

# **Supporting Statement Producer Price Index Survey**

## **A. Justification**

### **1. Necessity of the Collection**

The Producer Price Index (PPI), a Principal Federal Economic Indicator, is used as a measure of price movements, as an indicator of inflationary trends for inventory valuation, and as a measure of purchasing power at the primary market level. It is also used for market and economic research and as a basis for escalation for long-term contracts and purchase agreements. The legal authority to collect information necessary for the publication of the PPI is contained in Title 29, Section 2 of The Code of the Laws of the United States of America. (See attachment.)

The ongoing PPI survey is necessary in order to maintain publishability of the Producer Price Index family of indexes, and to avoid major deficiencies that existed under previous methodologies. Known until 1978 as the Wholesale Price Index (WPI), the program was renamed Producer Price Index in 1978 to emphasize that the industrial price program is based on prices received by producers, rather than prices paid by the distribution chain or end users. This change in nomenclature was accompanied by a shift in analytical focus from the "All Commodities Price Index" to the "Finished Goods Price Index." These changes were a prelude to the most comprehensive overhaul in the program's history; enhancements, commonly referred to as the Producer Price Index revision, designed to implement far-reaching technical improvements to both sampling and data-collection methodology. The deficiencies addressed by the revision impeded public and private efforts to analyze and control inflation:

- a. Pre-1978 WPI coverage was incomplete. Published WPIS for mining, manufacturing, agriculture, and forestry represented less than half of the value of output for these economic sectors. In addition, there existed a nearly complete absence of coverage of the non-goods producing sectors of the economy.
- b. The "All Commodities" focus of the WPI aggregation structure led to multiple-counting of price change, inappropriately amplifying price movements.
- c. Prior to the revision of 1978, prices collected were heterogeneous; including spot, contract, order, delivered, list, nominal, gross, and prices quoted from trade journals. Since the goal of the PPI is to track the change in net revenue accruing to producers for a fixed quantity of output, the preferred type of price is a net transaction price. Current sampling and data-collection procedures in the PPI are far better suited for obtaining net transaction prices.
- d. Sampling procedures under the WPI regime were judgmental. The survey of producers providing data to the WPI, in some cases, may not have been the most representative sample available. Also, due to the lack of statistically based sampling techniques, there could be no measures of estimate reliability. Bias, if present, was of unknown magnitude.

Several Congressional, Executive Branch, and other legal applications and reviews of the Producer Price Index Program helped lead to the PPI revision. Survey improvements were required in part, to:

- a. implement the recommendations of reports of the Joint Economic Committee of Congress. These reports included: ***Government Price Statistics, Report of the Subcommittee on Economic Statistics***, 87<sup>th</sup> Congress, 1<sup>st</sup> Session, July 1961; and, ***Inflation and Price Indexes, Report of the Subcommittee on Economic Statistics***, 89<sup>th</sup> Congress, 2<sup>nd</sup> Session, July 1966;
- b. improve price escalators commonly used by the General Services Administration and the Department of Defense, and provide additional indexes for contract escalation;
- c. provide the Bureau of Economic Analysis price deflators for those sectors of National Accounts for which such data had been previously inadequate; and
- d. achieve the necessary improvements in price data needed for the annual ***Economic Report of the President of the United States***.

Since the introduction of the revised PPI survey, there have been substantial benefits to all who use price data, further enhanced by expanding coverage into the non-goods producing sectors over the past 25 years culminating in a new shift in analytical focus in early 2014 from the “Finished Goods Price Index” to the “Final Demand Price Index”. The quality of the data collected is now commensurate with the importance that PPIs have in economic policy-making. Measures of price change are: (1) more accurate, (2) more complete in their coverage of the economy, (3) better constructed to permit improved evaluation of price change at various stages of the economy, and (4) better serving as deflators of current-dollar series by greatly reducing contamination of price-change measures. An industry-based system of price measures now includes:

- a. For the mining and manufacturing sectors of the economy, output price indexes for nearly all 6-digit industries and higher level aggregates defined by the North American Industry Classification System (NAICS);
- b. Detailed product-line and product-category output price indexes covering both primary and secondary production within each 6-digit industry; and
- c. Expanding coverage into the non-goods producing sectors (i.e. services and non-residential building construction); expansion into services sectors began in the mid-1980s, greatly accelerating into the mid-1990s and 2000s, while expansion into construction started at the beginning of the 2000s with PPI now covering about 72% of in-scope services domestic output and about 34% of construction domestic output as measured by the 2007 Census Value of Shipments.

