

The Personal Consumption Expenditures Price Index

These are the main differences between the PCE index and the consumer price index (CPI), it's notable for a few reasons:

- Core PCE is the Federal Reserve's preferred measure of inflation, helping to guide the central bank's monetary policy decisions.
- Price data for the PCE index comes from surveys of businesses, rather than what consumers say they're spending on goods and services.
- The PCE's basket of goods and services changes regularly to account for substitution—when prices for one item rise, consumers shift their spending to cheaper alternatives.
- It also measures expenditures on goods and services made on behalf of consumers, like spending on medical insurance by employers or government programs.

Alternatives to the CPI: Employment Cost Index (ECI)