

Research [in] Brief

Seasonal Data Patterns May Mask True Course of PCE Inflation



Primary issue

Researchers looking at one-month percent changes in the price index for personal consumption expenditures (PCE) for insights into current economic conditions face statistical challenges sifting out seasonal factors such as weather patterns and holiday customs. Seasonal variations observed in the last two months of a year and the first month of the next may mask the true path of inflation.



Key findings

Economists investigated lingering seasonal patterns in five measures of PCE inflation: headline, core, market-based core, median, and trimmed mean. From 1987 to the start of 2025, they found that all five had low average monthly inflation in November and December and high average monthly inflation in January. This pattern gives the impression that monthly inflation is always lower at the end of the year and then jumps suddenly at the start of the next.



The bottom line

The seasonal patterns that linger in the five PCE inflation measures studied suggest that monthly inflation rates are typically low in November and December and high in January. This phenomenon could mask the true course of annual PCE inflation and make it harder for households and businesses to see whether inflation is moving closer to or away from the Federal Reserve's 2 percent goal.

Want to find out more? Read "Residual Seasonality in Five Measures of PCE Inflation" at clefed.org/ec202503.

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