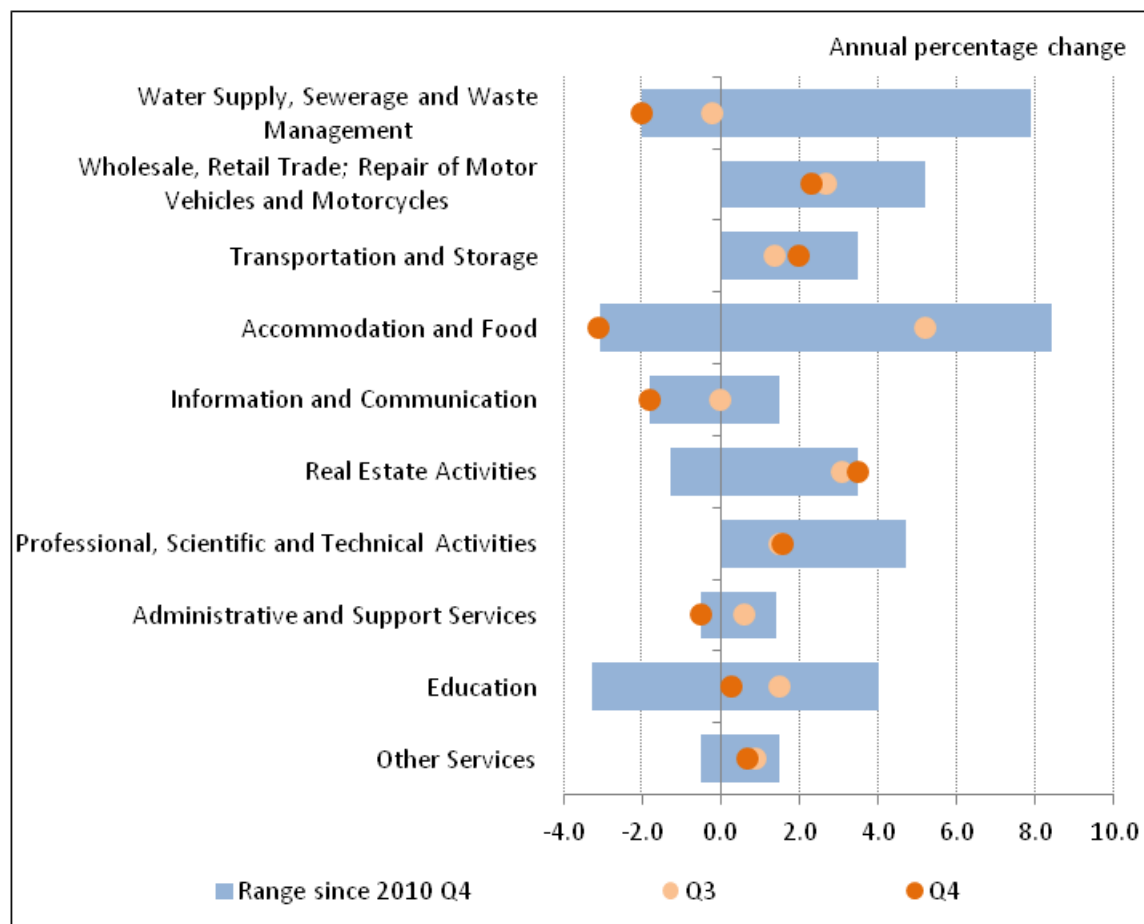
United Kingdom



Source: Services Producer Price Index (SPPI) - Office for National Statistics

Examining inflation for each of the sections that are combined to form the aggregate SPPI reveals a diverse set of trends. Figure E shows both the range of annual inflation rates experienced by each of the sections since Q4 of 2010 and the annual rate of inflation for the two most recent quarters. Looking at the most recent quarters, eight of the ten sections saw a fall in the annual inflation rate between Q3 and Q4 2014, suggesting that the fall in the aggregate SPPI inflation in Q4 2014 was widely based. In addition, four of the sections now stand at a four year low, while around eight of the industries have relatively low inflation compared to recent experiences, mirroring the relative low of the headline figure of 0.4%.

