





## 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

## 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 average price change experienced 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.

## 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. The CE also collects information on where consumers shop, which are used to determine where to collect prices.

