

# INDUSTRIAL PRODUCTION INDEX (IPI) OF THE BASQUE COUNTRY. Base year 2015

## METHODOLOGICAL NOTE

The Industrial Production Index (IPI) is a short-term indicator which aims to approximate the evolution of industrial gross added value. It is not intended to be an exact measure of the evolution of added value, but rather it aims to show trends in the evolution of that variable.

IPI is useful as an indicator of the evolution of gross added value if the two following conditions are met:

- Added value is measured through the volume of production, which implies production functions that are linear, homogeneous and stable over time.
- The structure of industrial gross added value remains constant over time.

The Industrial Production Index is a Laspeyres weighted index based on fixed weightings calculated with the data of a base year. The advantage of these indexes is that they are easy to calculate and interpret. On the other hand, their inconvenience is that they do not adapt to structural changes that may occur after the base period.

In 2018 the base year of the Industrial Production Index was renewed, with 2015 becoming the new base year. This change of base year allowed for the introduction of a series of improvements to the index, which went beyond a simple recalculation of the weighting coefficients for the various branches of industry. The most relevant advances included the following:

- Adaptation of the weighting coefficients to the structure of industrial activity in 2015. The weighting coefficients were calculated using data from the 2015 Industrial Accounts of the Basque Country.
- A complete renewal of the panel of informant units with the object of increasing the representation of the indices, given the continuous evolution of the objective population of the study.

The new sample panel of the index comprises a total of 680 industrial establishments that provide monthly information on the production volumes

achieved. Every month a total of 229 "series of products" or groupings of industrial products (six digits of the national classification of products by activity - CNPA 2008) are considered. These groupings are homogeneous and are expressed in the same unit of measure, and include a total of 953 industrial products.

- The introduction of a mechanism for continually incorporating the entries and exits of establishments so as to guarantee that the sample panel is representative and continually adapts to the evolution of the objective population of this study.
- The index is calculated and the results are presented in accordance with the National Classification of Economic Activities - [CNAE 2009](#). The previous classification of activities - CNAE 1993 - was changed to the current one in 2011, and this change was underpinned by (EC) Regulation No. 1893/2006 of the European Parliament and of the Council of the 20<sup>th</sup> of December 2006 and by Royal decree 4775/2007 of the 13<sup>th</sup> of April 2007. The indexes are also classified according to the stipulations of (EC) Regulation No. 586/2001 of the European Commission, relating to the classification of goods by economic destination (Major Industrial Sectors).

The new series with base year 2015 were linked with the previous series with base year 2010, so that analysts and users can monitor the monthly estimations of the index from January of 2005 without any cut-off point. The linkage between the two series took into account the year-on-year variation rates of the series with base year 2005 and base year 2010.