Table E—U.S. Department of Labor, Employment and Training Administration—Continued

Workforce information grants to States
PY 2011 vs PY 2010 Allotments

State	PY 2010	PY 2011	Difference	% Difference
Maine	331,210	330,405	(805)	−0.24
Maryland	608,631	607,963	(668)	−0.11
Massachusetts	665,387	671,621	6,234	0.94
Michigan	840,933	840,199	(734)	−0.09
Minnesota	606,706	609,146	2,440	0.40
Mississippi	404,978	403,784	(1,194)	−0.29
Missouri	613,786	612,168	(1,618)	−0.26
Montana	306,340	305,461	(879)	−0.29
Nebraska	365,970	364,956	(1,014)	−0.28
Nevada	416,502	412,224	(4,278)	−1.03
New Hampshire	335,493	335,675	182	0.05
New Jersey	800,638	801,753	1,115	0.14
New Mexico	362,201	362,260	59	0.02
New York	1,439,096	1,431,886	(7,210)	−0.50
North Carolina	803,030	800,773	(2,257)	−0.28
North Dakota	289,915	289,407	(508)	−0.18
Ohio	974,547	973,816	(731)	−0.08
Oklahoma	461,686	461,908	222	0.05
Oregon	487,891	484,674	(3,217)	−0.66
Pennsylvania	1,032,188	1,032,323	135	0.01
Puerto Rico	408,794	404,628	(4,166)	−1.02
Rhode Island	314,349	314,871	522	0.17
South Carolina	512,460	510,108	(2,352)	−0.46
South Dakota	299,507	298,888	(619)	−0.21
Tennessee	616,563	615,549	(1,014)	−0.16
Texas	1,704,900	1,734,172	29,272	1.72
Utah	414,068	410,093	(3,975)	−0.96
Vermont	288,734	288,413	(321)	−0.11
Virginia	753,436	756,466	3,030	0.40
Washington	679,171	677,933	(1,238)	−0.18
West Virginia	342,209	340,653	(1,556)	−0.45
Wisconsin	624,061	617,807	(6,254)	−1.00
Wyoming	280,600	280,219	(381)	−0.14
State total	31,823,200	31,759,354	(63,846)	−0.20
Guam	92,899	92,813	(86)	−0.09
Virgin Islands	83,901	83,833	(68)	−0.08
Outlying areas total	176,800	176,646	(154)	−0.09

[FR Doc. 2011–11881 Filed 5–16–11; 8:45 am]

BILLING CODE 4510–FN–P

DEPARTMENT OF LABOR

Bureau of Labor Statistics

Comment Request

AGENCY: Bureau of Labor Statistics.

ACTION: Notice of solicitation of comments.

SUMMARY: To expand the scope of coverage for the Producer Price Index (PPI), BLS recently developed an experimental aggregation system that includes price changes for goods, services, and construction sold to all portions of final demand and intermediate demand.

DATES: Written comments must be submitted to the office listed in the ADDRESSES section of this notice on or before July 18, 2011.

ADDRESSES: Send comments to Jonathan Weinhagen, Producer Price Index, Bureau of Labor Statistics, Room 3650, 2 Massachusetts Avenue, NE., Washington, DC 20212 or by *e-mail to: weinhagen.jonathan@bls.gov.*

FOR FURTHER INFORMATION CONTACT: Jonathan Weinhagen, Producer Price Index, Bureau of Labor Statistics, telephone number 202–691–7709 (this is not a toll-free number), or by *e-mail to: weinhagen.jonathan@bls.gov.*

SUPPLEMENTARY INFORMATION:

I. Background

Currently, the Bureau of Labor Statistics (BLS) uses the stage-of-processing (SOP) system as the key structure for analyzing producer prices. This system aggregates commodity price indexes for processed and unprocessed goods and is organized into three stages: Finished goods, intermediate goods, and crude materials for further processing. Over the past 20 years, the BLS has expanded Producer Price Index (PPI) coverage to include price indexes for many service and construction activities, but the SOP system continues to include only goods indexes. The PPI program recently developed an experimental aggregation system that includes goods price indexes as well as service and construction price indexes for products sold to all portions of final demand (personal consumption, capital investment, government use, and export) and to intermediate demand (business inputs, excluding capital investment). The experimental aggregation system was introduced with the release of January 2011 data in February 2011. This new system is a model that greatly expands PPI coverage of the United States economy.

In developing the experimental aggregation system, two main criteria were considered. First, the system should be designed in such a way as to alleviate or minimize problems resulting from multiple counting. Second, the system should be analytically useful. Multiple counting can lead to overstated or understated measures of inflation. Multiple counting occurs when the price for a specific commodity and the inputs to production for that same commodity are included in an aggregate index. Before 1978, for example, the PPI program highlighted the all commodities index as its primary aggregate index. This index aggregates prices for all goods sold in the economy, using weights that reflect sales to all portions of intermediate and final demand. The all commodities index was the subject of serious criticism when petroleum prices spiked in the 1970s. Price change, as measured by the all commodities index, was seen as exaggerated because the index included both gasoline sold for final demand and crude petroleum, the primary input used in the production of gasoline. The SOP system substantially reduced multiple counting by separating goods into three stages: Crude, intermediate, and finished.

