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Inflation Trends in Personal Consumption Expenditures, 2001-2015

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Inflation Trends in Personal Consumption Expenditures (PCE), 2001-2014
By: Courtney Cady
Advisor: Dr. Robert Dean and Dr. Trevor Collier

- Study Purpose: Determine long and intermediate trends in PCE inflation
- The model
  \[ \text{PCE} = a + b(T) \]
  Where:
  - PCE = Personal Consumption Expenditures
  - T = time
  - a, b = equation parameters
- Periods of analysis:
  1. 2001-2007
  2. 2009-2014
  3. 2001-2014
- Target inflation rate
  Policy Objective = 2%
- Data analysis:
  Determine if PCE inflation trends meet policy objectives

- Analysis 2001-2007
  - PCE Inflation Trend > 2%
  - PCE ex. Food and Energy < 2%
  - Services > 2%

- Analysis 2009-2014
  - PCE Inflation Trend < 2%
  - PCE ex. Food and Energy < 2%
  - Services > 2%

- Analysis 2001-2014
  - PCE Inflation Trend < 2%
  - PCE ex. Food and Energy < 2%
  - Services > 2%

- Conclusions: Long term PCE trend is below the target rate
  Long term PCE ex Food and Energy is below the target rate
  Certain subsectors like Services are above the target rate