**Background**

To improve our ability to reflect price change for the Investment banking and securities dealing industry overall, BLS uses an **alternative financial data set**. BLS explored multiple sources of data from regulatory organizations and private businesses.

**Cost** — $28,000/year

**Format** — online subscription to provider’s software

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**Industry Characteristics that Make Alternative Data Desirable**

- Large volume of transactions within each product line (adequate product representation requires very large item allocation for each sample unit)
- Large volume and variation in products offered by each sample unit (sample size requirements for direct collection are extremely large)
- Quality adjustment is difficult
- Importance of the industry to GDP

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**Benefits**

- One source covering multiple product lines
- More representative price movements
- Decreased respondent burden
- Significant cost savings from elimination of direct data collection
- Reduction in analyst time to collect and validate a comparable volume of directly collected data
- Broader product coverage *see graphs below*

**Risks/Challenges**

- Security — firewall changes to ensure one way access
- Procurement/budget process
- Data continuity — low risk of losing data source
- Ensuring index reproducibility — very low transparency risk
- **Terms of Service**
  - Source provider cannot be revealed
  - Monthly transaction download limit
  - Prices cannot be used directly in index

**Risks are minimal and are far outweighed by the benefits**

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**Process to insert alternative data into the Producer Price Index**

1. Financial database
2. Extract data that meets select criteria into spreadsheets
3. Systematically (SAS program)
   - Identify and remove anomalies
   - Calculate weighted averages
4. Manually enter prices into the PPI System

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**Graphs**

**Municipal Bonds Observations Per Day**

- **6640% INCREASE**

**Corporate Bonds Observations Per Day**

- **3791% INCREASE**