The second criterion is that the aggregation system be analytically useful. The SOP system is more analytically useful than the all commodities index, as the system potentially allows price changes to be tracked through the various segments of the economy. In developing an aggregation system that incorporates prices for services and construction, the possible analytical functions of the system were considered.

The new PPI aggregation system was designed to satisfy the two criteria identified earlier. To avoid multiple counting, the system separates final-demand transactions from intermediate-demand transactions and, in some cases, voids instances of multiple counting. One of the reasons the system is useful for analysis is that it combines commodity indexes into meaningful final-demand and intermediate-demand aggregates. The aggregates convey information about the types of commodities contributing to inflation at both the final demand level and at earlier stages of production, and can be used to track price change through the economy.

II. Final Demand

The final demand segment of the PPI experimental aggregation system tracks price change for commodities—goods, services, and construction—sold by producers to all portions of final demand (personal consumption, capital investment, government, and export).[1] The final demand segment of the experimental aggregation system is composed of six main price indexes: Final demand goods, final demand construction, final demand transportation services, final demand trade services, final demand traditional services, and overall final demand. The experimental final demand goods index measures price change for both unprocessed and processed goods sold to final demand. Fresh fruits sold to consumers or computers sold as exports are examples of transactions included in this index. The final demand construction index tracks price change for new construction as well as maintenance and repair construction sold to final demand. Construction of office buildings is an example of a commodity in this index. The final demand transportation services index tracks price change for transportation of passengers and cargo sold to final demand and includes prices for warehousing and storage of goods sold to final demand. The final demand trade services index measures price change for the retailing and wholesaling of merchandise sold to final demand, generally without transformation. The final demand traditional services index tracks price change for services other than trade and transportation services sold to final demand. Publishing, banking, lodging, and health care are examples of traditional services in the index. The overall final demand index tracks price change for all types of commodities sold to final demand and is constructed by combining the five final demand indexes described above.

III. Intermediate Demand

The intermediate demand portion of the PPI experimental aggregation system tracks price change for goods, services, and construction products sold to businesses as inputs to production,

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[1] All PPI aggregate indexes, including the SOP indexes and experimental aggregation indexes, are constructed from producers' output prices. In both the SOP system and experimental aggregation system, commodity prices are aggregated according to the type of buyer, and producer output prices are used as a proxy for actual prices paid by the buyer. In many cases, the same commodity is purchased by different types of buyers and is therefore included in more than one aggregate index. In these cases, the same PPI commodity index often is used in all aggregations. For example, regular gasoline is purchased for personal consumption, export, government use, and business use. The PPI program publishes only one commodity index for regular gasoline (wpu057104), and this index is used in all aggregations regardless of whether the gasoline is sold for personal consumption, as an export, to government, or to businesses.

excluding capital investment. In order to meet the needs of different data users, the experimental aggregation system includes two separate treatments of intermediate demand. The first treatment organizes intermediate-demand commodities by commodity type and is structurally similar to the final demand portion of the system. The second approach organizes intermediate demand commodities into stages by production flow with the explicit goal of developing a forward flow model of production and price change.

Intermediate-demand-by-commodity-type. The intermediate-demand-by-commodity-type portion of the experimental aggregation system organizes indexes for commodities sold to businesses, where types include goods, services, and maintenance and repair construction. The system is composed of six main price indexes: Unprocessed goods for intermediate demand, processed goods for intermediate demand, intermediate demand construction, intermediate demand transportation services, intermediate demand trade services, and intermediate demand traditional services. The unprocessed-goods-for-intermediate-demand price index measures price change for goods that have undergone no fabrication and will be sold to businesses as inputs to production. Crude petroleum sold to refineries is an example of an unprocessed good sold to intermediate demand. The processed-goods-for-intermediate-demand index tracks price change for fabricated goods sold as business inputs. Examples include car parts sold to car manufacturers and gasoline sold to trucking companies. The intermediate demand construction index measures price change for construction purchased by firms as inputs to production. Because new construction is categorized in the final demand portion of the economy, this index tracks price change for maintenance and repair construction purchased by firms. The intermediate demand transportation services indexes measure price change for business travel as well as transportation and warehousing of cargo sold to intermediate demand. The index for intermediate trade services measures price change in the service of retailing or wholesaling goods purchased by businesses as inputs to production. Finally, the intermediate traditional services price index tracks price change in traditional services purchased by firms as inputs to production. Legal and accounting services purchased by businesses are examples of intermediate

traditional services. The system does not include an overall intermediate demand index since this index would have severe multiple counting problems.

Intermediate-demand-by-production-flow. The production flow treatment of intermediate demand within the experimental aggregation system is a stage-based system of price indexes. The stage-based indexes can be used to study price transmission relationships between intermediate-demand stages, and to final demand. The production flow treatment contains four main indexes: Intermediate-demand stages 1 through 4.

