The four surveys used in the construction of the CPI

Telephone Point-of-Purchase Survey (TPOPS) — This household survey, conducted by the U.S. Census Bureau for BLS, provides the sampling frame for the Commodities and Services Pricing Survey. Roughly 30,000 households are interviewed each year and asked to identify the "points" at which they purchase consumer items. This gives BLS a list of grocery stores, department stores, doctor's offices, theaters, internet sites, shopping malls, etc., currently patronized by urban consumers.

Consumer Expenditure Survey (CE) — This household survey, conducted by the U.S. Census Bureau for BLS, provides information on the buying habits of American consumers. More than 7,000 families from around the country provide information each calendar quarter on their spending habits in the Quarterly Interview Survey, and another 7,000 families complete expense diaries in the Diary Survey each year. The data collected from these surveys are used to calculate the relative importance of items in the market basket.

Housing Survey — This survey, conducted by BLS, is used to obtain rent prices in each CPI sampling area. Roughly 50,000 rental units are priced every 6 months. Rent and the estimated rental value of owned homes constitute more than 30 percent of the total CPI market basket.

Commodities and Services Pricing Survey — This survey, conducted by BLS, is used to obtain the prices of consumer goods and services in retail establishments (identified by TPOPS) for the market basket items. Each month, BLS data collectors visit or call thousands of retail stores, service establishments, and other businesses all over the United States to obtain price information on about 80,000 items.

Effects of the CPI

- The CPI can be used to measure and compare consumers' purchasing power in different time periods. As prices increase, the purchasing power of a consumer's dollar declines, and as prices decrease, the consumer's purchasing power increases.
- The CPI is often used to adjust consumers' income payments. For example, the CPI is used to adjust Social Security benefits, to adjust income eligibility levels for government assistance, and to automatically provide cost-of-living wage adjustments to millions of American workers.
- The CPI affects more than 100 million persons as a result of statutory action:
  - Over 50 million Social Security beneficiaries
  - About 20 million food stamp recipients in the Supplemental Nutrition Assistance Program (SNAP)
  - Around 4.2 million military and Federal Civil Service retirees and survivors
  - 30 million children who receive lunch through the National School Lunch Program (NSLP)
  - Over 2 million workers covered by collective bargaining agreements that tie wages to the CPI
- The CPI is used to adjust the Federal income tax brackets. These adjustments prevent inflation-induced increases in tax rates, an effect called "bracket creep."

For further information contact:

Consumer Price Index **www.bls.gov/cpi/**

Facts about the Consumer Price Index (CPI)

BLS

U.S. Bureau of Labor Statistics

What is the CPI?

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI, produced by the Bureau of Labor Statistics (BLS), provides a way to measure the prices paid by consumers from month to month.

What does the CPI measure?

The CPI measures inflation. It is an estimate of the average increase (or decrease) in the prices paid by the "average" urban consumer in the United States for a representative basket of consumer items. The basket includes food and beverages, housing (including an estimated rental value of owned homes), apparel, transportation, medical care, recreation, education and communication, and other goods and services.

What is the market basket of goods?

The CPI represents all goods and services purchased for consumption by the population. These expenditure items fit into hundreds of subcategories arranged into eight major groups. Major groups and examples of categories in each are as follows:

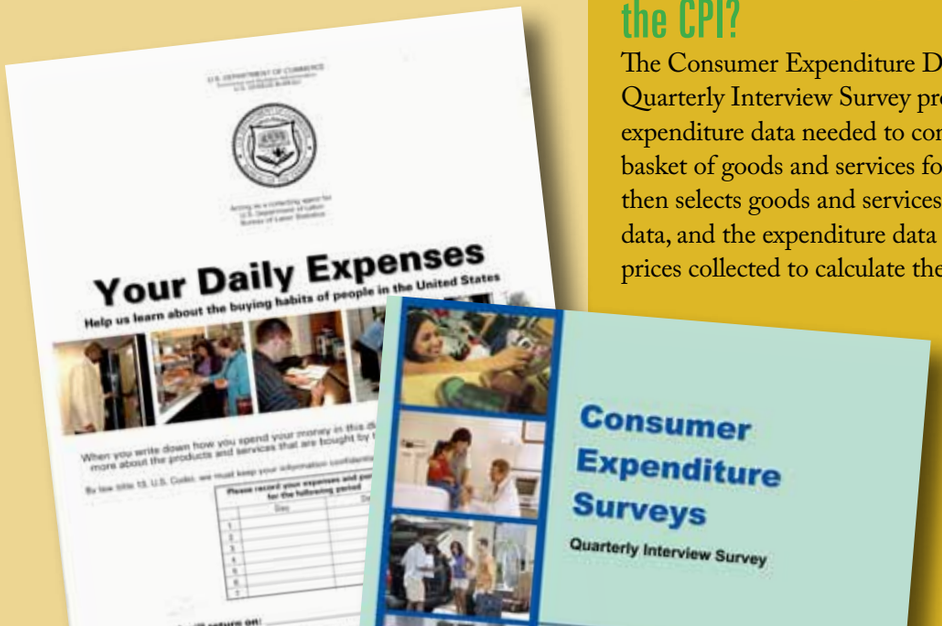
- **FOOD AND BEVERAGES** – breakfast cereal, milk, coffee, chicken, wine, and full service meals and snacks
- **HOUSING** – rent of primary residence, owners' equivalent rent, fuel oil, and bedroom furniture
- **APPAREL** – men's shirts and sweaters, women's dresses, and jewelry
- **TRANSPORTATION** – new vehicles, airline fares, gasoline, and motor vehicle insurance
- **MEDICAL CARE** – prescription drugs and medical supplies, physicians' services, eyeglasses and eye care, and hospital services
- **RECREATION** – televisions, toys, pets and pet products, sports equipment, and admissions
- **EDUCATION AND COMMUNICATION** – college tuition, postage, telephone services, and computer software and accessories
- **OTHER GOODS AND SERVICES** – tobacco and smoking products, haircuts and other personal services, and funeral expenses

When are CPI data released?

The CPI is released every month, usually during the third week of the month. For example, the CPI released the third week in March represents data for February of that year. BLS also releases annual average indexes for the previous calendar year every January.

Are CPI data published only at the national level, or are regional level data available, too?

CPI data are available at national, regional, and metropolitan-area levels. BLS publishes the national (or U.S. City Average) CPI monthly. Indexes based on census regions and three major metropolitan areas (Los Angeles, New York City, and Chicago) also are published monthly. Further, BLS publishes CPI indexes for 11 other major metropolitan areas every other month.



Why is the CPI important?

The CPI is the most widely used measure of inflation and is sometimes viewed as an indicator of the effectiveness of government economic policy. The CPI provides information about price change in the Nation's economy to government, business, labor, and other private citizens, who use the CPI as a guide in making economic decisions. In addition, the CPI may be used by policy makers as a consideration in monetary and fiscal policy decisions. The CPI and its components also are used to adjust other economic series for price change and to translate these series into inflation-free dollars. Examples of series adjusted by the CPI include retail sales, hourly wages and earnings, and components of the National Income and Product Accounts, such as the Gross Domestic Product (GDP).

What do the Consumer Expenditure (CE) Diary Survey and Quarterly Interview Survey provide for the CPI?

The Consumer Expenditure Diary Survey and Quarterly Interview Survey provide BLS with expenditure data needed to construct the market basket of goods and services for the CPI. BLS then selects goods and services based on this data, and the expenditure data are used with the prices collected to calculate the CPI.