Figure E: Services Producer Price Index by Section



Source: Services Producer Price Index (SPPI) - Office for National Statistics

One long-term trend is the difference across sections in the range of inflation rates experienced since 2010 Q4. Education, Accommodation & Food, and Water Supply, Sewerage, & Waste Management have experienced a relatively wide range of inflation rates over this period. Although all sections have experienced some variance in inflation, certain industries have experienced inflation consistently higher than others. Wholesale, Retail Trade & Repair of Motor Vehicles and Motorcycles has not experienced inflation lower than 1.7% at any point in the past four years, while Other Services, Administrative and Support Services, and Information & Communication have not experienced inflation higher than 1.5%.

5 . Quarterly inflation

Prices received for the services included in the aggregate SPPI fell 0.1% between quarter 3 and 4 of 2014, down from an increase of 0.1% seen between quarter 2 and 3. Of the ten sections that make up the aggregate SPPI, half showed a fall in prices between quarter 3 and quarter 4 of 2014.

The main contribution to the negative quarterly rate came from Accommodation & Food, which fell by 2.4% between quarter 3 and quarter 4 of 2014. This was partially offset by an increase in prices for Professional, Scientific & Technical Activities which increased by 0.4% between quarter 3 and quarter 4 of 2014 (Table C and Figure F).

Table C: Growth in quarterly SPPI to Quarter 4 2014 (percentage change, latest quarter on previous quarter)

United Kingdom

Section	Quarterly percentage change
Water Supply, Sewerage & Waste Management	-1.6
Repair & Maintenance of Motor Vehicles	0.4
Transportation & Storage	0.3
Accommodation & Food	-2.4
Information & Communication	-0.3
Real Estate Activities	0.9
Professional, Scientific & Technical Activities	0.4
Administrative & Support Services	0.1
Education	-1.2
Other Services	-0.2
Aggregate SPPI	-0.1

Source: Services Producer Price Index (SPPI) - Office for National Statistics

Notes:

1. The section level SPPIs are an aggregate of individual industry level SPPIs (excluding Financial Intermediation) published in the SPPI Statistical Bulletin. They do not provide full coverage of the service sector

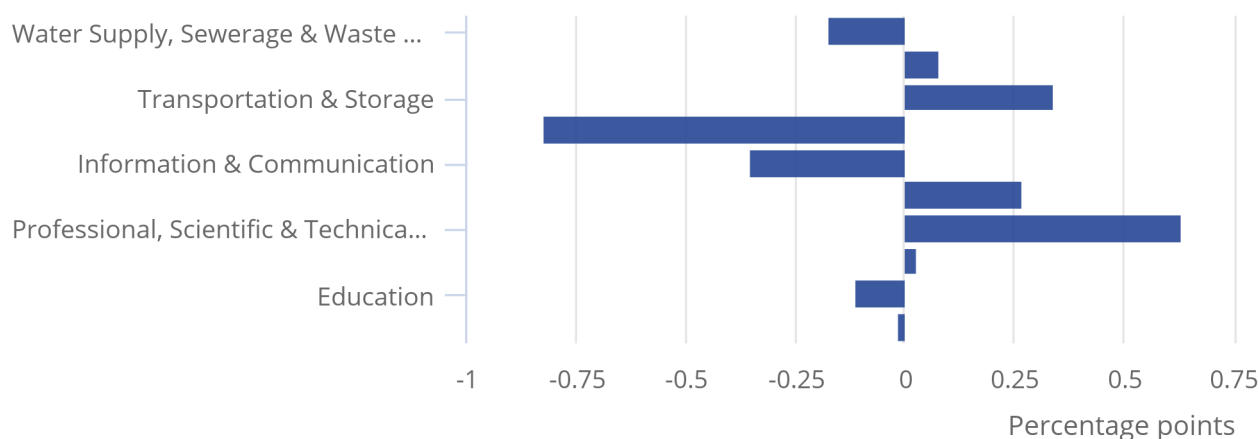
2. Not all of the industry level SPPIs used to construct the section level SPPIs are National Statistics

Figure F: Contribution to quarterly growth rate (-0.1%), Quarter 4 2014

United Kingdom

Figure F: Contribution to quarterly growth rate (-0.1%), Quarter 4 2014

United Kingdom



Source: Source: Services Producer Price Index (SPPI) - Office for National Statistics

Accommodation & Food prices fell 2.4% between quarter 3 and 4 of 2014, compared with a fall of 0.4% last quarter. The main contribution to the current quarterly rate came from Hotel prices which fell 4.7%, compared with a decrease of 0.3% between quarter 2 and quarter 3 of 2014. This was as a result of less demand for conferencing facilities (Figure G).

