

News

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Report On Quality Changes For 2006 Model Vehicles

Passenger Cars

The value of quality changes for a sample of eleven 2006 model year domestically produced passenger cars included in the Producer Price Index (PPI) for October averaged \$26.73, according to estimates by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor. There was an average \$43.44 decline in manufacturers' invoice prices for this year's models, compared with last year's models.

The retail equivalent value of these quality changes averaged \$29.24. Average manufacturers' suggested list prices declined \$124.31 from the previous model year's value.

The \$29.24 estimated retail value of quality changes includes:

- \$26.79 for emission improvements;
- \$2.45 for other quality changes, such as federally mandated and non-mandated safety improvements, changes in audio systems, warranty changes, and changes in levels of standard or optional equipment.

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Light Trucks

The value of quality changes for a sample of twenty 2006 model year domestically produced light trucks included in the PPI for October averaged \$148.15. There was an average \$89.16 increase in manufacturers' invoice prices for this year's models, compared with last year's models.

The retail equivalent value of quality changes for domestically produced light trucks averaged \$166.53. Average manufacturers' suggested list prices declined \$91.70 from the previous model year's value.

The \$166.53 estimated retail value of quality changes includes:

- \$112.81 for federally mandated and non-mandated safety improvements, such as changes to seatbelts, brakes, and airbag systems improvements;
- \$53.72 for other quality changes, such as powertrain improvements, warranty changes, and changes in levels of standard or optional equipment.

Estimates of the value of quality changes are based on a review by BLS of data supplied by producers for similarly equipped 2005 and 2006 domestically produced models priced for the PPI. Most of the estimates of quality changes in this release are derived from information supplied to 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 calculations.