BLS divides price measurement into three areas: (1) consumer prices, which measure the change in prices paid by the typical consumer, (2) international prices, which measure the change in prices paid by importers and change in prices received by exporters, and, (3) producer prices, which measure the change in prices received by domestic producers for the products and services they make and sell. The current framework for PPI sampling and data collection, effective with the release of indexes for January 2004, is the classification structure defined by the North American Industry Classification System, augmented by

Bureau of Census' Industry and Product Classification Manual. From 1978 through 2003, the industry-based PPI framework was linked to the Standard Industrial Classification. At present, the PPI publishes industry-based data encompassing nearly the entire output of the mining and manufacturing sectors of the economy. Furthermore, PPI currently publishes industry-based indexes for about 155 non-goods producing industries (146 services and 9 non-residential building construction industries).

## 2. Use of Information

PPI data provide a description of the magnitude and composition of price change within the economy, and serve a wide range of governmental needs. This family of indexes are closely followed, monthly statistics, which are viewed as sensitive indicators of the economic environment. Price data are vital in helping both the President and Congress set fiscal-spending targets. Producer prices are monitored by the Federal Reserve Board Open Market Committee to help decide monetary policy. Federal policy-makers at the Department of Treasury and the Council of Economic Advisors utilize these statistics to help form and evaluate monetary and fiscal measures and to help interpret the general business environment. Furthermore, dollar-denominated measures of economic performance, such as Gross Domestic Product, require accurate price data in order to convert nominal to constant-dollar values. Inflation-free national income accounting figures are vital to fiscal and monetary policy-makers when setting objectives and targets. In addition, it is common to find one or more PPIs, alone or in combination with other measures, used to escalate the delivered price of goods for government purchases. The PPI program conservatively estimated that at least hundreds-of-billions dollars' worth of contracts and purchase agreements employ PPIs as part of price-adjustment clauses. Failure to calculate data would tend to extend the time frame required for accurate recognition of and appropriate adaptation to economic events.

In addition to governmental uses, PPI data are regularly put to use by the private sector. Private industry uses PPI data for contract escalation. For one particular method of tax-related Last-In-First-Out (LIFO) inventory accounting, the Internal Revenue Service suggests that firms use PPI data for making calculations. Private businesses make extensive use of industrial-price data for planning and operations. Price trends are used to assess the condition of markets. Firms commonly compare the prices they pay for material inputs as well as prices they receive for their products with changes in similar PPIs.

Economic researchers and forecasters also put the PPI to regular use. PPIs are widely used to probe and measure the interaction of market forces. Some examples of research topics that require extensive price data include: the identification of varying price elasticities and the degree of cost pass-through in the economy, the identification of potential lead and lag structures among price changes, and the identification of prices which exert major impacts throughout market structures. In the end, both policy and business planning are affected by the completeness of the description of price trends.

For the mining and manufacturing sectors, price indexes are tabulated and published for within-industry product lines, 6-digit NAICS industry classifications, and higher level

aggregate indexes. PPI coverage of the non-goods producing sectors includes 148 NAICS industries. PPI also publishes commodity-based indexes encompassing agriculture, forestry, mining, manufacturing, services and construction; final demand-intermediate demand indexes; as well as other special-use indexes. The program uses the one set of micro-data it collects to generate all its outputs. The format and content of these data are shown in the program's monthly publication titled, ***PPI Detailed Report*** which may be found at [http://www.bls.gov/ppi/ppi\\_dr.htm](http://www.bls.gov/ppi/ppi_dr.htm).

### 3. Use of Electronic Collection Methods

While historically primarily a mail survey, the PPI has paid attention over the past 15 years to development of electronic data-collection procedures that contribute to reduced respondent burden and increased efficiency. For example, the program conducted a project in the mid-1990s where a subset of respondents received monthly price-quotation forms and provided responses through fax technology. The results suggested that this method of distributing and receiving questionnaires would be successful. Based on these results, PPI began offering faxing as an option to more respondents who provide monthly pricing updates in the late 1990s.

