

BUILDING MATERIAL PRICE INDEX (BMPI)

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StatCaB Training Programme of SESRIC on Price Statistics

Brunei, July 18-20, 2017





Introduction

BMPI:

BMPI is a base-weighted index aimed at measuring price changes over time for selection of a principal commodities used in building construction industry

Use of BMPI:

- For monitoring building material prices for a period of time
- Important instrument for economic analysis as it provides a concise summary of past development and aids in forecasting future trends, both of which are critical for making economic policy decisions
- used as deflators in the compilation of GDP



Calculating The BMPI

- ❑ Once the prices are gathered, they are carefully examined for accuracy and validity before they enter into the BMPI calculations. This involves careful checks of price levels in the current period and of price changes since the previous pricing period, field staff make additional on the spot checks where necessary
- ❑ Once accuracy is ascertained, an average price, that is, the average price changed by the sampled establishments selling the specified good or service is calculated for each sub group.
- ❑ Having calculated the average price for each sub-group, the next step is to calculate the price relative/ratio of each sub group. The price relative is obtained by dividing the average price of each sub-group in the current period by the average price of each sub group in the base period
- ❑ The Price relative of each sub group is the multiplied by the base weight of each sub group to get the current weight of each sub group
- ❑ The current weight of each sub group is divided by the base weight of each sub group the multiplied by a 100 to get the index for each sub group for the current period
- ❑ The group and section index and all items index are calculated in a similar way