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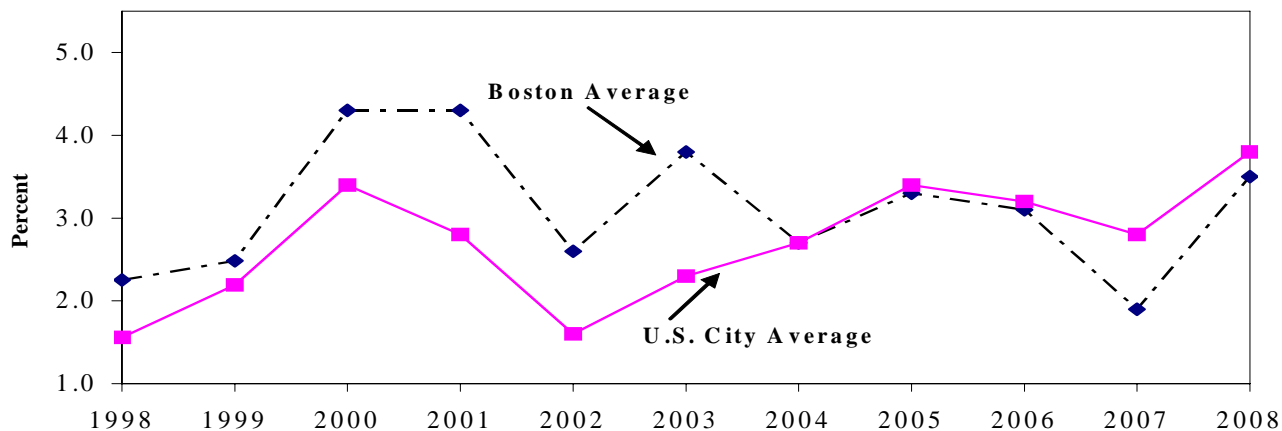
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BOSTON AREA CONSUMER PRICE INDEX: ANNUAL AVERAGE 2008

The Consumer Price Index for All Urban Consumers (CPI-U) in the Boston metropolitan area increased 3.5 percent from 2007 to 2008, according to the U.S. Department of Labor's Bureau of Labor Statistics. Regional Commissioner Denis M. McSweeney noted that the annual rate of growth in 2008 was well above the previous year's gain of 1.9 percent due primarily to rising energy prices. Overall, the 3.5-percent increase in the CPI-U for Boston brought the index level to 235.370, meaning that a market basket of consumer goods and services that cost \$100.00 in 1982-84 would cost \$235.37 in 2008. Nationally, the CPI-U for the U.S. City Average rose 3.8 percent in 2008, compared with a slower 2.8 percent gain during the previous year.

Annual average percent change in the Consumer Price Index for All Urban Consumers (CPI-U), Boston and U.S. City Average



The Boston area's rise in overall prices was led primarily by a 17.5-percent increase in energy costs in 2008, following an increase of only 2.5 percent during the previous year. Driving energy costs higher were rising household energy and gasoline prices. Nationally, the energy index rose at a slightly slower pace of 13.9 percent. Further contributing to the overall increase was the index for food in Boston, which rose 4.9 percent, the highest increase posted since 1990. In Boston, the core rate of inflation, which excludes food and energy, rose 1.6 percent in 2008, similar to the 1.5-percent increase posted in 2007. The core rate was 2.3 percent nationally in 2008, as it also was in 2007.

Locally, seven of the eight major expenditure categories posted increases in 2008.

Housing costs, one of the largest components in the CPI, rose 2.2 percent in the Boston area, largely because of a 16.9-percent increase in household energy. Utility (piped) gas prices rose 15.1 percent over the year and electricity was up 5.1 percent. Nationally, housing costs gained 3.2 percent, similar to its 3.1 percent advance in 2007.

One of the largest increases was education and communication, up 8.4 percent in 2008, the largest increase since the series began. Nationally, education and communication rose 3.4 percent. Food and beverages increased 5.0 percent over the year in Boston, compared to a 5.4-percent rise nationally. Within the food and beverages category, prices for food at home and food away from home increased 4.9 and 5.0 percent, respectively. Local transportation costs rose 4.7 percent in 2008, primarily due to a 17.7-percent increase in the price of gasoline.

Among the remaining major categories, other goods and services (including tobacco and smoking products, personal care products and services, and miscellaneous services) rose 6.6 percent in Boston in 2008. Local medical care costs rose 3.9 percent compared to a 5.4-percent gain the year before. Recreation posted a 2.1-percent rise, while apparel in Boston was the only major category to record a decrease over the year, down 2.0 percent.

Technical Note

The Consumer Price Index (CPI) is a measure of the average change in prices over time in a market basket of goods and services. The Bureau of Labor Statistics publishes CPIs for two population groups: (1) a CPI for All Urban Consumers (CPI-U) which covers approximately 87 percent of the total population and (2) a CPI for Urban Wage Earners and Clerical Workers (CPI-W) which covers 32 percent of the total population. The CPI-U includes, in addition to wage earners and clerical workers, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force.

The CPIs are based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and other goods and services that people buy for day-to-day living. Prices are collected in 87 urban areas across the country from about 50,000 housing units and approximately 23,000 retail establishments—department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments. All taxes directly associated with the purchase and use of items are included in the index. Prices of fuels and a few other items are obtained every month in all 87 locations. Prices of most other commodities and services are collected every month in the three largest geographic areas and every other month in other areas. Prices of most goods and services are obtained by personal visits or telephone calls of the Bureau's trained representatives.