PPI now also provides the capability to report monthly pricing updates over the Internet. In May 2011, the Bureau of Labor Statistics (BLS) began offering the option for respondents to submit price information for the Producer Price Index Program (PPI) through the BLS Internet Data Collection Facility (IDCF). This option was introduced to ease the burden on respondents who find Internet data submission to be more convenient than mail and fax options for reporting price information. PPI is actively working on transitioning as many reporters as possible to Internet collection for monthly updates. Since 2011, respondents have been very receptive to this new method. PPI aims to have at least 75% of its respondents using the IDCF to report monthly updates by the end of calendar year 2016.

Respondents who choose to report via the Internet are notified by e-mail message when it is time to submit their data each month. This message includes a hyperlink to the website of the BLS IDCF. Respondents input an account number and password to access their survey information from this site.

The Internet survey instrument uses a similar format to the paper PPI survey forms, with respondents providing information about the prices, characteristics, transaction terms, and discounts or surcharges for selected transactions each month. All relevant information about each priced transaction is presented in a single view in order to assist with accurate reporting and allow for quick navigation through the system. The BLS Office of Survey Methods Research was consulted on the design of the survey.

During 2013, providing updates over the web became the most predominate method of collection for monthly updates. As of February 7, 2014, web respondents account for approximately 45% of all PPI monthly survey respondents, fax respondents account for 30%, and mail out reporters 25%. Reporters who receive pricing forms by mail can return their

forms by fax or by mail; the majority of forms that are mailed out are returned by fax. The program currently sends out a total of roughly 105,000 price requests per month.

Another collection technique that leverages new technology is e-mail. Respondents in establishment surveys regularly use email in business communications and are familiar with the benefits, features, and risks of transmitting information by email. Given establishments' familiarity with email, the expanded use of email is an appropriate tool to improve respondents' voluntary cooperation. It is the policy of the BLS to treat all email with respondents as if it contains respondent identifiable information (RII). If it is determined that email can be used for a particular respondent, the proper implementation protocols must be followed to ensure email with a respondent is handled responsibly and securely.

#### **4. Efforts to Identify Duplication**

Prior to collecting a survey, research papers are prepared for the industry being considered. This documentation includes background information and analysis of industry price data available from other sources. These secondary-source price data are evaluated for potential use in the PPI. The PPI uses data from alternative sources whenever that source is deemed the best obtainable data, and its use is methodologically acceptable. For example, the PPI specifically uses data from the Department of Agriculture for calculating many of the commodity-based farm products indexes. In very limited cases, trade-journal or published prices also are used.

However, to ensure the statistical accuracy of published PPI data, the definition of a valid price must be narrowly set. PPI methodology defines a quality price quotation as the net revenue accruing to a specified producing establishment, from a specified type of buyer, for a specified product, shipped under specified transaction terms, on a specified day of the month. In most cases, data from alternative sources cannot be used in lieu of data collected by the PPI survey. Values that seem similar at first glance are actually the same data whose deficiencies helped prompt the original survey revision in the 1970s. Published list prices, trade-journal prices, and Census unit values are generally poor substitutes for data directly collected.

#### **5. Impact on Small Businesses**

When selecting a sample of respondents for initiation into the PPI, every producing establishment classified in that industrial classification must be given a chance of selection based on a measure of size, usually employment. An establishment's probability of being selected is proportional to its importance within the industry as a whole. Therefore, entities of all employment sizes, including those with fewer than 100 employees, are included in the PPI survey. Comprehensive coverage is necessary to insure that the price-data collected are a representative sample of the universe of pricing activity within the industry. Within many industrial classifications, small companies collectively carry substantial weight in the price-forming universe, and evidence suggests that the pricing behavior of small companies is often different from that of large companies. Therefore, the smaller units must be directly surveyed and cannot be excluded from the PPI. However, small businesses are less likely to

be selected than large businesses. Additionally, PPI generally requests fewer price quotations from smaller establishments than from larger ones. It is the PPI's opinion that the burden imposed on businesses in general, and small business establishments in particular, is very near the practical minimum consistent with production of a statistically meaningful index.

