Office for National Statistics

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By email

Date: 15/05/2025

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Producer Price Indices

Dear Ed,

On 21 March 2025 we announced a pause to the monthly publication of ONS Producer Price Indices (PPI) following the discovery of an error. The error also affects related series including the Import Price Index (IPI), Export Price Index (EPI), Services Producer Price Index (SPPI) and the deflators derived from these series. For simplicity we refer to this set of outputs as “PPI” for the remainder of this letter. There is no impact from this error on any of our consumer price statistics (CPI, CPIH or RPI).

In November 2020, ONS moved to an annual chain-linking approach to produce PPI. As designed, this was a major step forward in the underlying methods for PPI and enabled us to incorporate more timely information on sales data when updating the weights. However, the new chain-linking method was coded up incorrectly in our production system.

This error was identified by an analyst as part of investigative work preparing for future improvements to business prices methods and systems. The production of PPI currently sits on a fragile, outdated, Ingres-based production system which needs to be uplifted as a matter of urgency. OSR identified this concern in its 2023 Spotlight on Quality for PPI, and ONS remains committed to addressing it.

As soon as the error was discovered and had been verified by methods experts, ONS paused the release of PPI outputs and communicated the situation to users. We have also been engaging bilaterally with all our key users, including Bank of England, HM Treasury and other government departments, to understand their quality concerns and priorities. We will continue providing regular updates while we rebuild the PPI production system and restore quality.

In the first half of April, we secured agreement to an improved chain-linking method from both our internal Methodology Review Group and the Advisory Panel on Consumer Prices (Technical). The recommended approach uses a Laspeyres-type method and is consistent with international best practice. It enables us to undertake a full impact analysis to compare old and new chain-linking methods.

Our investigations suggest that for many years, the impact of the error on the growth rates of headline PPI and SPPI series was small, and so they can still be used with suitable caution in certain applications. However, there were more significant impacts on growth rates in 2022 and 2023, when relative prices were changing more rapidly, and there is also a large difference in EPI growth rates in 2014. Some lower level series have also been significantly affected.

With these points in mind, and to give clarity to our users, I request that we temporarily suspend the accreditation of PPI outputs while we undertake further analysis of their quality. Accreditation should be temporarily removed from all releases dating back to November 2020, when annual chain-linking was introduced. Suspension would clearly signal the limitations and uncertainty around current estimates to users. It also demonstrates our commitment to fully understanding and rectifying the underlying methods issues and restoring quality as soon as we can.

The standalone publication of PPI and SPPI will remain paused until we rebuild the production system to implement the new chain-linking method. For the separate input data required for calculations within GDP and Trade, we will provide those production areas with updated and quality assured detailed prices data for their publications to continue. We aim to restart publication of monthly PPI and quarterly SPPI during summer 2025 following further testing and quality assurance. This demonstrates our commitment to quality and our intention to seek reaccreditation in the future.

Yours sincerely,

Richard Heys