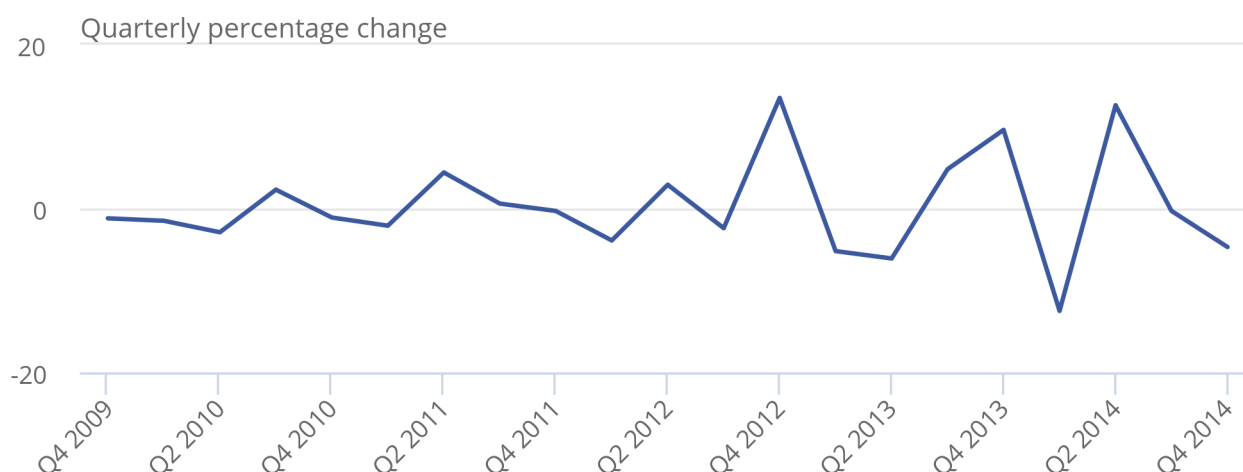
This decrease was partially offset by a rise in prices for Professional, Scientific & Technical Activities where prices increased by 0.4% between quarter 3 and 4 of 2014, up from an increase of 0.2% between quarters 2 and 3. Within Professional, Scientific & Technical Activities the main contributions to the quarterly rate came from Accountancy and Legal Services, where prices rose by 1.4% and 1.3% between quarters 3 and 4 respectively. The increase in the prices received for UK Accountancy services was a result of an increase in the fees charged for audit and assurance services and tax consultancy. For Legal Services, it was an increase in fees for Business & Commercial Legal Advisory & Representation.

Figure G: Services Producer Price Index for Hotels, Quarter 4 2014

United Kingdom

Figure G: Services Producer Price Index for Hotels, Quarter 4 2014

United Kingdom



Source: Services Producer Price Index (SPPI) - Office for National Statistics

6 . Economic context

Comparison with average weekly earnings

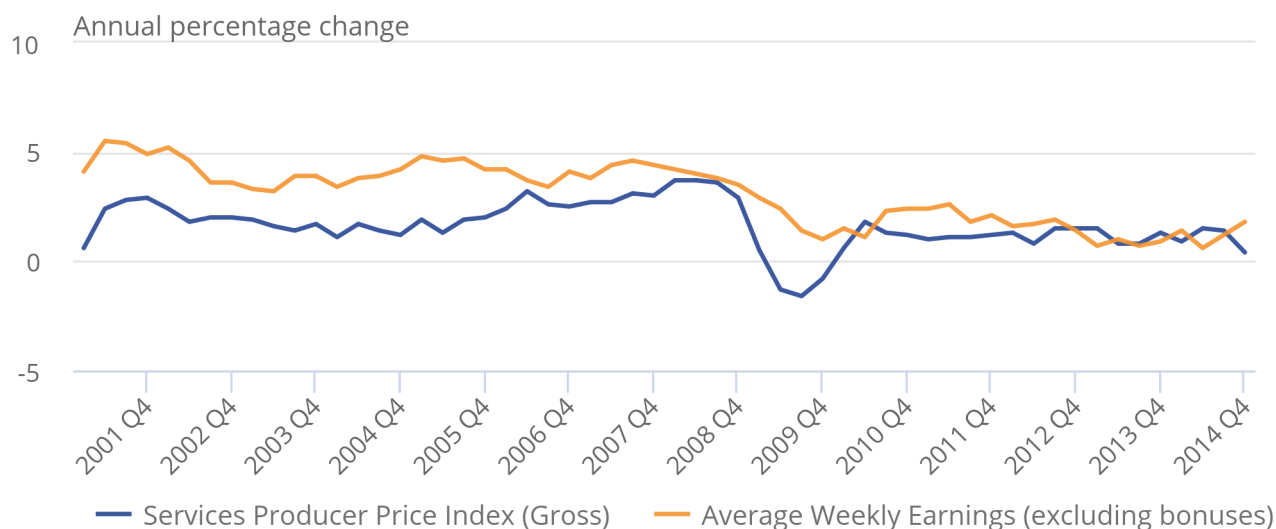
The aggregate SPPI captures changes in the prices received by UK business for the provision of a selection of services to other UK businesses and the public sector. For many services, it is the cost of manpower that is the largest component of the price charged by businesses for providing the service, rather than the cost of goods or fuels. As a result, it is expected that the price charged for services should move in a similar way to the wages received by the UK workforce. Figure H shows a comparison of the annual percentage change of the fees received by UK businesses for the provision of services, as estimated by the aggregate SPPI, with an indicator of salaries received by the UK workforce who are employed in the service sector, as estimated by the [Average Weekly Earnings \(AWE\)](#) 'Services' pay index excluding bonuses.

