

Comparing Price Measures— The CPI and the PCE Price Index

Brian C. Moyer

Deputy Chief

National Income and Wealth Division

*National Association for Business Economics
2006 Washington Economic Policy Conference*

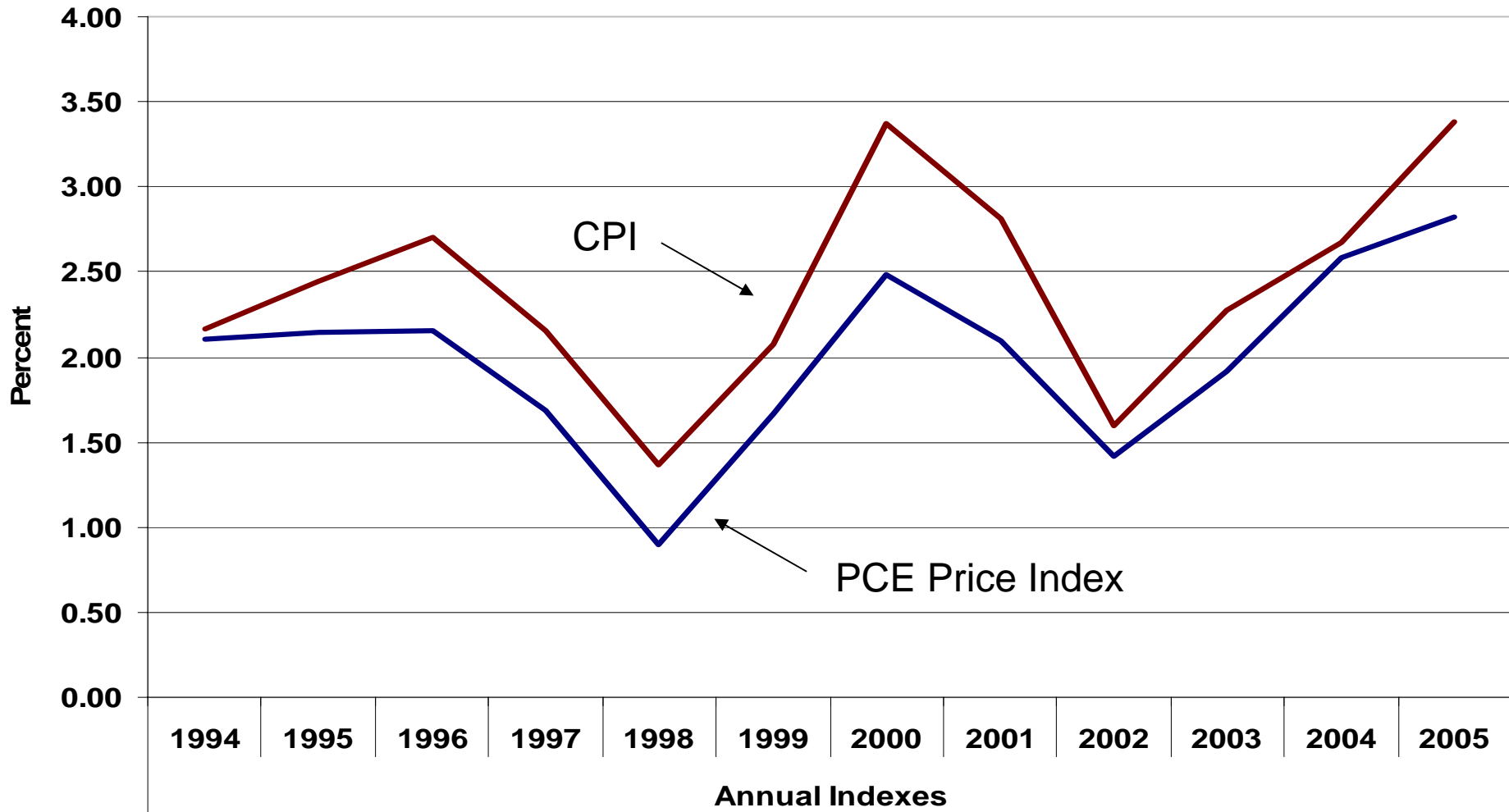
Marriott Crystal City

March 13-14, 2006

Measuring the Nation's Economy.



The PCE Price Index and the CPI



What are the Differences?

PCE Price Index	CPI
Produced by BEA using BLS price indexes and other data sources.	Produced by BLS using surveys of consumer prices and other data sources.
Reflects the price of expenditures made by households, including those made on behalf of households.	Reflects the price of out-of-pocket expenditures made by consumers.
Composition of expenditures changes from quarter to quarter.	Composition of the market basket remains fixed (updated every two years).
Derived using a chained Fisher index formula.	Derived using a Laspeyres-type index formula.
Weights are derived from business surveys.	Weights are derived from household surveys.

