
National Economic Trends

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The consumer price index (CPI) is used frequently as an approximate measure of the "cost of living." Publicly, policymakers make use of the index in the formulation of monetary and fiscal policy. Privately, the CPI is used in wage and salary negotiations, contracts, and in personal and business decisionmaking. Because of its widespread use, the U.S. Department of Labor revises and updates the index in a continuing effort to improve its accuracy.

The Department recently announced that the seasonally adjusted CPI was revised for the period from 1982 to 1986. In addition, effective January 1987, the market basket of goods and services used in the construction of the index was revised. The market basket is now based on spending patterns in the 1982-84 period rather than the 1972-73 period. Such updating of the relative weights assigned to different items in the index is required periodically in order to preserve the integrity of the index as a measure of price trends.

Because of changing economic, social and demographic factors, spending patterns change over time. The accompanying table compares the relative importance of expenditure groups in the CPI for the 1982-84 spending survey with those from the 1972-73 survey. The largest decline is for food and beverages and the largest increase is for housing. (For detailed description and analysis, see the *Monthly Labor Review*.)

Relative Importance of Expenditure Groups

	1982-84	1972-73
All items	100.0%	100.0%
Food and beverages	17.8	20.6
Housing	42.6	38.2
Apparel and upkeep	6.5	7.5
Transportation	18.7	19.1
Medical care	4.8	5.0
Entertainment	4.4	4.8
Other goods and services	5.1	4.8

Source: U.S. Department of Labor, *Monthly Labor Review* (January 1987)

—Keith M. Carlson