Figure H: Comparison of Services Producer Price Index and 'Services' Average Weekly Earnings Index

United Kingdom

Figure H: Comparison of Services Producer Price Index and 'Services' Average Weekly Earnings Index

United Kingdom



Source: Services Producer Price Index (SPPI), Labour Force Survey - Office for National Statistics

Notes:

1. The aggregate SPPI includes the Water Supply; Sewerage & Waste Management sector not included in the AWE
2. The AWE index includes Financial & Insurance Activities, Public Administration & Defence: Compulsory Social Security, Human Health & Social Work Activities & Arts, Entertainment & Recreation sectors not included in the SPPI

As would be expected, the annual percentage change for AWE services follows a similar pattern to the SPPI. From 2001 to late 2008, both the AWE for services and the aggregate SPPI show similar trends, although AWE growth was significantly stronger. During the economic downturn in 2008/09 the rate of growth in both wages and service prices slowed dramatically. However while prices received for services started to fall in 2009, wages continued to grow compared with a year earlier, albeit at a much lower rate. Since quarter 4 of 2010 both AWE and the aggregate SPPI have shown lower growth than before the economic downturn and recently the gap between them has narrowed. In the last two years the AWE services and SPPI indices have both shown growth of around 1%.

Comparison with Consumer Prices Index

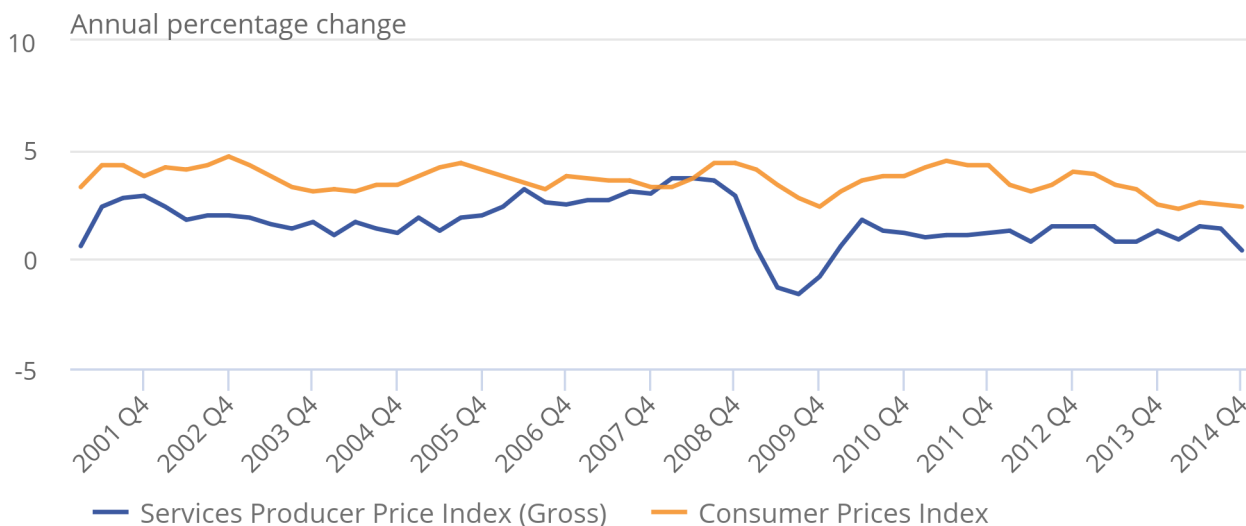
While the SPPI measures the amount received by a company for services they've provided to other businesses, the prices paid by households is estimated by the Consumer Prices Index (CPI). While the costs associated with providing services to both businesses and households will be broadly similar, there may be different costs associated with providing services to different customers. Figure H shows a comparison with the 'All Services' sector of the [Consumer Prices Index \(CPI\)](#) which measures the prices paid for services by households.

