



Personal Consumption Expenditures

New Classification System

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BEA Advisory Committee Meeting
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Measuring the Nation's Economy.





PCE Classification Background

- PCE classification system born in 1944
 - Since 1944 . . .
 - Large increases in consumer incomes
 - Changes—demographic, technological, cultural, legal, tastes
 - Many new goods and services
 - Increased importance of services, including nonprofit organizations
 - Marginalization/obsolescence of other goods and services
 - New and expanded sources of funding
- PCE classification in 2008
 - About the same as 1944



PCE Functional Structure

1944	Today
Food and tobacco	Food and tobacco
Clothing, accessories, and jewelry	Clothing, accessories, and jewelry
Personal care	Personal care
Housing	Housing
Household operation	Household operation
Medical care and death expenses	Medical care
Personal business	Personal business
Transportation	Transportation
Recreation	Recreation
Private education and research	Education and research
Religious and welfare activities	Religious and welfare activities
Foreign travel and remittances, net	Foreign travel and other, net

PCE Product Structure

1954	Today
Durable goods	Durable goods
Automobiles and parts	Motor vehicles and parts
Other	Furniture and household equipment
	Other
Nondurable goods	Nondurable goods
Food	Food and beverages
Clothing and shoes	Clothing and shoes
Gasoline and oil	Gasoline, fuel oil, and other energy goods
	Gasoline and oil
	Fuel oil and coal
Other	Other
Services	Services
Housing	Household operation
Household operation	Household operation
	Electricity and gas
	Other
Transportation	Transportation
Other	Medical care
	Recreation
	Other



New PCE Classification

What It Is

- New structures
 - Type of expenditure (functional)
 - Type of product (by durability)
- Functional structure combines structures for individual and nonprofit consumption in the 1993 UN *System of National Accounts*
 - Classification of Individual Consumption by Purpose (COICOP)
 - Classification of Total Outlays of Non-Profit Institutions Serving Households (NPISH) by Purpose (COPNI)
- Product structure more closely aligned with functional structure



New PCE Classification

What It Accomplishes

- Creates a relevant, logical and demand-based structure
- Accounts for transactions between households and NPISH
- Achieves greater consistency with household surveys
- Improves PCE deflation by precisely matching categories with associated price indexes
- Facilitates comparisons with other countries
- Achieves greater consistency with NAICS



New PCE Classification Incorporation

- 2002 I/O benchmark estimates
 - Released in September 2007
 - New PCE categories, not full aggregation structure
- Benchmark estimates in 2009
 - Time series back to 1929

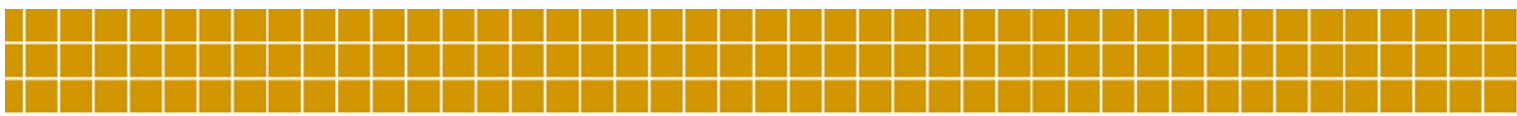


PCE Functional Classification: New and current

NEW	1997 (\$billions)		CURRENT
	NEW	CURRENT	
	5547.4	5547.4	
Household Consumption Expenditures	5440.4		
1. Food and beverages purchased for off-premise consumption	474.9	850.0	1. Food and tobacco
2. Clothing and footwear	263.8	337.4	2. Clothing, accessories, and jewelry
3. Housing and utilities	986.4	82.9	3. Personal care
4. Furnishings, household equipment and routine household maintenance	282.7	842.6	4. Housing
5. Health	932.8	1002.8	5. Household operation
6. Transportation	634.4	412.9	6. Medical care
7. <u>Communication</u>	121.6	685.2	7. Personal business
8. Recreation	521.9	474.5	8. Transportation
9. Education	98.3	129.7	9. Recreation
10. <u>Food services and accommodations</u>	348.0	134.2	10. Education and research
11. <u>Financial services and insurance</u>	427.6		11. Religious and welfare activities
12. <u>Other goods and services</u>	368.8		
13. Net foreign travel and expenditures abroad	-21.1	-21.1	12. Foreign travel by U.S. residents
<u>Final Consumption Expenditures of Nonprofit Institutions Serving Households (NPISH)</u>	107.3		