Composition of the PCE Price Index

Type of Index	Share of Nominal PCE
CPI	74 percent
PPI	9 percent
Input-cost Indexes	10 percent
Other	7 percent

Weights

CPI Expenditure Category	December 2004		
	PCE Weights	CPI Weights	PCE less CPI
All items	100.0	100.0	--
Food and beverages	13.7	15.3	-1.6
Housing	23.2	42.0	-18.8
Shelter	15.0	32.7	-17.7
Other housing	8.3	9.3	-1.0
Apparel	4.6	3.8	0.8
Transportation	11.9	17.4	-5.5
Medical care	20.3	6.1	14.2
Recreation	8.0	5.7	2.3
Education and communication	5.1	5.8	-0.7
Other goods and services	13.2	3.8	9.4

Medical Care: An Example of Differences

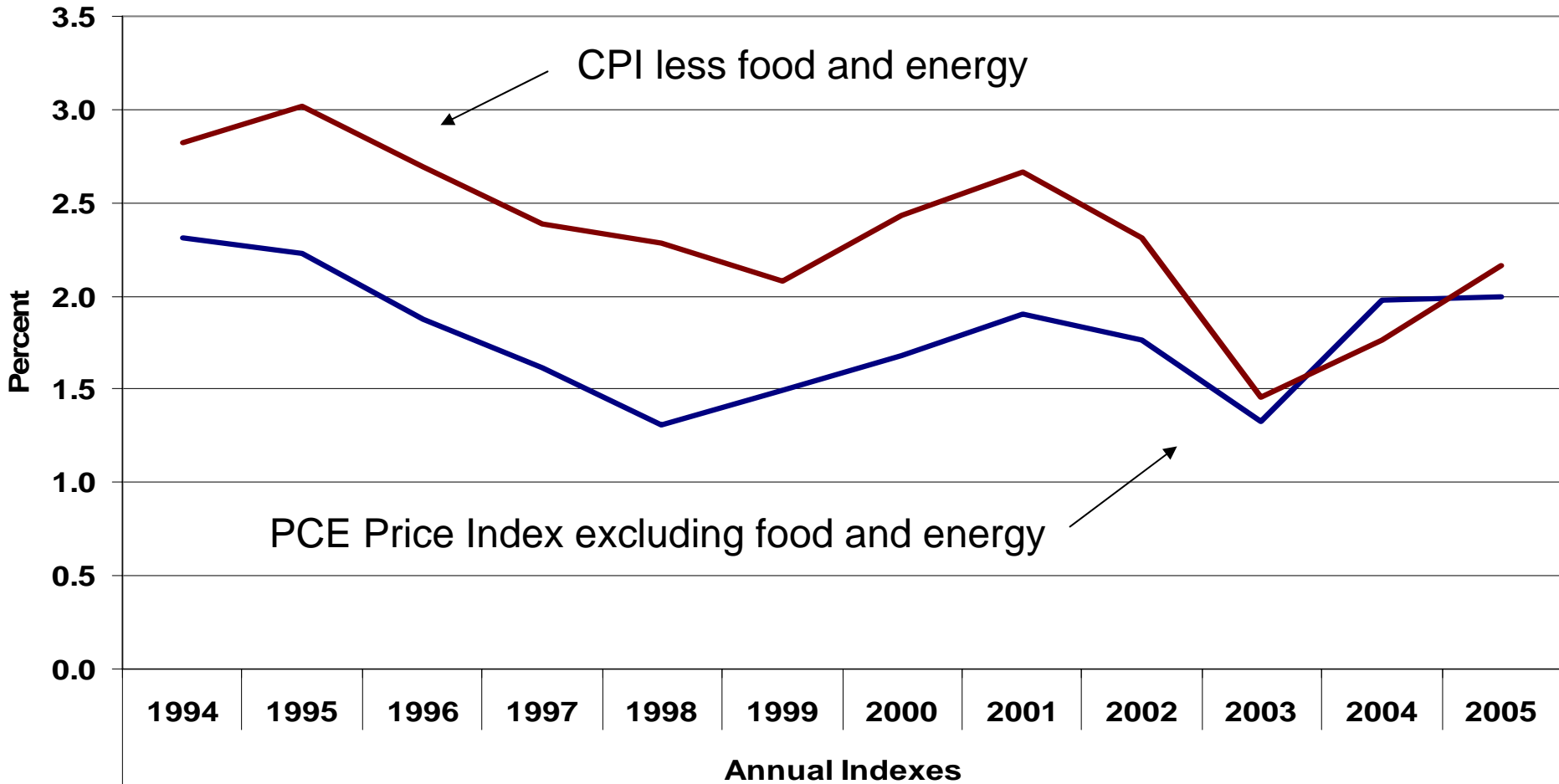
- PCE Price Index includes medical care paid for by
 - ✓ Households
 - ✓ Employers
 - ✓ Government programs
- Weight Differences
- Price Differences—PPIs used for
 - ✓ Hospitals
 - ✓ Physicians
 - ✓ Nursing homes
 - ✓ Home health care