Figure I: Comparison of Services Producer Price Index and 'All Services' Consumer Prices Index aggregate

United Kingdom

Figure I: Comparison of Services Producer Price Index and 'All Services' Consumer Prices Index aggregate

United Kingdom



Source: Services Producer Price Index (SPPI) - Office for National Statistics

Notes:

1. SPPI measures changes in the price received by a company, CPI measures changes in the price paid by a consumer. Therefore CPI figures may include taxes and fees that are not retained by the service provider
2. SPPI measures the price received for services provided by UK based suppliers only, excluding imports from non-UK suppliers. CPI aims to measure the price paid by consumers in the UK, who may use non-UK based suppliers
3. SPPI uses Standard Industrial Classification 2007 (SIC 07) to produce its aggregate, CPI uses Classification of Individual Consumption according to Purpose (COICOP). This means that the structure of each index may not always correlate at more detailed levels

Generally inflation in the CPI 'All Services' index runs at a higher rate than the SPPI. Between late 2005 and 2008 the gap between the SPPI and CPI annual rate of inflation narrowed before widening again from 2009 to present. During the economic downturn in 2008/09 the annual rate of inflation for both indices decreased, with prices falling by as much as 1.6% for services sold by UK businesses while the prices paid by households continued to grow, although at a much lower rate, reaching a low of 2.8% in quarter 1 of 2010. Since quarter 4 of 2010 both indices have shown growth however the SPPI has shown significantly lower growth than CPI.

Other measures of service sector inflation

There are other measures of service sector inflation available such as the Chartered Institute of Procurement & Supply (CIPS) Purchasing Managers Index and the Confederation of British Industry (CBI) Service Sector Survey. There are significant methodological differences between these surveys and SPPI, therefore direct comparisons cannot be made.

