

## Chicago Fed Income Based Economic Index (Chicago Fed IBEX)

### New Index Measures Inflation for Specific Groups

The Federal Reserve Bank of Chicago is unveiling a new economic index that measures inflation for specific population groups, such as the elderly and the poor.

The Chicago Fed Income Based Economic Index-Consumer Price Index (IBEX-CPI) contains inflation data from 1983 to 2005 for more than 30 groups defined by income, education, age, poverty status, and a range of other socioeconomic and demographic characteristics. It will be updated annually and can be found at [www.chicagofed.org/CFIBEX](http://www.chicagofed.org/CFIBEX).

This information can be used by researchers and policymakers to monitor the impact of inflation on various segments of the population.

In analyzing the data from 1983 to 2005, Chicago Fed researchers examined two aspects of inflation: the average level of inflation, and how much variance there was from this average. The principal finding of this investigation is that average inflation rates were similar across a range of groups. For example, average annual inflation over this period was 3 percent for both the working poor and the overall urban population.

In contrast to other population segments, the elderly have experienced somewhat higher inflation than the overall urban population, according to the IBEX-CPI. On average, annual inflation for the elderly was 3.3 percent from 1983 to 2005, compared with 3 percent for the urban population. This difference is driven by higher expenditures among the elderly on health care, the cost of which has increased more rapidly than average prices for a number of years, the analysis showed.

The extent to which inflation moves up and down (variability) for a particular population group depends on the fraction of a group's expenditures that are devoted to items with volatile prices, like energy and food. Groups like the working poor, which spend a relatively high fraction of their total budget on food and energy, experienced more variable inflation. In particular, the working poor experienced inflation that was 13 percent more variable than that of the urban population from 1983 to 2005. In contrast, groups that devote a smaller share of their spending to food and energy, like the elderly, experienced smaller fluctuations in inflation.

The index contains inflation information for a range of groups, including:

- Those with a college education
- High school graduates
- Those who have less than a high school diploma
- The elderly
- Food stamp recipients
- Homeowners
- Renters
- People in each income quartile
- The working poor
- Households headed by single mothers
- Whites
- Hispanics
- Blacks

A technical paper describing the construction of the Chicago Fed IBEX-CPI is available at [www.chicagofed.org/publications/workingpapers/wp2005\\_20.pdf](http://www.chicagofed.org/publications/workingpapers/wp2005_20.pdf).

Visit the Web site of the Federal Reserve Bank of Chicago at:



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