

REPORT ON QUALITY CHANGES FOR 2016 MODEL VEHICLES

In accordance with usual practice, most new-model-year passenger cars and light motor trucks were introduced into the Producer Price Index (PPI) with the release of data for October 2015.

Passenger Cars

The value of quality changes for a sample of 2016 model year domestically produced passenger cars included in the PPI for October averaged \$90.35, according to estimates by the U.S. Bureau of Labor Statistics (BLS). This change represents 18.2 percent of the average \$496.44 increase in manufacturers' invoice prices for this year's models as compared with last year's models.

The retail equivalent value of these quality changes averaged \$94.98, representing 23.4 percent of the average \$405.43 over-the-year increase in manufacturers' suggested list prices.

Light Trucks

The value of quality changes for a sample of 2016 model year domestically produced light trucks included in the PPI for October averaged \$128.57. This change represents 10.8 percent of the average \$1,194.71 increase in manufacturers' invoice prices for this year's models as compared with last year's models.

The retail equivalent value of quality changes averaged \$139.15, representing 10.6 percent of the average \$1,313.47 over-the-year increase in manufacturers' suggested list prices.

The \$139.15 estimated retail value of quality change breaks down as follows:

- \$85.84 for mandated and non-mandated safety changes such as improvements to airbags and the addition of rearview cameras.
- \$53.31 for other changes, such as changes to audio systems, powertrains, and changes in levels of standard or optional equipment.

For technical information regarding quality changes for 2016 model year motor vehicles, contact Thaddious Foster at Foster.Thaddious@bls.gov or (202) 691-6443. For general PPI information, contact the PPI Section of Index Analysis and Public Information, at ppi-info@bls.gov or (202) 691-7705.

Estimates of the value of quality change are based on a review by the BLS of data supplied by producers for similarly equipped 2015 and 2016 domestically produced models priced for the PPI. Most of the estimates of quality changes in this notice are derived from information supplied for the PPI for October. These data also form the basis of the new vehicle quality adjustment for the Consumer Price Index (CPI). However, it should be noted that, effective with the release of data for January 1999, changes made solely for the purpose of meeting air pollution standards are no longer considered quality improvements for CPI calculation purposes.

**Producer Price Index
U.S. Bureau of Labor Statistics
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