No change in total

5547.4 5547.4



PCE Functional Classification: New and current

NEW

Household Consumption Expenditures

1. Food and beverages purchased for off-premise consumption
2. Clothing and footwear
3. Housing and utilities
4. Furnishings, household equipment and routine household maintenance
5. Health
6. Transportation
7. Communication
8. Recreation
9. Education
10. Food services and accommodations
11. Financial Services and Insurance
12. Other goods and services
13. Net foreign travel and expenditures abroad

Final Consumption Expenditures of Nonprofit Institutions Serving Households (NPISH)

New categories

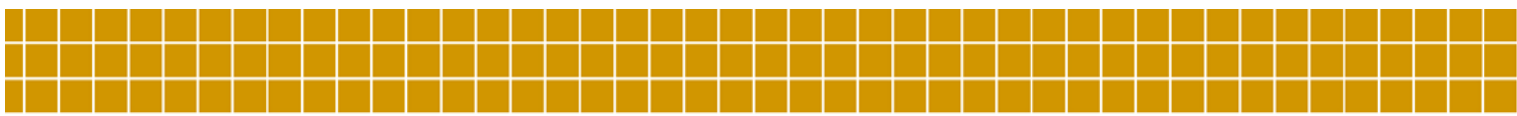
1997 (\$billions)

	1997 (\$billions)	1997 (\$billions)
5547.4	5547.4	
5440.4		
474.9	850.0	
263.8	337.4	
986.4	82.9	
	842.6	
282.7	616.2	
932.8	1002.8	
634.4	412.9	
121.6	685.2	
521.9	474.5	
98.3	129.7	
348.0	134.2	
427.6		
368.8		
-21.1	-21.1	
107.3		

CURRENT

1. Food and tobacco
2. Clothing, accessories, and jewelry
3. Personal care
4. Housing
5. Household operation
6. Medical care
7. Personal business
8. Transportation
9. Recreation
10. Education and research
11. Religious and welfare activities
12. Foreign travel by U.S. residents

Disappearing Categories



PCE Functional Classification: New and current

NEW

Household Consumption Expenditures

1. Food and beverages purchased for off-premise consumption
2. Clothing and footwear
3. Housing and utilities
4. Furnishings, household equipment and routine household maintenance
5. Health
6. Transportation
7. Communication
8. Recreation
9. Education
10. Food services and accommodations
11. Financial services and insurance
12. Other goods and services
13. Net foreign travel and expenditures abroad

Final Consumption Expenditures of Nonprofit Institutions Serving Households (NPISH)

CURRENT

1. Food and tobacco
2. Clothing, accessories, and jewelry
3. Personal care
4. Housing
5. Household operation
6. Medical care
7. Personal business
8. Transportation
9. Recreation
10. Education and research
11. Religious and welfare activities
12. Foreign travel by U.S. residents

474.9

18.2 Pet food

303.2

53.8 Tobacco



PCE Functional Classification: New and current

NEW

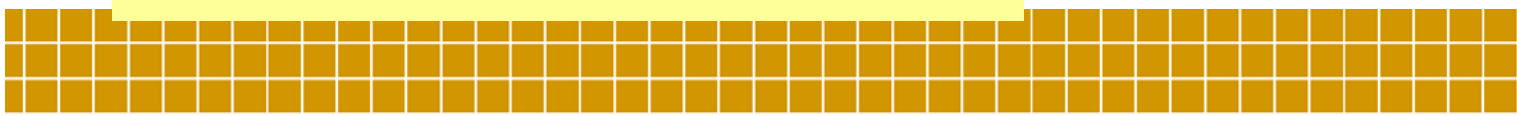
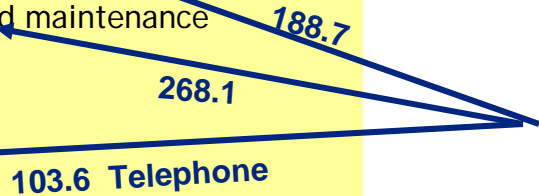
Household Consumption Expenditures

