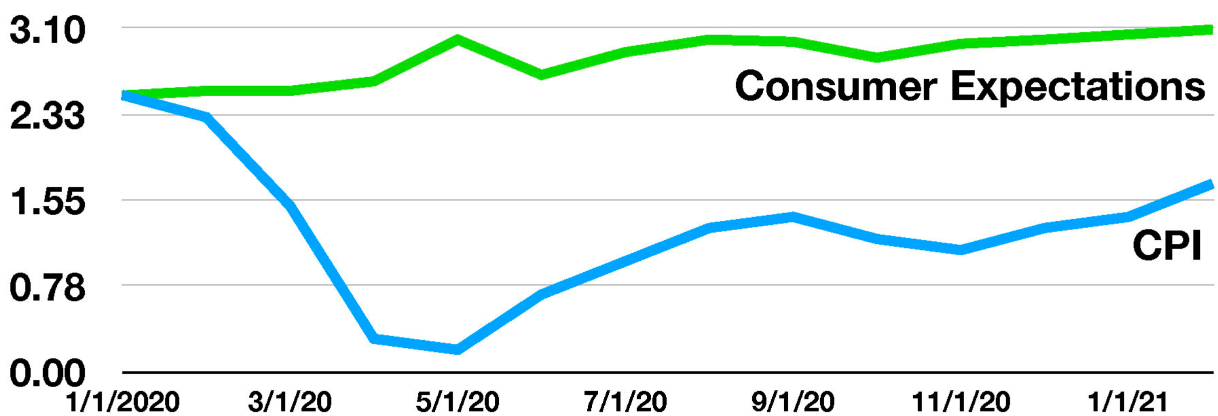
How Government Inflation Gauges Differ - Macro Economic Dynamics

The traditional gauge for inflation, known as the Consumer Price Index (CPI), is being challenged by yet another government produced measure known as Consumer Expectations. The most recent data released shows an inflation rate of 1.7%, as noted by the CPI compiled by the Bureau of Economic Analysis for February 2021. The Federal Reserve maintains its own inflation gauge, yet is based on consumer expectations of where inflation is headed. That inflation gauge ended February at 3.09%.

Many economists believe the Fed's inflation gauge to be a more accurate indicator of actual inflation since it is directly based on consumer expectations. The traditional CPI extracts food and energy, ironically two of the most inflationary areas for consumers this past year.

Some of the items included in the CPI basket are housing, clothing, transportation, medical care, and education. The challenge of the CPI is that it takes a look-back approach rather than a look-forward approach which takes consumer expectations into account. Expectations also vary among age groups, where seniors are more concerned about medical care and transportation, while younger adults worry about apparel and housing.

Sources: BEA, Federal Reserve



PlanRock offers investment due diligence services for Investment professionals. PlanRock offers Exchange Traded Funds on the New York Stock Exchange. See prospectus for more details. Please contact 800-677-6025 or go to www.PlanRock.com for more information about how we can help you reach your goals.