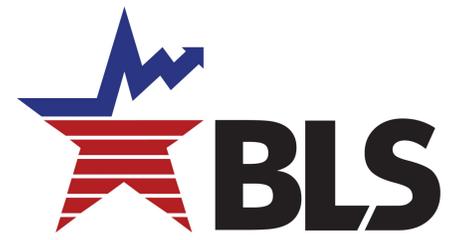


Alternative Data Source for Financial Services Industries



Bonnie Murphy—U.S. Bureau of Labor Statistics



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

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

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

Process to insert alternative data into the Producer Price Index