- 1. Food and non-alcoholic beverages
- 2. Clothing and footwear
- 3. Housing and utilities
- 4. Furnishings, household equipment and routine household maintenance
- 5. Health
- 6. Transportation
- 7. Communication
- 8. Recreation
- 9. Education
- 10. Food services and accommodations
- 11. Financial services and insurance
- 12. Other goods and services
- 13. Net foreign travel and expenditures abroad

Final Consumption Expenditures of Nonprofit Institutions Serving Households (NPISH)

CURRENT

- 1. Food and tobacco
- 2. Clothing, accessories, and jewelry
- 3. Personal care
- 4. Housing
- 5. Household operation
- 6. Medical care
- 7. Personal business
- 8. Transportation
- 9. Recreation
- 10. Education and research
- 11. Religious and welfare activities
- 12. Foreign travel by U.S. residents





PCE Functional Classification: New and current

NEW

Household Consumption Expenditures

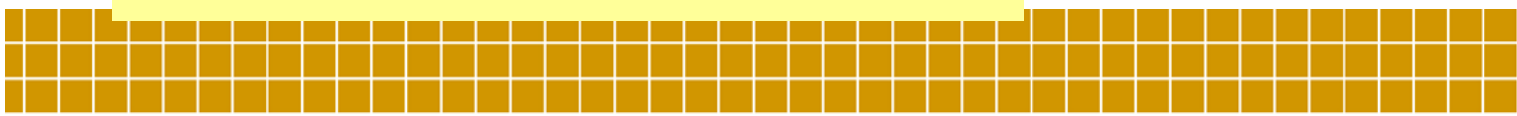
1. Food and beverages purchased for off-premise consumption
2. Clothing and footwear
3. Housing and utilities
4. Furnishings, household equipment and routine household maintenance
5. Health
6. Transportation
7. Communication
8. Recreation
9. Education
10. Food services and accommodations
11. Financial Services and Insurance
12. Other goods and services
13. Net foreign travel and remittances

Final Consumption Expenditures of Nonprofit Institutions Serving Households (NPISH)

CURRENT

1. Food and tobacco
2. Clothing, accessories, and jewelry
3. Personal care
4. Housing
5. Household operation
6. Medical care
7. Personal business
8. Transportation
9. Recreation
10. Education and research
11. Religious and welfare activities
12. Foreign travel by U.S. residents

2.9
65.1
55.2
37.8





New PCE Functional Classification

- Household Consumption Expenditures
(Categories 1 to 13)
 - Includes: Purchases from nonprofits
- Final Consumption Expenditures of Nonprofit Institutions Serving Households (NPISH)
 - Equals: Gross Consumption Expenditures
Less
Sales to Households

PCE Product Classification

<u>NEW Structure</u>	1997	<u>CURRENT Structure</u>
Durable Goods	721.6	692.7
Motor vehicles and parts	293.1	305.1
Furnishings and durable household equipment	166.0	256.2
<u>Recreational goods and vehicles</u>	154.6	131.4
Other durable goods	107.8	
Nondurable Goods	1292.8	1619.0
Food and beverages purchased for off-premise consumption	474.9	796.2
Clothing and footwear	249.3	258.1
Gasoline and other energy goods	147.7	147.7
Other nondurable goods	421.0	416.9
Services	3533.0	3235.8
		Durable Goods
		Motor vehicle and parts
		Furniture and household equipment
		Other
		Nondurable Goods
		Food
		Purchased meals to services
		Clothing and shoes
		Gasoline, fuel oil & other energy goods
		Other
		Services

PCE Product Classification (cont.)

<u>NEW Structure</u>	1997		<u>CURRENT Structure</u>
Services	3533.0	3235.8	Services
Household consumption expenditures	3425.7		
Housing and utilities	973.2	842.6	Housing
Health care	803.8	337.0	Household operation services
Transportation services	206.9	245.7	Transportation services
Recreation	213.9	873.0	Medical care services
Food services & accommodations	348.0	215.1	Recreation services
Financial services and insurance	427.6	722.4	Other services
Other services	452.3		
Final consumption expenditures of nonprofit institutions serving households	107.3		

New categories

PCE Product Classification

NEW Structure

Durable Goods

.....