## **6. Consequences of Less Frequent Collection**

The Producer Price Index is collected monthly, rather than quarterly, as stated in the guidelines of 5 CFR 1320.5. Monthly published PPI data are widely utilized. Federal policy-makers, the Department of Treasury, the Council of Economic Advisors, and the Federal Reserve Board use the PPI to help form and evaluate monetary and fiscal policy, and help evaluate the general business environment. In addition, monthly index numbers are used in the escalation of contracts and purchase agreements held by government, the private sector, and important clientele of federal agencies. Failure to provide current, monthly statistics would tend to extend the time required for recognition of an adaptation to economic events.

## **7. Special Circumstances**

A 30-day response period, as suggested in 5 CFR 1320.5, would preclude PPI's ability to produce timely and accurate monthly data. The PPI is a monthly economic indicator. To permit the calculation of timely and accurate monthly index numbers, respondents are asked to complete questionnaires on or about the same time each month, soon after receiving forms from PPI. By reporting price data on or about the date for which prices are requested, PPI believes that response rates are improved and that the information collected is more accurate. Respondents receive the PPI's monthly price update forms (BLS-473P) on or about the 14th of the month. Since the PPI typically begins the index-number-generating process by the end of the same month, PPI requests that respondents complete and return these forms within 5 business days. This provides a small window of time for PPI to process the forms into its calculation system in time for monthly processing.

## **8. Federal Register Notice and Consultation**

One comment was received as a result of the Federal Register notice published in 79 FR 10843 on February 26, 2014. The Bureau of Economic Analysis (BEA) at the U.S. Department of Commerce commented that it strongly supports the continued collection of data by BLS on the Producer Price Index survey as PPI outputs are crucial to key components of BEA's economic statistics. BEA uses PPI indexes in preparing quantity and price measures for numerous series in each of the major components of the gross domestic product (GDP) including personal consumption expenditures of goods and services, gross private domestic investment in equipment and intellectual property products, the change in private inventories, and government consumption expenditures. PPI data are also used extensively by BEA to estimate GDP by state, GDP by industry, and the annual input-output tables and to deflate both gross output and intermediate inputs by industry.

When designing the PPI survey, inputs from a wide range of organizations and individuals were included. A body of recommendations were compiled from studies such as the Stigler Report (sponsored by the Joint Economic Committee of Congress), and contacts with the Interagency Committee on Real Output, the Price Statistics Subcommittee of the Interagency Task Force, the Federal Statistics Users Conference, the former BLS Business and Labor Advisory Councils, the BLS Data Users Advisory Council, and various industry associations. The recommendations of Dr. Albert Reese, former Director of the Council on Wage and Price Stability, were especially useful.

In preparation for the revision of the industrial price program in the 1970s, BLS sponsored a conference of leading experts in the field of price measurement. Attendees included: Professors Irving Kravis, William Nordhaus, Richard Ruggles, Karl Shell, John Shoven, and Dr. Joel Popkin. Then-Commissioner Julius Shiskin and other senior BLS staff also participated in the conference.

The National Bureau of Economic Research (NBER) sponsored a major empirical study of the PPI Program, conducted by Professor Ruggles. The resulting recommendations were published and taken under advisement by the BLS. In addition, BLS consulted with Professor Ruggles and his staff regularly during the development of the PPI survey.

A separate BLS industrial-price data user survey was approved by OMB and completed in 1977 (*The BLS Industrial Price Program: A Survey of Users*, U.S. Department of Labor, Bureau of Labor Statistics, Report 509, 1977). The results of that survey were published and used in combination with pilot-survey experiences to develop the full-scale PPI survey.

The most recent user survey for the PPI was approved by OMB November 2012. The survey began during the first quarter of fiscal year 2013 and ended in May 2013. The results were finalized in July 2013 and a summary can be found here:

<http://www.bls.gov/opub/btn/volume-2/highlights-of-the-2013-ppi-user-survey.htm>.

Today, contact with trade groups, academics, and individual business persons occur on a continual basis. This is especially important because the PPI survey involves a continuing rotation of industries and respondents. Information from knowledgeable parties helps contribute to the initiation and monthly pricing processes that result in accurate and useful data, while reducing respondent burden to the maximum extent possible. Cooperation in the PPI survey is voluntary. This requires that PPI take into account user needs in survey design, data collection, monthly data updates, and index presentation.