7 . International comparison

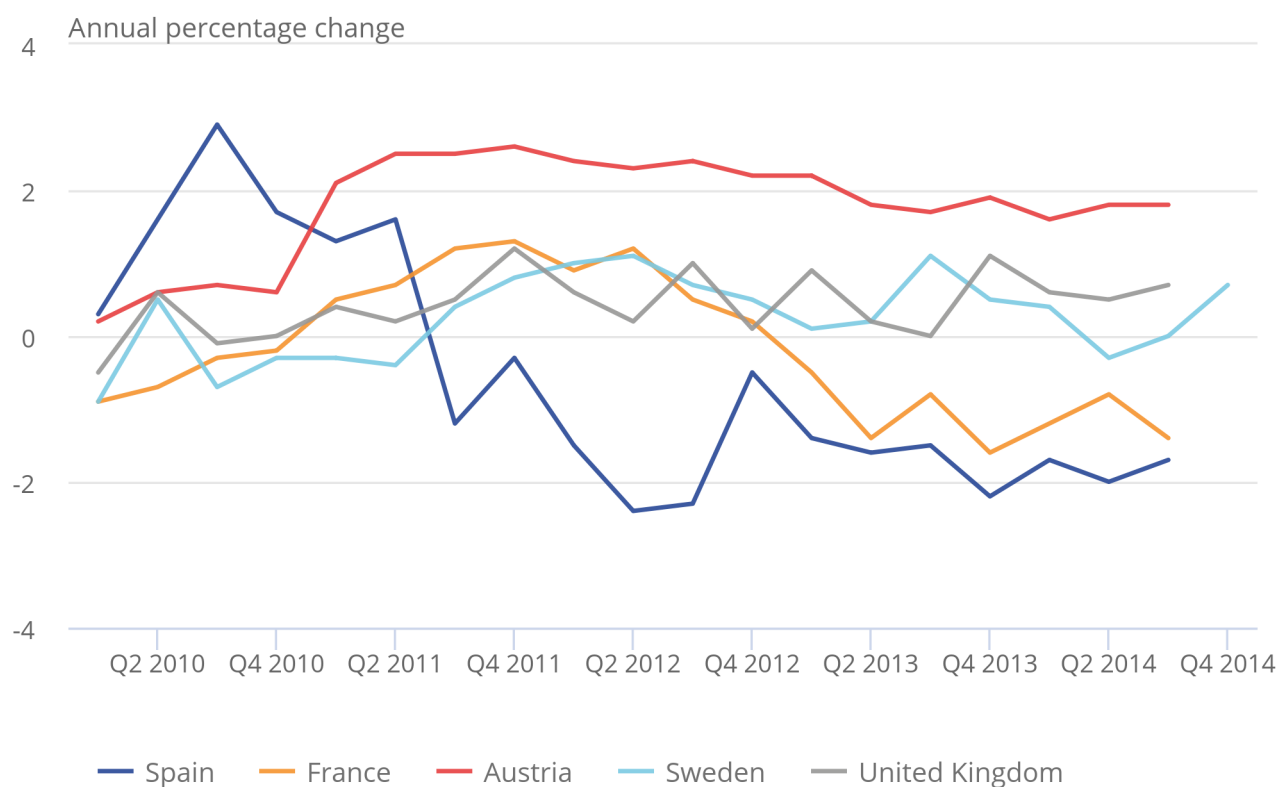
All countries within the European Union are required to produce a measure of inflation for the service sector under the Short Term Statistics Regulation. Figure J shows the growth rates of service producer prices for a selection of EU countries since Q1 2010. The United Kingdom and Sweden recorded largely stable service producer price indices, growing by 2.4% and 0.9% respectively over the total period, whereas Austrian prices increased more rapidly. These experiences contrast with France and Spain, where SPPI inflation have been negative since 2011 Q2 in the case of Spain and Q1 2013 for France.

Figure J: SPPI International Comparison

United Kingdom

Figure J: SPPI International Comparison

United Kingdom



Source: Eurostat

Notes:

1. The UK growth in this chart does not match that published as the Aggregate Gross Sector SPPI. This is because the indices shown in this comparison only include sections G to N, as per the Standard Industrial Classification 2007 (SIC 07). The aggregate Gross Sector SPPI also includes industries classified to Sections E and G of SIC 07. A full list of all SIC codes included can be found in the SPPI Coverage document

8 . Net sector aggregate

At the aggregate level, both a net and gross sector Services Producer Price Index is produced. The prices used to construct both of these indices are the same but different weights are used to construct the net sector index compared with the gross sector.

Summary of net sector movements

In quarter 4 of 2014, movements in the net sector aggregate SPPI were as follows:

- Annual inflation rose 0.6%, down from 1.3% in quarter 3 of 2014
- Between quarter 3 and 4 of 2014 quarterly inflation stood at 0.0%, compared with an increase of 0.1% between quarter 2 and 3 of 2014