Nondurable Goods

Food and beverages purchased for off- 474.9
premise consumption

.....

Nondurable recreational items, n.e.c.

.....

Services

.....

Food services & accommodations

.....

CURRENT Structure

Durable Goods

Motor vehicle and parts

Furniture and household equipment

Others

Nondurable Goods

Food

Clothing and shoes

Gasoline, fuel oil & other energy goods

Others

Services

Housing

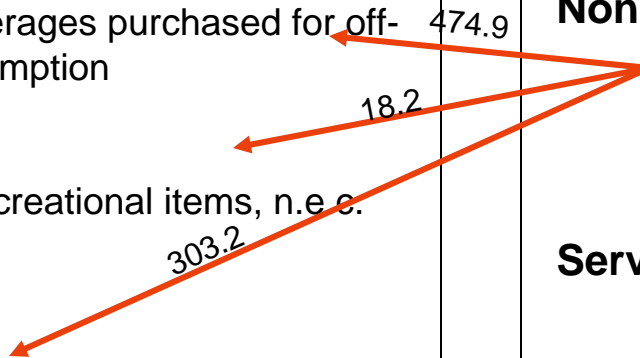
Household operation services

Transportation services

Medical care services

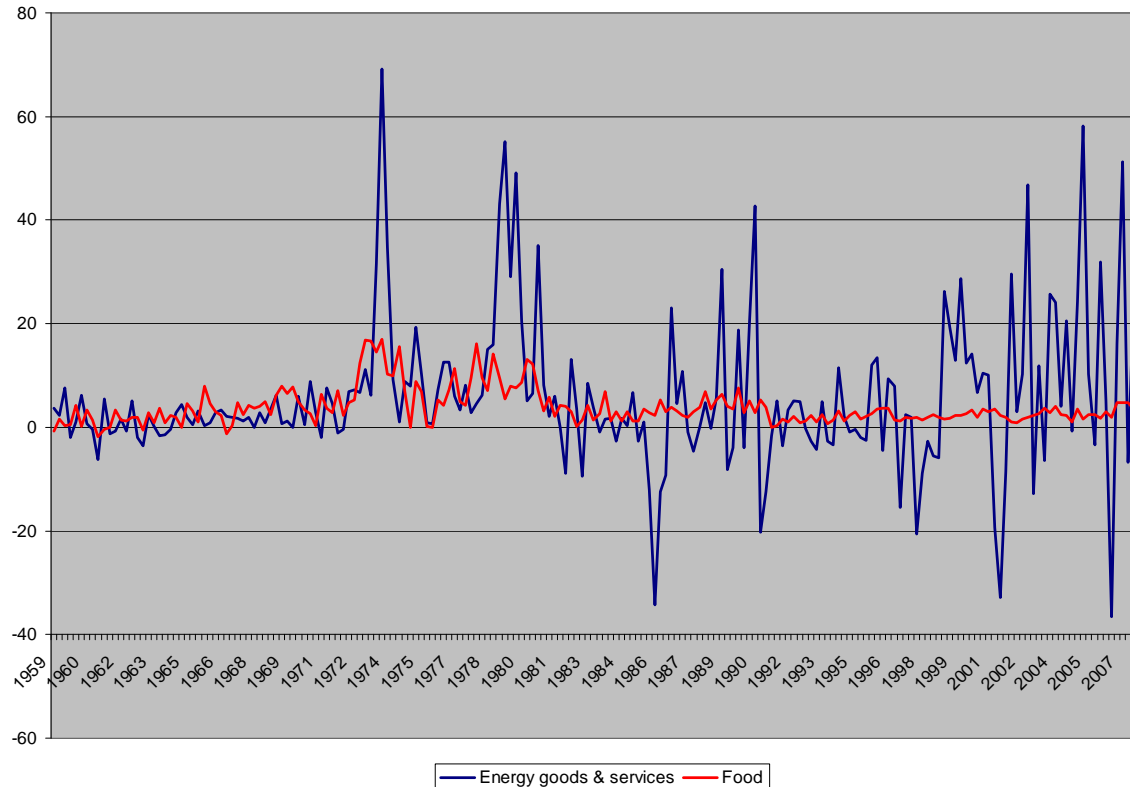
