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EXPERIMENTAL

SEYCHELLES INDUSTRIAL PRODUCTION INDEX (SIPI) MARCH 2014

The Seychelles Industrial Production Index (SIPI) increased by 10.0% in March 2014 compared to February 2014. On a year on year comparison, the index decreased by -6.5% compared to March 2013.

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1. INTRODUCTION

This is the first issue of the Seychelles Industrial Production Index (SIPI) compiled by the National Bureau of Statistics. It presents a monthly measure of production from the perspective of the producer in the manufacturing industry. Concepts, sources and methods are given in Part 4. Note that this index is experimental and will be subject to revisions until the end of 2014 as the coverage is increased to include more manufacturers.

This bulletin will be released every quarter and will contain monthly price indexes.

Figures for January 2013 to March 2014 with 2013 as the reference period are presented in this bulletin. Table 1 presents the monthly SIPI index numbers and percentage changes for the total SIPI.

Charts 1 and 2 present index numbers and month on month percentage changes respectively.

2. RESULTS AND HIGHLIGHTS

The total Seychelles Industrial Production Index in March 2014 stood at 102.7 compared to 94.2 in February 2014. This represents an increase of 10.0%. The year on year movement from March 2013 to March 2014 was -6.5%, whereas on a quarter on quarter comparison, the index increased by 7.3% in quarter 1 of 2014 compared to quarter 4 2013.