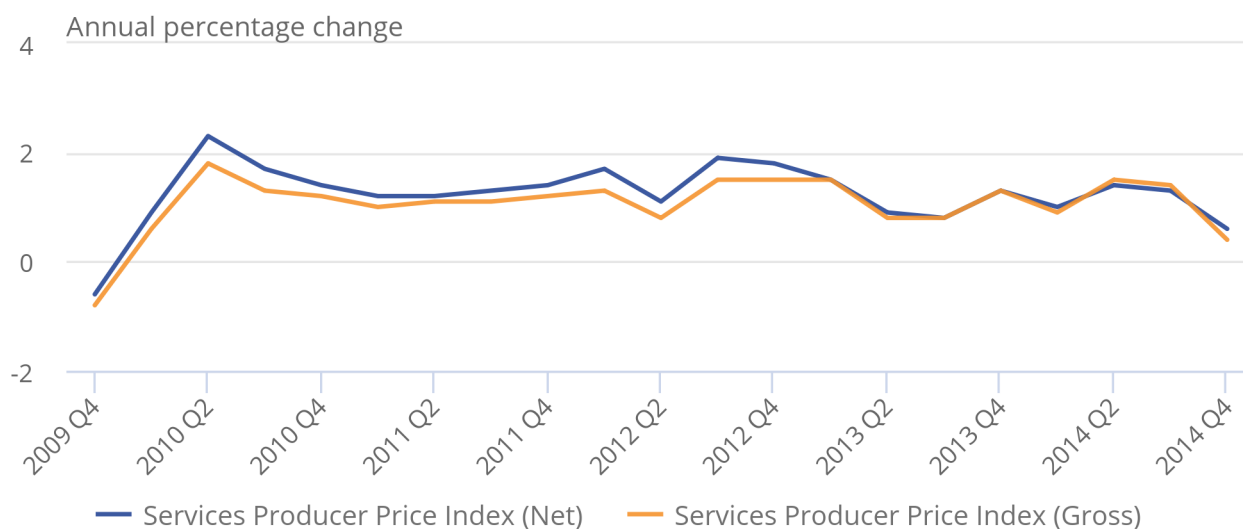
Generally, the movements of the net sector aggregate SPPI are similar to those of the gross sector indices with the net sector aggregate tending to inflate at a slightly higher rate than the gross sector indices (Figure K).

Figure K: Aggregate Services Producer Price Index (Net & Gross)

Source: Services Producer Price Index (SPPI) - Office for National Statistics

Figure K: Aggregate Services Producer Price Index (Net & Gross)

Source: Services Producer Price Index (SPPI) - Office for National Statistics



Notes:

1. The aggregate SPPI is an aggregate of the individual industry-level SPPIs (excluding Financial Intermediation) published in the SPPI Statistical Bulletin. It does not provide full coverage of the service sector
2. Not all of the industry-level SPPIs used to construct the aggregate SPPI are National Statistics

9. Background notes

1. How are we doing?

We are constantly seeking to improve this release and welcome feedback from our users to help us achieve this. If you have any comments on the format, layout or content of this release please let us know. We would also be interested in knowing how you use these data to inform your work. Please email us: sppi@ons.gsi.gov.uk.

2. Analysis of Service Producer Price Indices using standard errors

To help users quantify the uncertainty around the estimates of service sector inflation, we plan to calculate standard errors for SPPI. We will present the results of our analysis in an article published in August 2015.

3. Coverage of SPPI

The SPPI is a measure of inflation for the UK service sector; however prices are not collected from Northern Ireland for any of the service industries which are collected as part of the quarterly survey. This is because the Statistics of Trade Act which makes the SPPI survey mandatory does not extend to Northern Ireland. The omission of prices from Northern Ireland means that the SPPI makes the assumption that prices received by companies in Northern Ireland change at the same rate as prices in the rest of the UK.

4. Re-assessment by the UK Statistics Authority

SPPI has recently undergone a routine re-assessment by the [UK Statistics Authority](#) against the [Code of Practice for Official Statistics](#). The final [assessment report](#) is now available.

5. Finding SPPI data

All of the data included in this Statistical Bulletin, alongside data for the full range of SPPIs, is available in the associated [Reference Table \(454 Kb Excel sheet\)](#) or can be downloaded from the [Time Series Dataset](#) for SPPI. Each SPPI has two unique identifiers: a 10-digit index number which relates to the [Standard Industrial Classification](#) code appropriate to the index; and a 4-character alpha-numeric code which can be used to find series when using the Time Series Dataset for SPPI. [SPPI records \(76 Kb Excel sheet\)](#) which show higher, lower or equal to movements, are also available to view or download.

6. Article about rebasing the PPI and SPPI onto 2010=100

As previously announced, ONS has been taking forward the rebasing of PPI and SPPI onto a 2010=100 basis. SPPI has been published on a 2010=100 basis, which was first released on 26 February 2014. A parallel run has been conducted to compare 2010=100 index values with 2005=100, analysing trends in the process. This parallel run will form an assessment of the impact of rebasing. An article Services Producer Price Index Rebasing (2010=100) describing the results of this assessment is published alongside this release. If you have any questions or queries regarding the impact of rebasing on SPPI data, please contact [SPPI](#).

7. Quality and methods

A [Quality and Methodology Information \(QMI\)](#) paper is available for the SPPI which describes how the statistics presented in this Statistical Bulletin are produced and provides information on the quality of the statistics. Detailed information on the methods used to compile the [SPPI is available in the SPPI Manual \(241.6 Kb Pdf\)](#).