## 9. **Payment to Respondents**

No payments or gifts are made to respondents, and all cooperation with the PPI is done on a purely voluntary basis. Documentation and related information providing examples of the PPI's wide uses may be used to communicate the importance of respondent participation. Since participation in the survey is voluntary, not every entity selected for inclusion cooperates. On average, historically roughly 20% of establishments refuse to cooperate at initiation.

## 10. Assurance of Confidentiality

The Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA) safeguards the confidentiality of individually identifiable information acquired under a pledge of confidentiality for exclusively statistical purposes by controlling access to, and uses made of, such information. CIPSEA includes fines and penalties for any knowing and willful disclosure of individually identifiable information by an officer, employee, or agent of the BLS.

Based on this law, the BLS provides respondents with the following confidentiality pledge/informed consent statement:

*The Bureau of Labor Statistics, its employees, agents, and partner statistical agencies, will use the information you provide for statistical purposes only and will hold the information in confidence to the full extent permitted by law. In accordance with the Confidential Information Protection and Statistical Efficiency Act of 2002 (Title 5 of Public Law 107-347) and other applicable Federal laws, your responses will not be disclosed in identifiable form without your informed consent.*

BLS policy on the confidential nature of respondent identifiable information (RII) states that “RII acquired or maintained by the BLS for exclusively statistical purposes and under a pledge of confidentiality shall be treated in a manner that ensures the information will be used only for statistical purposes and will be accessible only to authorized individuals with a need-to-know.”

The PPI recognizes that data received are proprietary company information. Disclosure could be damaging to companies and their competitive position. Only information required for the compilation of PPIs are collected by the Producer Price Index Program. Information received is accessible only to authorized persons and is used only for statistical purposes. Data are published only in an aggregated form that does not reveal the identity of individual respondents. Respondents are informed at initiation and reminded each time they receive price-quotation questionnaires that participation is voluntary.

## 11. Sensitive Questions

The PPI does not collect personal information relating to sexual behavior and attitudes, religious beliefs, or any other personal matters of this nature that are commonly deemed private. The PPI survey is limited to collection of information necessary for the calculation of the PPI family of indexes.

## 12. Estimate of Respondent Burden

Average time-burden per respondent is estimated separately for initiation into the PPI survey and for monthly price-quotation updates. For initiation -- a one-time event that requires a personal visit from a BLS Field Economist -- field-collection experience suggests that the

time required to gain cooperation and obtain data necessary to bring the respondent into the PPI database is about two hours. Respondent burden varies depending on the size of the company being initiated, the number and variety of products manufactured or services provided, and how records are kept at the firm.

Each respondent initiation into the PPI is a unique, unified process, and the amount of time required to complete each aspect of the initiation varies. For some respondent initiations, verifying producer location(s), employment, revenue, and production (forms 1810A, A1, and B) may be the most time consuming aspect of the process, while collecting price quotation information (forms 1810C, C1, and E) might prove straightforward. At other times, the opposite situation might occur. During an initiation interview, the BLS Field Economist is the person who “fills out” forms 1810A, A1, B, C, C1, and E. These paper documents guide the BLS representative through the interview process. Post-interview, the BLS Field Economist uses a portable computer to enter the collected data and to transmit it to the BLS national office. The BLS Office of Field Operations (BLS OFO) has observed that for many years the average time spent initiating respondents has remained roughly two hours, and BLS OFO continues to allocate employee resources based on that estimate. However, the time required to complete each aspect of the initiation varies greatly and precludes the ability to assign portions of this two-hour process to its individual components.

After initiation into the PPI survey, repricing updates are sent to respondents on a regular basis, usually monthly. Each schedule requests information pertaining to the transactions identified for tracking during the BLS data collector's personal visit. Respondents are asked to update any transaction descriptors that have changed since the previous report was sent and returned. This includes any changes in price, transaction terms, or product specifications. Based on BLS experience, an estimate of five minutes per questionnaire is used as an overall average.