3. TABLES AND CHARTS

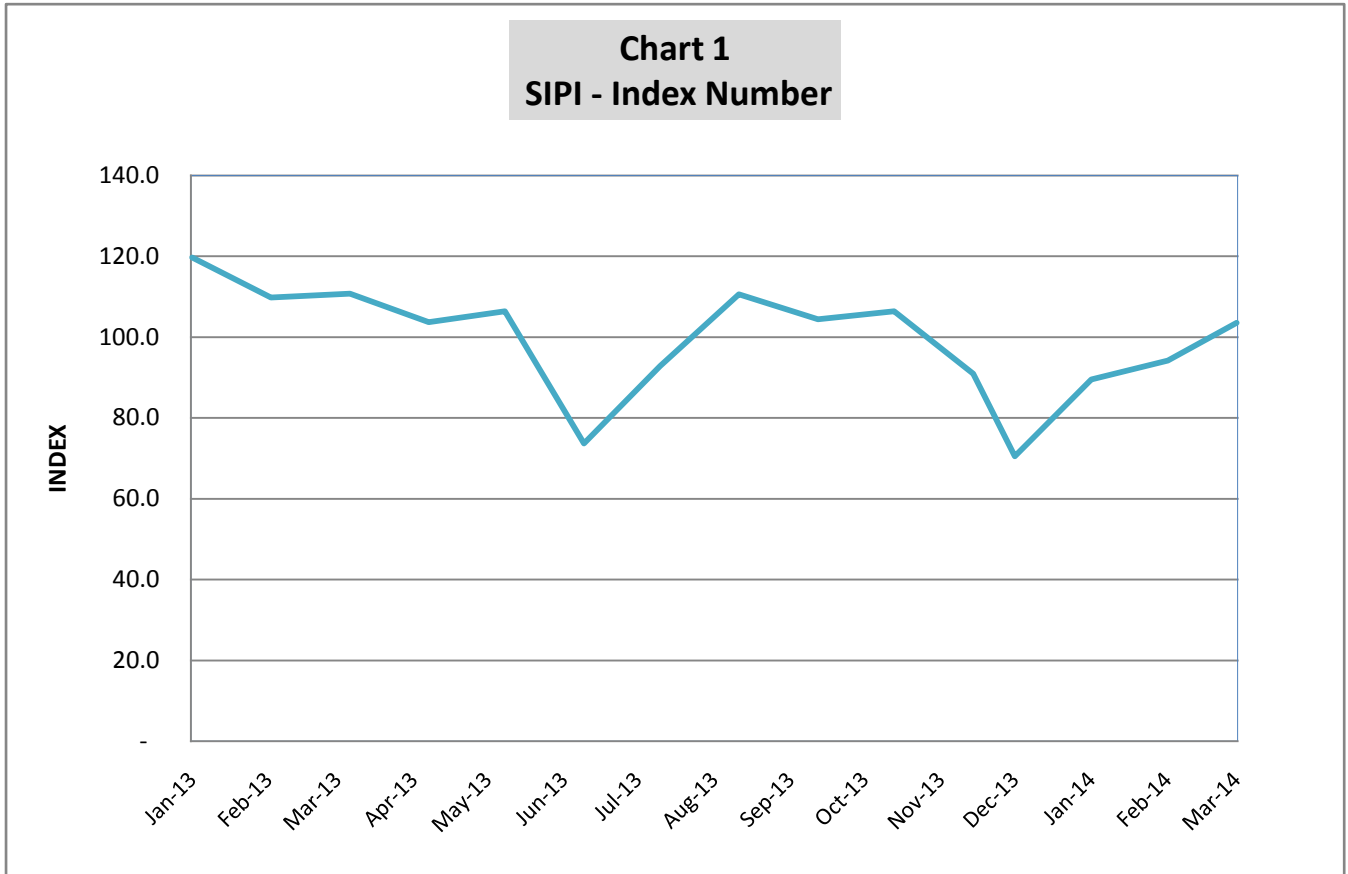
Table 1

	Monthly index	Month on month % change	Year on year % change	Quarterly Index	Quarterly % change
2013					
Jan	119.7				
Feb	109.9	-8.2			
Mar	110.8	0.8		113.5	
Apr	103.7	-6.4			
May	106.4	2.6			
Jun	73.7	-30.7		94.6	-16.7
Jul	92.9	26.1			
Aug	110.6	19.1			
Sep	104.4	-5.6		102.6	8.5
Oct	106.4	1.9			
Nov	91.0	-14.5			
Dec	70.5	-22.5		89.3	-13.0
2014					
Jan	89.6	27.1	-25.1		
Feb	94.2	5.1	-14.3		
Mar	103.6	10.0	-6.5	95.8	7.3

(1) Year on year % change is calculated as the percentage change over the same month of the previous year.

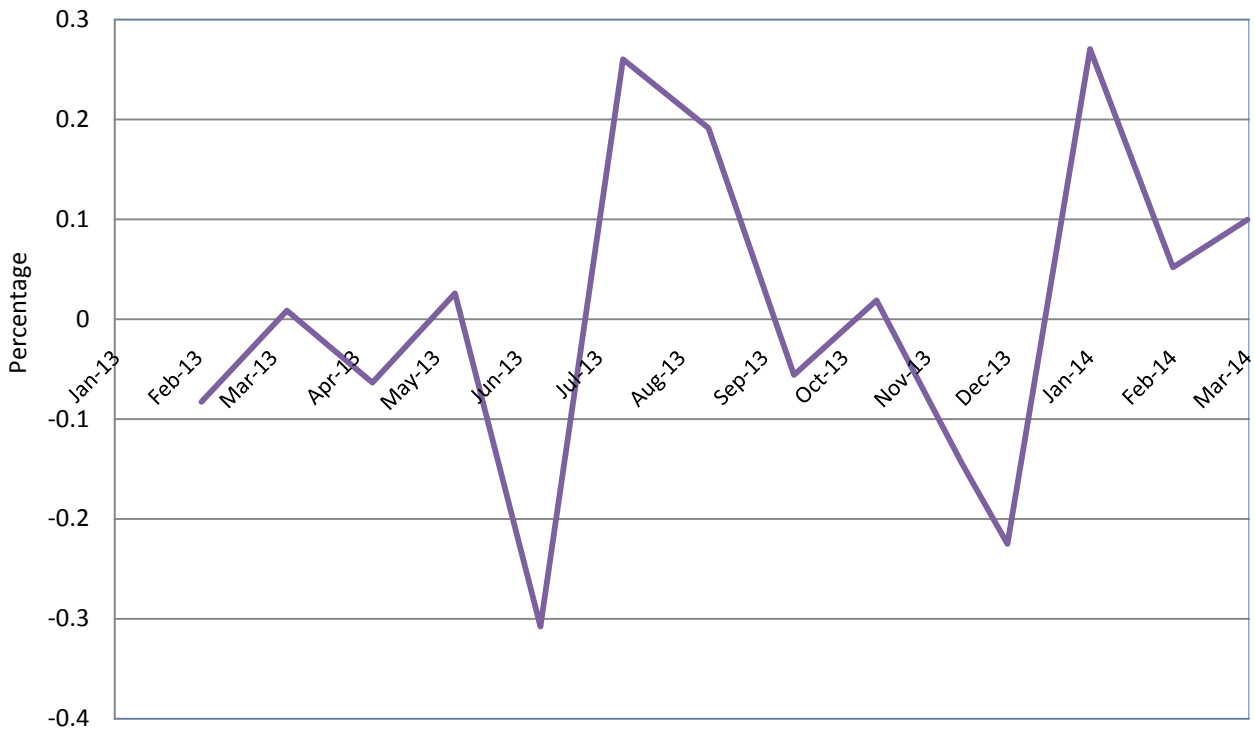
(2) Quarterly index is calculated as the average of the monthly indexes for that quarter.

