

Producer Price Index U.S. Wholesale Trade NAICS Sector 42

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Presentation Overview

- Update of paper originally written by James Gorko
- Highlights redux
- Use of Wholesale Trade USPPIs to deflate US National Accounts – more detail
- Comparisons with retail trade

Paper Update

- Update of paper on PPI for US Wholesale Trade written by James Gorko
- Update done by Bonnie Murphy
- Biggest change since original presentation is increased detail we now publish and why

Creation of utility

- Time and place utility
 - ▶ Making products available when and where customers are likely to find them
- Possession utility
 - ▶ Allowing customers to take ownership of products
- Information utility
 - ▶ Providing details about products sold

Channeling Function

- Selling and promoting
- Buying and assortment building
- Bulk breaking
- Warehousing
- Transportation
- Risk bearing
- Market information
- Management services and advice

Types of Wholesalers

- Merchant wholesalers
 - ▶ Generally take title to goods
- Sales branches and offices of manufacturing operations
 - ▶ Title generally stays with manufacturer until sale is complete
- Wholesale agents and brokers
 - ▶ Generally do not take title to goods

Highlights Redux: Issues

- Classification differences
- Wholesale vs. retail
- Wholesale vs. Manufacturing
- Treatment of Scrap/Recyclable Materials
Wholesalers

Margin Pricing Preferences

- 1. Average gross margin per unit for a comparable customer class and/or supplier class for all sales within a comparable product line.*
- 2. Average gross margin per unit for all customers and/or suppliers for a comparable product line.*
- 3. Average gross margin per unit for a particular customer class and/or supplier class for all sales of a particular product.*
- 4. Average gross margin per unit for all customers and/or suppliers for all sales of a particular product.*
- 5. Gross margin for a single specific product transaction*

Dollar Value of Commission Prices

- 1. Average dollar value of commission per unit for a comparable customer class for all sales within a comparable product line.*
- 2. Average dollar value of commission per unit for all customers for a comparable product line.*
- 3. Average dollar value of commission per unit for a particular customer class for all sales of a particular product.*
- 4. Average dollar value of commission per unit for all customers for all sales of a particular product.*
- 5. Dollar value of commission for a single specific product transaction*

Meeting National Accounts Needs

- US national accounts publish at 3-digit NAICS level only but deflate at lower levels
- Without PPIs for wholesale, PPI goods prices are used, making questionable assumption that margin data will equate gross sales price data
- In July 2009, BLS was able to meet request to produce more detailed wholesale SPPIs, mostly at 4-digit level¹⁰

Meeting National Accounts Needs – More Info

- More detail for Merchant Wholesalers, durable goods AND Merchant Wholesalers, nondurable goods at the industry group level
- Accomplished without resampling and still reflective of original sampling constraints – reflective of a product line
- Expectation that new indexes will be used for deflation once BEA completes analysis of new measures

Retail-Wholesale Comparisons

- Differences in functions and focus of activities
- Retail establishments classified by kind of business according to principal lines of commodities sold or the usual trade designation
- Quality adjustment for store characteristics

Pricing Methods – Benefits for Retail Trade

- Retail trade pricing in USPPI predates wholesale – struggled with pricing methodology
- Success of average gross margin pricing for wholesale trade led to establishing it as primary pricing method for retail trade as well, resulting in improvements
- 65% of wholesale trade respondents provide average price information for homogeneous product groupings; we believe it is even higher for retail trade

Summary

- Experience with Wholesale Trade Still Relatively New – has not been resampled yet
- Successfully introduced requested detail
- Pricing methodology used for wholesale successfully applied to retail

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