

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 price adjustments 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.

The ongoing PPI survey is necessary in order to maintain publishability of the PPI family of indexes, and to implement far-reaching technical improvements to both sampling and data-collection methodology 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 PPI revision. 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 this type of data.
- 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 PPI 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***, 87th Congress, 1st Session, July 1961; and, ***Inflation and Price Indexes, Report of the Subcommittee on Economic Statistics***, 89th Congress, 2nd Session, July 1966;
- b. Improve price adjustors commonly used by the General Services Administration and the Department of Defense, and provide additional indexes for contract price adjustments;
- 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. The PPI was 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) constructed in such a manner as to permit improved evaluation of price change at various stages of the economy, and (4) provide better deflators of current-dollar series by greatly reducing contamination of price-change measures. An industry-based system of price measures consisting of the following major elements now exists:

- 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. For detailed product-line and product-category output price indexes covering both primary and secondary production within each 6-digit industry; and
- c. For expanded 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. The PPI now covers about 72% of in-scope services domestic output and about 34% of construction domestic output as measured by the 2007 Census Value of Shipments.

The Bureau of Labor Statistics (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 165 non-goods-producing industries (156 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 adjust the delivered price of goods for government purchases. It is conservatively estimated that hundreds-of-billions of dollars' worth of contracts and purchase agreements employ PPI indexes 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 price adjustment. 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 products that they make and sell with changes in similar PPI indexes.

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 165 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 such as for regional detail. 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.

3. Use of Electronic Collection Methods

While historically primarily a traditional mail survey, over the years, the PPI has incorporated electronic data-collection procedures to reduce respondent burden and to increase 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. In May 2011, BLS began offering a new option for respondents to submit price information for the PPI program through the BLS Internet Data Collection Facility (IDCF). This option has been 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. Respondents have been very receptive to this new method. During 2013, providing updates over the web became the most predominate method of collection for monthly updates. As of October 2016, web respondents account for approximately 75% of all PPI monthly survey respondents, fax respondents account for 11%, and mail out reporters 14%. 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 about 93,500 price requests per month.

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: respondents provide 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.

E-mail is another collection and communication tool that is used with respondents. Some respondents prefer to provide price updates via email using a spreadsheet. PPI utilizes email to achieve an appropriate balance between the benefits of reduced respondent burden and the risks of unauthorized disclosure.

4. Efforts to Identify Duplication

The PPI is the nation's chief source of information on selling prices received by domestic producers of goods and services. More than 10,000 indexes for individual products and services are released each month. Indexes are available for the products of virtually every industry in the mining and manufacturing sectors, as well as many industries in the service and construction sectors of the U.S. economy. 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. BLS has made extensive efforts to identify from other government agencies and the scientific literature other sources of data and any duplication of indexes, but to BLS's knowledge, there is no other series outside of BLS available which performs the function of the PPI.

However, the PPI does use data from alternative sources whenever that source is deemed the best obtainable data, and use of the data 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 some cases, published prices or prices obtained from purchased datasets also are used as valid prices, estimating indexes on their own or blended with directly-collected price data. These secondary data sources are used especially in the development of hedonic models for quality adjustment. PPI continues to seek out and evaluate potential sources of alternative data for use in the PPI.

5. Impact on Small Businesses

When selecting a sample of respondents for initiation into the PPI using probability sampling, 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 price adjustment of contracts and purchase agreements held by government, the private sector, and important clientele of federal agencies. Failure to provide current, monthly statistics would 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 price requests 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 requests 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 price updates within 5 business days. This provides a small window of time for PPI to process the data 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 82 FR 22163 on May 12, 2017.

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 Stigler¹ 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 Albert Rees, 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: Irving Kravis, William Nordhaus, Richard Ruggles, Karl Shell, John Shoven, and 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 Richard Ruggles. The resulting recommendations were published and taken under advisement by the BLS. In addition, BLS consulted with Richard 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 in 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 businesspersons occur on a continual basis. Additionally, PPI seeks feedback from advisory groups such as the Voorburg Group On Service Statistics, Data Users Advisory Committee (DUAC) and the BLS Technical Advisory Committee (BLSTAC). 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.

¹ Stigler, George J. (Chairman) (1961), *The Price Statistics of the Federal Government*, New York: National Bureau of Economic Research.

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.

10. Confidentiality

The Confidential Information Protection and Statistical Efficiency Act of 2002 (TITLE V of Public Law 107-347, also referred to as CIPSEA) was enacted and signed into law in December of 2002. This legislation provides consistent government policy protecting the privacy and confidentiality interests of persons who provide information for Federal statistical programs and serves both the interests of the public and the needs of the government. 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. Per the Cybersecurity Enhancement Act of 2015, Federal information systems are protected from malicious activities through cybersecurity screening of transmitted data.