(3) Reference period is 2013 = 100.



Reference period is 2013 = 100

Chart 2
SIPI - Month on Month Percentage Change



4. CONCEPTS, SOURCES AND METHODS

4.1 Introduction

The Seychelles Industrial Production Index (SIPI) describes the change in the volume of goods and/or services produced over time.

4.2 Purpose and uses of SIPI

Its main purpose is to provide a measure of the short-term changes in value added over a given reference period. However, since it is difficult to collect high-frequency data to accurately measure value added, gross output measures such as quantity data is used. The SIPI being a volume index means the index is not influenced by price fluctuations.

The SIPI is an important short-term economic indicator in official statistics. It is an important indicator in its own right, as well as being used in comparison to, or in conjunction with other short-term indicators to assess the performance of an economy. The SIPI is also a key input for calculating volume measures as part of the compilation of the quarterly national accounts.

4.3 Methodology

Output is defined as the set of goods and services (products) produced by an establishment, excluding:

- i) the value of any goods and services used in an activity for which the establishment does not assume the risk of using the products in production, and
- ii) the value of goods and services consumed by the same establishment except for goods and services (used for capital formation fixed capital or changes in

inventories) or own final consumption.

Whenever a production process extends over two or more accounting periods, it is necessary to calculate the work-in-progress completed within each of the periods in order to be able to measure how much output is produced in each period.

Output is measured in physical quantities often referred to as the volume extrapolation approach. Physical quantity of output data are, in general, also obtained via the use of quarterly production surveys. This approach measures product output in terms of unit quantities (the number of items, tonnes, litres, etc) in order to track the development of production.

The volume extrapolation method utilizes the movements in volumes directly to calculate the IPI. The volume measure in the current period is compared to the volume measure in the base period and the resulting volume relative is used to calculate the IPI. This process has been illustrated below.

	Period T ₀		Period T ₁	
	Volume (Tonnes of coal)	IIP	Volume (Tonnes of coal)	IIP
Coal	20,000	100.0	22,000	110.0

Data relating to volume/quantity (tonnes) of coal are collected in periods T₀ and T₁ as part of a monthly IIP survey. This single data item of physical quantity of output (tonnes of coal) is used to calculate a volume index. The IIP volume index in period T₁ is calculated by:
tonnes (T₁)/tonnes(T₀) * 100, i.e.: (22,000/20,000 * 100.0) = 110.0.

4.4 Coverage and classification

The design of the index is based on the International Standard Industrial Classification (ISIC) Rev 4. Currently, index coverage is restricted to Section C Manufacturing and includes only those Divisions for which there is manufacturing activity in the Seychelles.

