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## Change in Inflation Data Questioned

BY MATT GROSSMAN

Sen. Elizabeth Warren is pressing the Commerce Department for details on coming changes to official inflation numbers, the latest corner of the typically obscure federal statistics system to spark a political squabble.

In a letter sent Thursday, the Massachusetts Democrat asked about changes to the Fed's preferred inflation metric that will land next month.

Changes to the calculations are expected to produce slightly cooler inflation readings. That is important because the Fed consults these readings to help it set interest rates.

The Commerce Department and its statistical agency, the Bureau of Economic Analysis, have "an obligation to explain to the public" the reasoning and process behind the decisions, Warren wrote.

There is no evidence that the coming changes are politically motivated. Economists following the changes largely believe they are defensible moves that could more accurately reflect price changes in hard-to-measure corners of the economy.

The BEA is led by a civil servant, Vipin Arora, who started his job during the Biden administration.

Warren said that amid a charged environment in which the Trump administration has politicized economic data, tweaks to statistical methods warrant deeper scrutiny.

Trump fired the Bureau of Labor Statistics chief last year after unfavorable jobs numbers. The Trump administration also disbanded expert committees that once advised agencies on methodological changes.

Starting with the August data, to be published in September, the BEA is taking a new approach to measuring inflation in three categories: computer software, legal fees and investment advice. Two of those categories—computer software and investment advice—have shown steep price increases over the past year, which some economists say have artificially boosted the overall inflation number.

Even after the revision, inflation is likely to be well above the Fed's 2% target.

The measure at issue, called the personal consumption expenditures price index, tracks price changes across a broad basket of the things consumers spend money on, from clothing to housing and insurance.

It is separate from the consumer-price index, another approach to measuring inflation that is closely followed by markets and businesses.

The Fed prefers the PCE index because it gauges inflation through a slightly broader lens—pulling in healthcare costs that consumers don't pay directly, for example—and because it aims to account for the way that consumers' spending patterns change as prices rise and fall on different goods and services. The index showed that inflation was 3.7% in June, or 3.3% excluding volatile food and energy prices.

Under the new calculation, computer-software inflation will no longer be tied as closely to hardware prices—which have soared amid the AI boom—and the measured cost of investment advice won't climb in lockstep with the stock market, like it does under the current system.



All in all, changes will likely shave about two-tenths of a percentage point off the rate.

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The Fed's official policy framework, last ratified in January, aims for 2% inflation readings on the PCE gauge, a target that the economy has exceeded since 2021.

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Chairman Kevin Warsh, who has pledged to re-examine fundamental aspects of how the Fed operates, has committed to reducing inflation.

A BEA spokeswoman declined to comment on Warren's letter.

The agency has said the statistical tweaks are intended to improve accuracy.

The changes won't affect the higher-profile consumerprice index, which is published independently by the Labor Department.

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