A four-step process was used by the PPI program to develop the intermediate-demand-by-production-flow system. The first step in the process of developing stages was to determine the total production of each industry in the economy. In general, industries are classified as primary producers of specific goods or services; however, industries may also be secondary producers of other goods or services. The first step therefore requires determining both the primary production and secondary production of each industry in the economy. The 2002 BEA "Make of Commodities by Industries" table was used for this purpose.

The second step in developing stages was to ascertain where the total output of each industry is consumed. This step requires determining, for each industry, the portion of the industry output consumed as final demand and the portion consumed as intermediate demand. For the intermediate-demand portion, determining which specific industries are consuming the industry's output also is required. BEA 2002 "Use of Commodities by Industry" data were employed to make this determination.

The third step in developing stages was to assign industries to stages of production. The PPI program chose the criterion of maximizing net forward flow within the system to assign industries to stages. Net forward flow is defined as (forward shipments of the industry stage + inputs received from previous stages of process)—(backward shipments of the industry stage + inputs received from forward stages of process).

The PPI program implemented a two-step procedure to attempt to maximize net forward flow. In the first step, a set of rules was used to assign industries to stages and select the appropriate number of stages for the system. The system that the PPI program eventually chose is a four-stage system. The set of

rules used to assign industries to the four stages is summarized as follows:

• Assign industry to stage 4 if shipments sold to final demand ≥75 percent of industry production.

• Assign industry to stage 3 if shipments sold to final demand and to stage 4 ≥65 percent of industry production and shipments sold to final demand <75 percent of production.

• Assign industry to stage 2 if shipments sold to final demand, to stage 4, and to stage 3 ≥65 percent of industry production; and shipments sold to final demand and to stage 4 <65 percent of production; and shipments sold to final demand <75 percent.

• Assign industry to stage 1 if it does not meet the conditions of stage 4, 3, or 2.

Before selecting the number of stages and set of rules just described, the PPI program examined many different sets of rules and numbers of stages. It eventually chose the aforementioned system because it performed very well in terms of maximizing net forward flow and minimizing internal flow (shipments produces and consumed in the same stage of production).

After the assignment of industries to stages by use of the aforementioned rules, the second step in the procedure to maximize net forward flow was to examine the effects on net forward flow of moving individual industries to stages to which they were not originally assigned. In cases in which there were substantial gains to net forward flow industries were left in the new stage.

The PPI production-flow-based system exhibits strong forward flow and little backflow. After weighting, 83.6 percent of transactions in the system are forward flowing, 5.7 percent are back flowing, and 10.7 percent are internally flowing.

The final step in constructing stages for the production-flow-based intermediate demand indexes was to determine the commodities to be included and weights to be used in the intermediate demand indexes. It is important to understand that these indexes track prices for inputs consumed by industries in each of the four stages of production, as opposed to prices for the output produced by industries in each of the four stages of production. These indexes also exclude prices for inputs both produced and consumed within an industry production stage, thereby eliminating any multiple counting of price change. The fourth intermediate demand index, for example, tracks price change for inputs consumed, but not produced, by industries included in the fourth stage of production. Recall that industries

classified in the fourth stage of production mostly produce goods sold to final demand. The stage 4 intermediate demand index therefore measures price change in the inputs to production of industries that produce primarily final-demand goods (stage 4 producers).

IV. Further Information

For further information about the new PPI experimental aggregation system, please visit *http://www.bls.gov/ppi/experimentalaggregation.htm.* The experimental aggregation Web page contains information on relative importance figures for categories, various methodological articles from the *Monthly Labor Review and PPI Detailed Report,* a table showing the industry stage assignments in intermediate demand by production flow, a list of areas of non-coverage, and instructions for obtaining time series data.

V. Desired Focus of Comments

Comments and recommendations are requested from the public on the new PPI experimental aggregation system. The concepts, methods, and definitions described here may change based on input from the public and experience gained in data collection.

The BLS welcomes comments on any aspect of the experimental aggregation system but is especially interested in comments on:

1. The inclusion of the weight for government purchases and exports in the new system.

2. The usefulness of the new experimental aggregation system, including either or both treatments of intermediate demand—intermediate-demand by production flow and intermediate demand by commodity type.

3. The criterion of maximizing net forward flow to develop the intermediate demand by production flow segment of the experimental aggregation system.

4. The usefulness of the commodity groupings. The final demand and intermediate demand by commodity type portion of the experimental aggregation system group price indexes by type of commodities, where commodity types include unprocessed goods, processed goods, traditional services, transportation services, trade services, and construction.

Signed at Washington, DC, this 11th day of May 2011.

Kimberley Hill,

Chief, Division of Management Systems, Bureau of Labor Statistics.

[FR Doc. 2011–12042 Filed 5–16–11; 8:45 am]

BILLING CODE 4510–24–P