These are:

- 10 Manufacture of food products;
- 11 Manufacture of beverages;
- 12 Manufacture of tobacco products;
- 17 Manufacture of paper and paper products;
- 20 Manufacture of chemicals and chemical products;
- 23 Manufacture of other non-metallic mineral products.

4.5. Data source

The information used in the compilation of the index is gathered from a monthly survey of selected large businesses in the manufacturing industry and data from Production Indicators.

4.6 Production indexes

Production index numbers are compiled from collected quantity observations through time; their significance lies in a series of index numbers which compare prices between a particular period and a reference base.

For an index to provide information on production changes, at least two index numbers from the same series need to be available, and these index numbers must relate to the same basket of goods.

Movements in indexes from one period to any other period can be expressed as either changes in index points or percentage changes. The following example illustrates these calculations for the period between June 2013 and December 2013. The same procedure is applicable for any two periods.

December 2013 Index	70.5
Less June 2013 Index	73.7
Equals change in index points	-3.2
Percentage change =	$-3.2 / 73.7 \times 100 = -4.3\%$

The SIPI attempts to measure the actual level of change in production volumes from one period to another.

4.7 Calculation of the SIPI

Concept

There are a number of different formulas which can be used to calculate indexes. The SIPI is calculated using the Laspeyres formula, which is considered acceptable by international standards. The Laspeyres method measures percentage change in the production value of a set of products whose quantities are fixed in an earlier period.

The Laspeyres formula is represented as follows:

Formula 1: Laspeyres index formula

$$L_t = \frac{\sum_i P_{i,0} q_{i,t}}{\sum_i P_{i,0} q_{i,0}} = \sum_i w_{i,0} \frac{q_{i,t}}{q_{i,0}}; \quad w_{i,0} = \frac{P_{i,0} q_{i,0}}{\sum_j P_{j,0} q_{j,0}}$$

where: $p_{i,0}$: prices for product, product group or industry i at the base period 0
 $q_{i,0}$: quantity for product, product group or industry i at the base period 0
 $q_{i,t}$: quantity for product, product group or industry i at period t
 $w_{i,0}$: relative share (of "value of output") for product/product group or industry i in the base period 0
i : products, product groups or industries to be aggregated (i=1,2,...,n)

Value shares (weights)

Weights are a key element in the construction of any index as they provide a measure of the relative importance of each index component. In the case of the SIPI, weights reflect the relative importance of a product, product group or industry within the overall scope of industrial production.

In practice, when compiling the SIPI, the first process is to derive a set of value shares or weights which will be used to combine quantity movements. Value shares are derived from the value of production for the previous year and are updated every January. The information that forms the value of production is requested from the manufacturers and consists of the monthly output quantity of production by commodity and the monthly price by commodity. Quantity is multiplied by price to derive production value. Monthly production values are aggregated to an annual production value which is then used to derive the proportional value shares (or weights) per commodity.

Unit Quantity

This is the information that is gathered on a monthly basis from the participating manufacturers.

Quantity Relative

The quantity relative is calculated by taking the quantity in the current month divided by the reference quantity. The reference quantity is the average of monthly quantities for the previous year.

Index aggregation

This index creates detailed indexes at the International Standard Industrial

Classification (ISIC) Rev4 Class level. The indexes are aggregated using value shares.

Annual chaining

When the value shares and reference quantities are updated every January, the SIPI is chain linked.

5. FUTURE IMPROVEMENTS

The SIPI is still experimental as NBS improves and secures reliable data sources. There are also plans to review the treatment of seasonal products. We welcome user feedback and suggestions regarding the experimental monthly Industrial Production Index.

6. NEXT RELEASE

The next issue of the SIPI will be released on Friday 29 August 2014 and will contain data for April, May and June 2014.

7. CONTACT US

For more information regarding this bulletin, the concepts, sources or methodology to compile the Seychelles Industrial Production Index, please contact Rudy Sinon on Tel: + (248) 4 611 657 | Fax: + (248) 4 225 634 or email: rudys@nbs.gov.sc

To access any of our statistics please visit our website: www.nbs.gov.sc