Form	Total Respondents	Frequency	Total Responses (per year)	Average Time per Response	Estimated Total Burden
BLS 1810A, A1, B, C, C1, and E	5,836	once	5,836	120 minutes	11,672 hours
BLS 473P	26,250	monthly	1,260,000	5 minutes	105,000 hours
TOTALS	32,086		1,265,836		116,672 hours

The estimated annual burden for each of the next three years is as follows:

- a. Number of respondents: About 32,086. Roughly 5,836 establishments are initiated into the PPI annually. For monthly repricing, an average of four forms are sent to about 26,250 respondents each month.

- b. Total annual responses: PPI attempts to initiate 5,836 establishments into the survey on an annual basis. (Three sample segments are initiated per year, with roughly 1,945 establishments allocated to each sample segment.) PPI sends, on a monthly basis, about 105,000 price update (repricing) forms to roughly 26,250 cooperating establishments, i.e. on average each establishment receives requests for four items each month.

Estimated number of initiated sample units (per year) and repriced quotes (per month):

	<u>Initiation</u> <sup>1</sup>	<u>Repricing</u> <sup>2</sup>
<b>2014</b>	5,836 (units)	105,000 (quotes)
<b>2015</b>	5,836	105,000
<b>2016</b>	5,836	105,000

<u>Initiation</u>	<u>Repricing</u>
120 minutes	12/yr.

Total annual responses:

	<u>Initiation</u>	<u>Repricing</u>	<b><u>TOTAL</u></b>
<b>2014</b>	5,836 (units)	1,260,000 (quotes)	1,265,836 (responses)
<b>2015</b>	5,836	1,260,000	1,265,836
<b>2016</b>	5,836	1,260,000	1,265,836

- c. Total annual hours requested:

Estimated average number of hours per response:

<u>Initiation</u>	<u>Repricing</u>
120 minutes	5 min. (average)

Estimated total hours of annual burden:

	<u>Initiation</u>	<u>Repricing</u>	<b><u>TOTAL</u></b>
<b>2014</b>	11,672 (hours)	105,000 (hours)	116,672 (hours)
<b>2015</b>	11,672	105,000	116,672
<b>2016</b>	11,672	105,000	116,672

Total time-related cost for respondent burden in fiscal-year 2014 is estimated at roughly \$3.5 million. This figure is the product of total hours of annual burden relating to this collection (116,672 hours) and average private industry hourly compensation, published by the

<sup>1</sup> The initiation estimates are collectively for forms BLS 1810A, A1, B, C, C1, and E.

<sup>2</sup> The monthly repricing estimates are for form BLS 473P.

National Compensation Survey (NCS) of BLS. The NCS value used (\$29.63 per hour) was taken from the most recently published NCS figure for Table 5, Private Industry Compensation reported as \$29.23 for December 2013 in the NCS March 2014 report.

By revising the methodology used in sampling establishments and individual price quotations, PPI has been able to expand coverage into the non-goods producing sector while increasing overall respondent burden to the minimum degree necessary. (See "Change in PPI Publication Structures for Resampled Industries Introduced in January 1997," ***PPI Detailed Report***, January 1997.) This methodological change involved transferring a portion of the mining and manufacturing data-collection allotment to the services producing sectors. Under this procedure, the PPI survey closely monitored the number of sample units actually required to maintain index publishability over time. PPI has continued this practice for all industries since the methodology change in the mid-1990s. This avoids waste due to oversampling, and also helps to reduce respondent burden for entities within the mining and manufacturing sectors. In addition, procedural revisions allow the program to review its publication objectives judiciously. Earlier in the PPI survey -- throughout the late seventies, eighties, and early nineties -- the PPI was intended to provide expansive detail for data users. This approach often required initiating more sample units within a particular industry or initiating more price quotations within a sampled establishment in order to maintain publishability for more lightly weighted indexes. Under the revised methodology, which includes more modest publication objectives, PPI attempts to maintain a concordance with Bureau of Census product coding to the product- and service-line level of detail. Beyond that level of detail, however, the PPI plans only to publish those indexes that generate significant industry revenue or are of major economic importance to data users. As a result, PPI is able to meet its coverage mandate while conserving resources and minimizing any increase in overall respondent burden.

### **13. Cost to Respondents**

There are no capital start-up costs, nor are there any maintenance or operations-related costs tied to participation in the PPI.