Scope-adjusted Weights¹

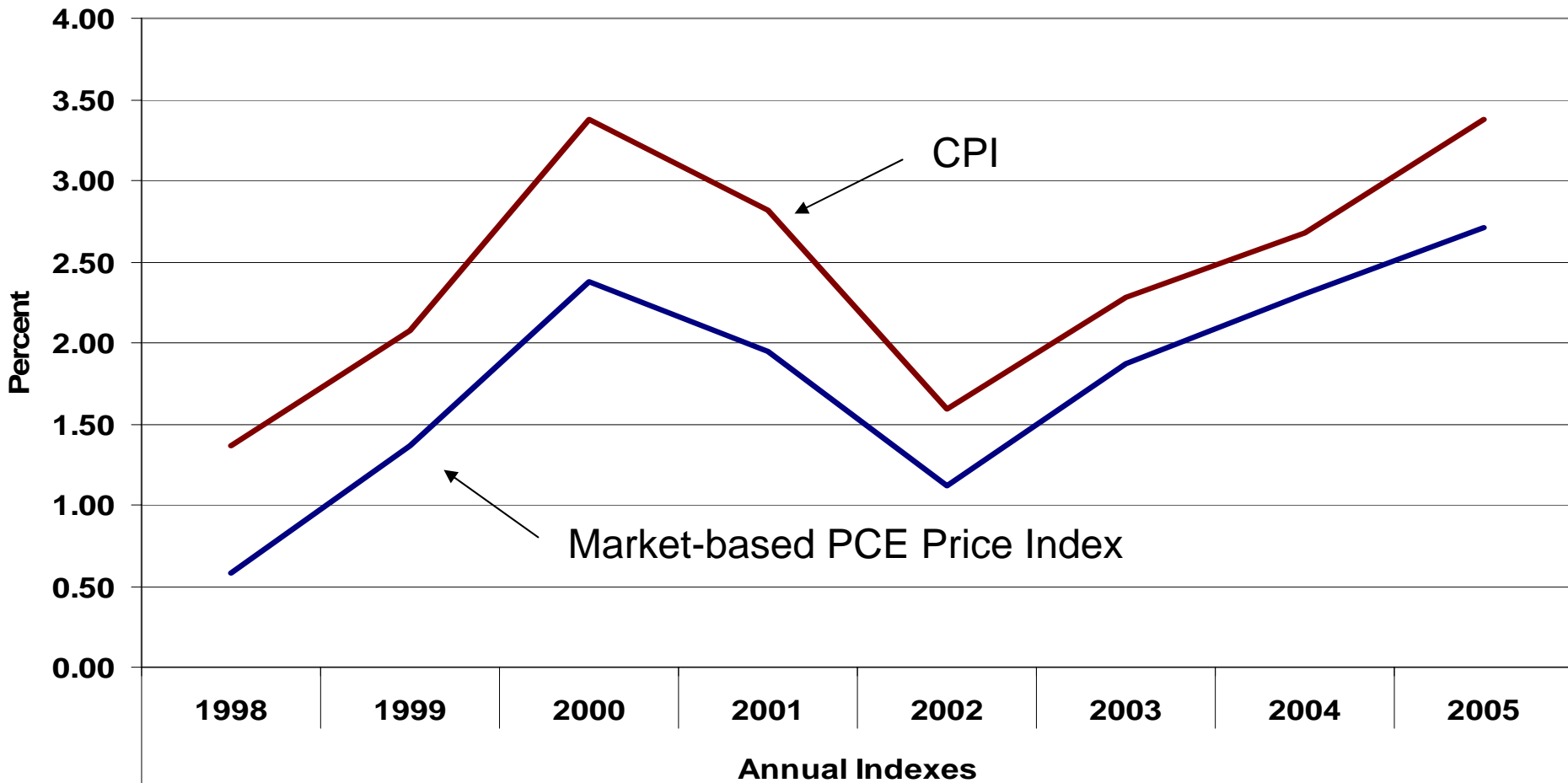
CPI Expenditure Category	December 2002		
	PCE Weights	CPI Weights	PCE less CPI
All items	100.0	100.0	--
Food and beverages	17.2	15.6	1.6
Housing	30.9	40.9	-10.0
Shelter	20.0	31.7	-11.7
Other housing	10.9	9.1	1.8
Apparel	6.1	4.2	1.9
Transportation	17.6	17.3	0.3
Medical care	6.7	6.0	0.7
Recreation	8.6	5.9	2.7
Education and communication	5.2	5.8	-0.6
Other goods and services	7.6	4.4	3.2

1. PCE weights are adjusted (by including or excluding items) to match the content of the CPI.

Core Price Indexes



Market-based PCE Price Index



Comparing Price Measures— CPI, PPI, and PCE

Brian C. Moyer

Deputy Chief

National Income and Wealth Division

*National Association for Business Economics
2006 Washington Economic Policy Conference*

Marriott Crystal City

March 13-14, 2006

Measuring the Nation's Economy.

