

New Base for Producer Price Indexes

Beginning with the release of January 1982 data in February 1982, most Producer Price Indexes will shift to a new base year. All indexes currently expressed on a base of 1967 = 100, or any other base through December 1976, will be rebased to 1977 = 100. Only indexes with a base later than December 1976 will keep their current base. Rebasings of PPI data is part of a comprehensive rebasing of indexes published by the Federal Government. (See Technical Note, "Federal agencies updating base year of indexes to 1977," in the February 1981 issue of *Monthly Labor Review*.) The last rebasing of PPI data occurred in January 1971, when the current 1967 base was substituted for the former 1957-59 base.

Historical data for each PPI series on the new base will be available from BLS on request.

To convert any continuous index series on the 1967 base to a new continuous series on the 1977 base, divide each index value on the former base by the index value for the new base period and multiply by 100. For example, the August 1980 index for steel mill products was 301.0 (1967 = 100). To convert that index to a base of

1977 = 100, divide 301.0 by the 1977 annual average for steel mill products on a 1967 = 100 base, which was 229.9. The August 1980 index for steel mill products on a base of 1977 = 100 thus becomes:

$$(301.0/229.9) \times 100 = 130.9$$

Rebasing an index does not affect the calculation of percent changes over time, except for possible rounding differences, so long as all calculations are performed with indexes expressed on the same base. Long-term business contracts with escalation clauses which make changes in selling or buying prices dependent on percent changes in specified PPI series should, therefore, not be substantively affected by the rebasing next year. However, contracts with escalation clauses which make price changes dependent on changes in index points may be greatly affected by rebasing. (See *Escalation and Producer Price Indexes: A Guide for Contracting Parties*, BLS Report 570, available on request.)

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