### **14. Cost to the Government**

The total annual cost to the Federal Government for collecting, processing, and reviewing the data collected for the Producer Price Index survey is approximately \$43 million for fiscal year 2014.

### **15. Burden Changes**

The total number of respondents decreased from 32,832 to 32,086. This decrease was the result of a drop in the number of respondents initiated each year. This resulted in a decrease of total hours requested from 118,164 to 116,672.

Historically, PPI tracked prices received by mining and manufacturing producers, and it did so using non-statistical sampling methods. However, starting in the late 1970s, and through the 1980s, the PPI received funding increases that allowed it to convert to more comprehensive, probability-based sampling procedures. After the mining and manufacturing sectors were converted in the mid-1980s, the PPI was directed to use this process improvement to expand its coverage into the non-goods producing sectors (for example: transportation, warehousing, business services, health care, and professional services). In the mid-1990s PPI accelerated this expansion, without a large overall increase in funding, by reallocating initiation and price-update burden away from mining and manufacturing industries and toward non-goods producing industries. (See "Change in PPI Publication Structures for Resampled Industries Introduced in January 1997," *PPI Detailed Report*, January 1997.) To date, PPI has followed this directive and introduced about 140 services industries into the PPI, while continuing to track nearly the entire output of the mining and manufacturing sectors (roughly 390 mining and manufacturing industries are covered by the PPI). Additional funding received in 2001 allowed for further expansion of services through 2008 (part of the current 146 services industries), as well as expansion into nine non-residential building construction and specialty contractors industries. The PPI continues to look for efficiencies to allow further expansion on a case-by-case basis. Such efficiencies led to the addition of Offices of Dentists in the services sector beginning in January 2011, and the addition of New Health Care Building Construction beginning in January 2013.

## 16. Publication

The PPI collection is not a one-time project with an end date. The purpose of the PPI collection is to accumulate data for the ongoing, monthly publication of the PPI family of indexes -- a major economic indicator produced by the BLS.

The three main PPI publication structures include: industry-based indexes, commodity-based indexes, and final demand-intermediate demand indexes. Industry-based indexes track changes in prices received by establishments classified as belonging to a particular NAICS. Commodity-based indexes track changes in prices for goods, services, and construction products classified according to similarity of end use or material composition, regardless of industry of origin. Final demand-intermediate demand indexes track changes in prices for goods, services, and construction sold to final demand: personal consumption, capital investment, government purchases, and exports. There are six main Final Demand price indexes: final demand goods; final demand trade services; final demand transportation and warehousing services; final demand services less trade, transportation, and warehousing; final demand construction; and overall final demand. Intermediate demand price indexes track price changes for goods, services, and construction products sold to businesses as inputs to production, excluding capital investment. There are two parallel treatments of intermediate demand. The first treatment organizes intermediate demand commodities by type. The second organizes intermediate demand commodities into production stages, with the explicit goal of developing a forward-flow model of production and price change. Effective with the release of January 2014 PPI indexes, the Final Demand-Intermediate

Demand family of indexes replace the former goods-based Stage of Processing indexes, more than doubling PPI's coverage in its primary aggregate index measures to over 75 percent of in-scope domestic production as measured by the 2007 Census Value of Shipments. In addition, PPI publishes indexes for product durability groupings and special commodity groupings, as well as for material and supply inputs to construction industries. See the attached copy of the ***PPI Detailed Report*** for a full accounting of what PPI data are available. In addition, all PPI indexes can be accessed through [the BLS website](#).

#### **17. Display of Expiration Date**

The PPI is requesting an exemption from the provision within 5 CFR 1320.5 that requires that a current expiration date be affixed on OMB cleared forms. The PPI forms requesting not to display the expiration date are: 473P, 1810A, A1, B, C, C1, and E. A printed expiration date would restrict PPI's ability to use these same forms in subsequent years. Without receiving a waiver of the printed expiration date requirement, the PPI will be required to discard otherwise-useable forms at the end of the three-year window, it will incur additional printing costs of thousands of dollars, and it will be required to expend additional monies and staff time toward preparing updated camera-ready forms.

#### **18. Exceptions to Certification**

There are no requested exceptions to the certification statement "Certification for Paperwork Reduction Act Submissions."