In calculating the index, price changes for the various items in each location are averaged together with weights, which represent their importance in the spending of the appropriate population group. Local data are then combined to obtain a U.S. city average. For the CPI-U and CPI-W separate indexes are also published by size of city, by region of the country, for cross-classifications of regions and population-size classes, and for 27 local areas. Area indexes do not measure differences in the level of prices among cities; they measure only the average change in prices for each area since the base period. For the C-CPI-U, data are issued only at the national level. It is important to note that the CPI-U and CPI-W are considered final when released, but the C-CPI-U is issued in preliminary form and subject to two annual revisions.

The index measures price change from a designed reference date. For the CPI-U and the CPI-W the reference base is 1982-84 equals 100.0. The reference base for the C-CPI-U is December 1999 equals 100. An increase of 16.5 percent from the reference base, for example, is shown as 116.5. This change can also be expressed in dollars as follows: the price of a base period market basket of goods and services in the CPI has risen from \$10 in 1982-84 to \$11.65.

For further details visit the CPI home page on the Internet at <http://www.bls.gov/cpi/> or contact the Boston Information Office at (617) 565-2327.

Table 1. Annual average percent changes in the Consumer Price Index for All Urban Consumers (CPI-U) for Boston-Brockton-Nashua, MA-NH-ME-CT and U.S. City Average

Expenditure category	Percent change from previous year			
	2007 Boston	2007 U.S.	2008 Boston	2008 U.S.
All items	1.9	2.8	3.5	3.8
Food and beverages	3.6	3.9	5.0	5.4
Housing	1.5	3.1	2.2	3.2
Apparel	2.0	-0.4	-2.0	-0.1
Transportation	0.7	2.1	4.7	5.9
Medical care	5.4	4.4	3.9	3.7
Recreation	1.7	0.5	2.1	1.6
Education and communication	1.8	2.4	8.4	3.4
Other goods and services	2.4	3.6	6.6	3.6
Special indexes:				
Food	3.5	4.0	4.9	5.5
Energy	2.5	5.5	17.5	13.9
All items less energy	1.8	2.6	2.1	2.8
All items less food and energy	1.5	2.3	1.6	2.3
Commodities	2.0	2.1	5.1	4.3
Services	1.9	3.3	2.5	3.5

NOTE: Local area indexes are byproducts of the national CPI program.

Each local index has a smaller sample size than that for the national index and is, therefore, subject to substantially more sampling and other measurement error. As a result, local area indexes show greater volatility than the national index, although their long-term trends are similar. Therefore, the Bureau of Labor Statistics strongly urges users to consider adopting the national average CPI for use in their escalation clauses.

Table 2. Consumer Price Index for All Urban Consumers (CPI-U) for Boston-Brockton-Nashua, MA-NH-ME-CT, by expenditure category (1982-1984=100, unless otherwise noted)

Expenditure category	Percent change from previous year					2008 Annual Average Index
	2004	2005	2006	2007	2008	
All items	2.7	3.3	3.1	1.9	3.5	235.370
Food and beverages	3.3	2.5	2.9	3.6	5.0	224.140
Food	3.3	2.6	2.9	3.5	4.9	224.363
Food at home	3.8	3.4	2.9	3.5	4.9	218.490
Food away from home	2.4	2.0	2.3	4.1	5.0	236.074
Alcoholic beverages	3.0	1.0	3.0	4.0	6.0	223.552
Housing	3.3	2.7	3.5	1.5	2.2	238.020
Shelter	3.2	1.0	2.1	2.0	0.3	273.186
Rent of primary residence ¹	2.9	1.5	1.4	2.8	1.6	272.465
Owners' equivalent rent of primary residence ^{1 2}	3.1	0.9	2.1	1.8	-1.1	283.117
Fuel and utilities	7.1	18.1	15.8	0.2	16.1	264.069
Household energy	7.9	19.3	16.5	-0.2	16.9	232.627
Gas (piped) and electricity ¹	5.3	14.6	18.3	-3.1	8.2	226.238
Electricity ¹	4.0	13.5	25.0	-2.7	5.1	211.847
Utility (piped) gas service ¹	7.5	16.4	4.5	-4.0	15.1	243.983
Household furnishings and operations	0.3	3.7	0.6	-0.9	0.3	125.705
Apparel	-5.6	-1.1	1.4	2.0	-2.0	133.637
Transportation	3.4	7.6	1.7	0.7	4.7	184.073
Private transportation	4.0	7.6	1.6	0.7	4.7	183.436
Motor fuel	16.1	21.2	12.9	6.1	18.4	275.743
Gasoline, all types	16.0	21.2	12.8	6.1	17.7	270.473
Gasoline, unleaded regular ³	16.4	21.5	12.8	6.2	17.8	269.174
Gasoline, unleaded midgrade ^{3 4}	15.0	20.3	12.8	6.3	17.6	271.505
Gasoline, unleaded premium ³	15.4	20.8	12.9	5.2	17.0	264.135
Medical care	4.7	5.0	4.5	5.4	3.9	500.565
Recreation ⁵	-2.3	2.5	2.9	1.7	2.1	118.760
Education and communication ⁵	4.3	2.2	1.9	1.8	8.4	132.047
Other goods and services	1.5	2.8	3.5	2.4	6.6	371.167

¹This index series was calculated using a Laspeyres estimator. All other item stratum index series converted to a geometric means estimator in January 1999.

² Index is on a November 1982=100 base.

³ Special index based on a substantially smaller sample.

⁴ Indexes on a December 1993=100 base.

⁵ Indexes on a December 1997=100 base.

N/A - Data not available.

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