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 PPI indexes 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 that participation is voluntary at initiation and reminded each time they receive price-quotation questionnaires.

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. 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 data collector, field-collection experience suggests that the time required by respondents to research data sources, prepare for the interview, and provide data during and after the interview 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 process and the amount of time required to complete each aspect of the initiation varies. During an initiation interview, the BLS data collector records the data obtained from respondents on forms 1810A, A1, B, C, C1, and E. These paper documents guide the BLS representative through the interview process. After the interview, the BLS data collector 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 (BLS 473P) requests information pertaining to the transactions selected for pricing 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	20,600	monthly	1,122,000	5 minutes	93,500 hours

TOTALS	26,436		1,127,836		105,172 hours
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The estimated annual burden for each of the next three years is as follows:

- a. Number of respondents: About 26,436. Roughly 5,836 respondents are initiated into the PPI annually. For monthly repricing, about 20,600 respondents are priced each month.
- b. Total annual responses: PPI attempts to initiate 5,836 respondents into the survey on an annual basis. (Three sample segments are initiated per year, with roughly 1,945 respondents allocated to each sample segment.) PPI sends, on a monthly basis, about 93,500 price update (repricing) forms to roughly 20,600 cooperating respondents.

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

	<u>Initiation</u> ²	<u>Repricing</u> ³
2017	5,836	93,500
2018	5,836	93,500
2019	5,836	93,500

Total number of annual responses:

	<u>Initiation</u>	<u>Repricing</u>	<u>TOTAL</u>
2017	5,836	1,122,000	1,127,836
2018	5,836	1,122,000	1,127,836
2019	5,836	1,122,000	1,127,836

- c. Total number of annual hours requested:

Estimated average number of hours per response:

<u>Initiation</u>	<u>Repricing</u>
120 minutes	5 minutes

² The initiation estimates are collectively for forms BLS 1810A, A1, B, C, C1, and E.

³ The monthly repricing estimates are for form BLS 473P.

Estimated total hours of annual burden:

	<u>Initiation</u>	<u>Repricing</u>	<u>TOTAL</u>
2017	11,672	93,500	105,172
2018	11,672	93,500	105,172
2019	11,672	93,500	105,172

Total time-related cost for respondent burden in fiscal-year 2014 is estimated at roughly \$3.4 million. This figure is the product of total hours of annual burden relating to this collection (105,172 hours) and average private industry hourly compensation, published by the National Compensation Survey (NCS) of BLS. The NCS value used (\$32.27 per hour) was taken from the most recently published NCS figure for Table 5, Private Industry Compensation reported as \$32.27 for September 2016 in the NCS December 2016 report.

By transferring a portion of the mining and manufacturing data-collection allotment to the services producing sectors 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). 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 methodological change in assigning sample helps the PPI program avoid 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 lesser-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 was approximately \$46 million for fiscal year 2016. The figure is based on the total cost of supporting the PPI program, the majority of which is the roughly \$30 million for compensation and benefits.

15. Changes in Respondent Burden

The total number of respondents decreased from 32,086 to 26,436 resulted in a decrease of total burden hours requested from 116,672 to 105,172. The PPI also is increasing use of large secondary source datasets to create blended data and continues the expansion of web repricing for respondents.

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 399 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 156 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.

With this new mix of goods-producing and non-goods-producing industries, PPI has experienced differing response rates. In general, the response rate for non-goods -producing industries has been lower than for goods-producing industries. (Non-response can occur due to refusal to cooperate or due to frame error, and both situations are more common with non-goods producers.) In the past, the number of attempted annual initiations increased to compensate for a lower expected response rate.

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. 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. 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. In addition, PPI publishes indexes for product durability groupings and special commodity groupings, as well as for material and supply inputs to construction industries.

In 2015, PPI improved the methodology for the industry input indexes and expanded the industries for which these indexes are calculated to include: Paint and coating manufacturing, Automobile manufacturing, Offices of health practitioners, Membership associations and organizations, Plastics products manufacturing, Mining and oil and gas field machinery manufacturing, Airplane manufacturing, Ship building and repairing, and Truck transportation.

Beginning in 2016, the Producer Price Index (PPI) program started publishing variance estimates based on final index calculations for the previous calendar year. The release of PPI variance estimates for 2015 includes data describing PPIs for selected high-level indexes from the Final Demand-Intermediate Demand (FD-ID) Aggregation System. The FD-ID system represents the primary method by which producer inflation is analyzed at the aggregated level. These variance estimates will be updated on an annual basis. Additionally, in 2016, PPI introduced regional indexes for New Nonresidential Building Construction and Natural Gas Distribution.

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 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."