How Many Ways?

How many ways can you measure inflation? Lots! Here are just a few:

Consumer Price Index

The CPI measures price changes from the perspective of the consumer. It primarily includes items that consumers pay for directly out of their own pockets, along with an estimate for the rent that homeowners would have paid for their residences if they rented them instead of owning them.

Personal Consumption Expenditures Price Index

The PCE price index also measures price changes from the perspective of the consumer. It includes spending made directly by households, like the CPI, but it also includes spending made on behalf of households, such as medical care that most people don't pay for directly.

Producer Price Index

The producer price index measures price changes from the perspective of companies that produce goods and services.

Core CPI

Core CPI starts with the CPI but then omits the prices of food and energy. The prices of those items are taken out because the changes are highly variable. Taking them out leaves more persistent price changes in core CPI.

Core PCE Price Index

Similar to core CPI, the core PCE price index uses most of the PCE basket but it excludes energy prices and the prices of food purchased for at-home consumption.

Median CPI

Median CPI looks at the inflation rates in the categories of goods and services that make up the CPI. Each month, it ranks these categories from the lowest inflation rate (which can be negative) to the highest inflation rate and then picks the category whose inflation rate is right in the middle (that is, the median) of the distribution of inflation rates. In this way, extreme inflation movements among goods and services are ignored, rather than always omitting food and energy prices, as the core inflation measures do.

Median PCE Inflation

Median PCE inflation follows a similar methodology as median CPI, but instead it looks at the categories of goods and services that make up PCE inflation, again picking the category whose inflation rate is in the middle of the distribution of inflation rates.