8. Guidance for users

The SPPI is calculated on a 'Business to Business' basis. This means that only transactions between UK businesses and other UK businesses or government are included. Sales made to customers outside of the UK or to members of the public are excluded.

Index numbers shown in this Statistical Bulletin are on a gross sector basis unless otherwise stated. This means that they include transactions between UK service sector businesses and all other UK businesses and government.

Indices relate to average prices per quarter. The full effect of a price change occurring within a quarter will only be reflected in the index for the following quarter. All index numbers exclude VAT and are not seasonally adjusted. Since SPPIs exclude VAT, they are not affected by the increase in the standard rate of VAT to 20% from 4 January 2011.

9. Definitions

Gross and net sector series

All figures presented in this statistical bulletin are calculated on a gross sector basis unless otherwise stated.

Gross Sector Output (GSO) series - calculated using weights based on sales to UK businesses and government from all transactions within the UK. This index reflects the 'service sector' inflation experienced by all UK businesses.

Net Sector Output (NSO) series - calculated using weights based on sales to UK businesses and government outside of the service sector. For example, sales of legal services to a UK manufacturing company would be included, but sales to an accountancy company (another service provider) would be excluded. This index gives a measure of inflation that is specific to non-service sector businesses.

GSO weights - For most industries, sales from the Services Turnover Survey (STS) are used to determine their weight into the aggregate SPPI. Where STS data is unavailable, data from the Annual Business Survey is used as a proxy. In order to make the ABS data more comparable to the STS data, an adjustment factor is applied to remove sales attributed to non-service provision. These sales values are then used to calculate the industry weights.

NSO weights - Net Sector weights are calculated by taking the Gross Sector sales data and adjusting them to represent only sales to businesses outside the service sector. This adjustment is made using data from the National Accounts Supply and Use Tables. These tables allow for the calculation of a ratio for each industry that approximates the proportion of sales to non-service sector businesses. This ratio is applied to the Gross Sector sales to give an approximation of the Net Sector sales. The resulting calculated sales are then used to weight the industries into the Net Sector aggregate SPPI.

10. Data sources

The SPPI is compiled using the results of a mandatory survey carried out under the Statistics of Trade Act (1947). To keep the burden on respondents to a minimum, alternative data sources are used to compile the indices wherever possible. Currently six SPPIs are compiled using external data sources, these data sources are:

- property rental payments - Investment Property Databank (IPD)
- financial Intermediation (Banks) - Bank of England (BoE)
- sewerage services - Office of Water Services (Ofwat)
- business rail fares - Office of Rail Regulation (ORR)
- national post parcels - Parcelforce

11. SPPI coverage

ONS does not produce an SPPI for every industry in the service sector and so the aggregate SPPI is a partial, best estimate, of the overall inflation to UK businesses from the service sector. Similarly, the indices published at Section level do not provide full coverage and are the best estimate that can be made of those particular service activities using the data available. As resources allow, ONS will continue to review the existing SPPIs and expand coverage through developing SPPIs for new industries. As such, the aggregate SPPI will change composition from time to time, but will always remain ONS's best estimate of overall inflation to UK businesses from the service sector. The fact that coverage may change over time should be considered by users when deciding which indices best meet their needs.

12. Revisions

SPPI follows the ONS policy for revisions and corrections and will show significant revisions but suppress minor changes to avoid unnecessary inconvenience to users. Indices for the most recent two quarters are regarded as provisional and may be revised as later data become available.

For this Statistical Bulletin, reference table 1R highlights revisions to movements in price indices previously published in last quarter's Statistical Bulletin.

13. European comparability

The UK is required to produce a number of the SPPIs included in this statistical bulletin under the [Short-Term Statistics Regulation](#). As a result, all EU countries must publish equivalent series on a comparable basis. Further information about SPPI at an EU level, and access to data for all EU countries is available on the [website](#).

14. Publication policy

The complete run of data in the tables of this bulletin are also available to view and download in other electronic formats free of charge using the Office for [National Statistics Datasets and Reference Table service](#) (if you want the data associated with this bulletin click into Download data in this release option). Users can download the complete release in a choice of zipped formats or view and download their own selections of individual series.

15. Following ONS

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16. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.

Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs
- are well explained and readily accessible
- are produced according to sound methods
- are managed impartially and objectively in the public interest

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.