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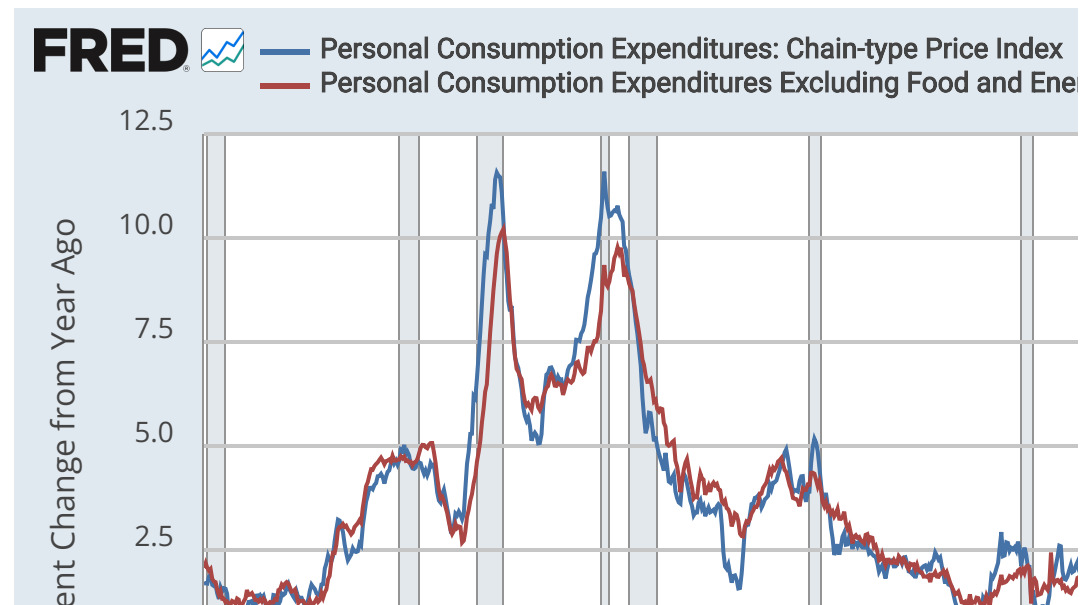
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The FRED® Blog

The trouble with food and energy



Posted on February 29, 2016



There are many ways to measure inflation. One popular method used for monetary policy purposes is to look at the price index for personal consumption expenditures excluding food and energy. Why exclude food and energy? Aren't those important items that matter a great deal to households? The reason is straightforward: These price categories are considered to be *excessively* volatile, and including them would make it more difficult for policymakers to pin down the inflation trend. The graph above makes this point visually by comparing the PCE inflation rates with and without food and energy.

Usually when you add items to an index, you reduce the volatility of that index. This same premise is at work when you add assets to an investment portfolio—i.e., when you diversify to reduce volatility. But this does not happen when the item you add is excessively volatile. And, again, food and energy are excessively volatile. Food is subject to large price variations due to external shocks, mostly on the supply side, such as weather. Energy is subject to shocks as well: supply shocks such as discoveries, wars,



[CPI](#) **+3.5 %** Chg. from Yr. Ago
on Jun 2026

[Civ. Unemploy. Rate](#) **4.2 %**
on Jun 2026

[10-Yr. Treas. Rate](#) **4.57 %**
on 2026-07-16

[Real GDP](#) **+2.1 %**, Comp.
Annual Rate of Chg.
on Q1 2026

[IP](#) **+0.1 %** Chg. on Jun 2026

[Payroll Employment](#) **+57**
Chg., Thous. of Persons
on Jun 2026

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political risk, and infrastructure issues and demand shocks such as climate events. This happens with food and energy much more than it does for other items included in personal consumption expenditures.

How this graph was created: Search for “PCE.” Then go to the “Filter Series by Tags” box to the left and enter “price index.” Select the first two monthly series that appear and add them to the graph. Change the units for both series to “Percent Change From Year Ago.”

Suggested by [Christian Zimmermann](#)

View on FRED, series used in this post: [PCEPI](#), [PCEPILFE](#)

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