Recreation services

Other services

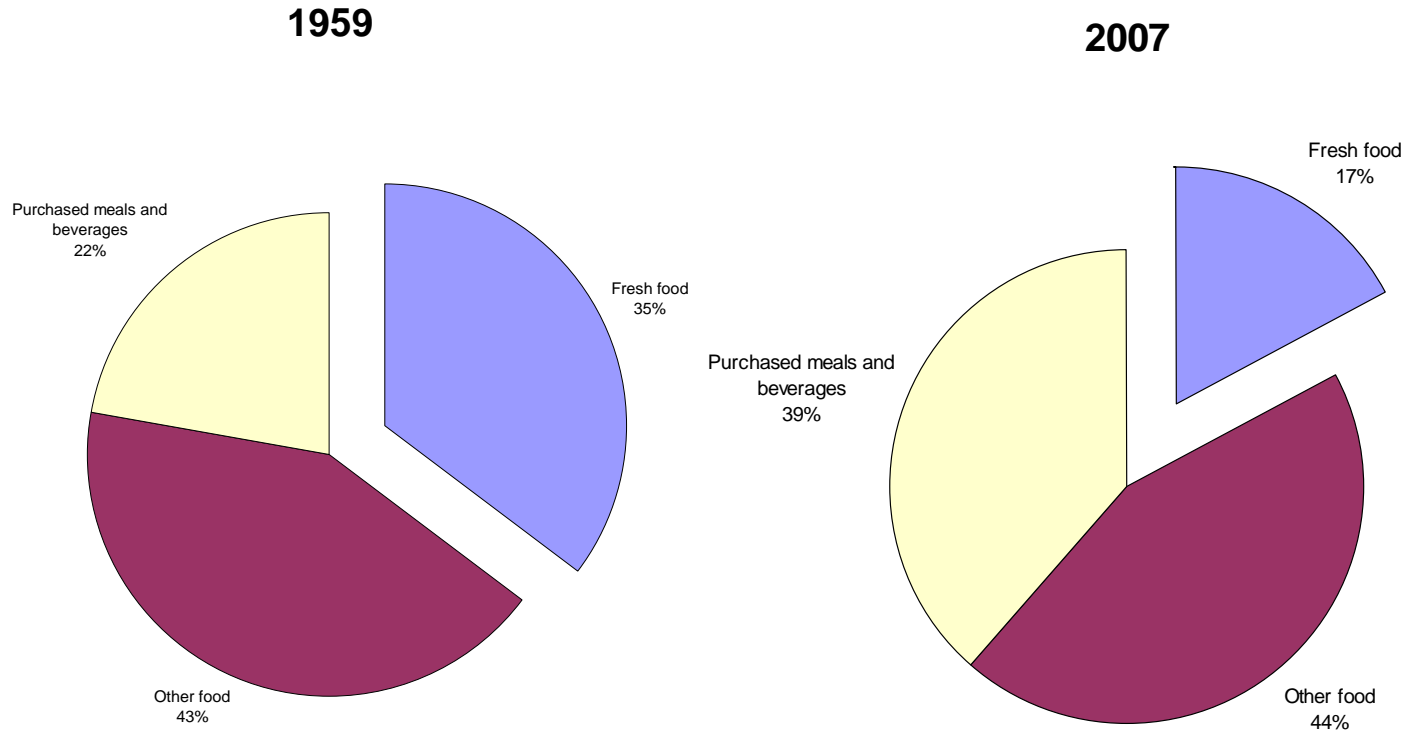


PCE Food and Energy Price Indexes

Percent change from previous quarter, annual rate

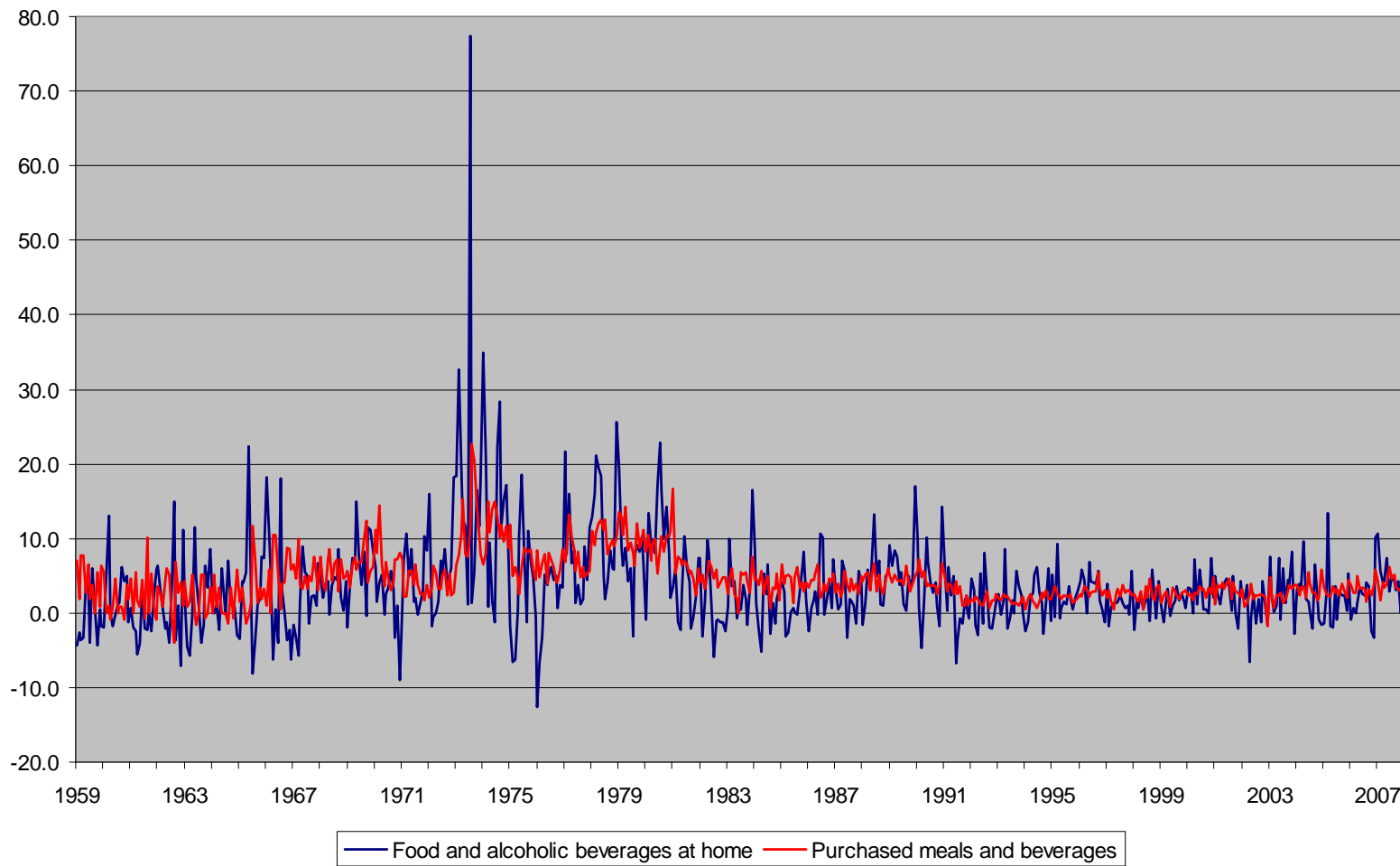


PCE Food Shares



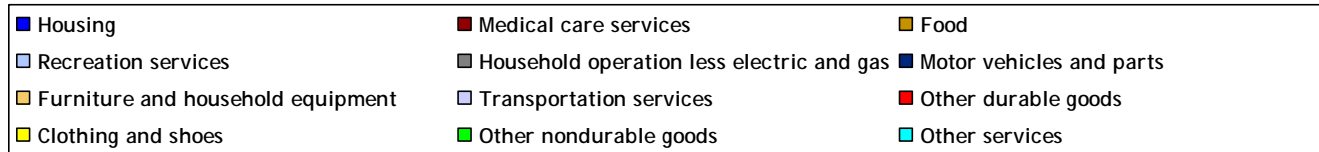
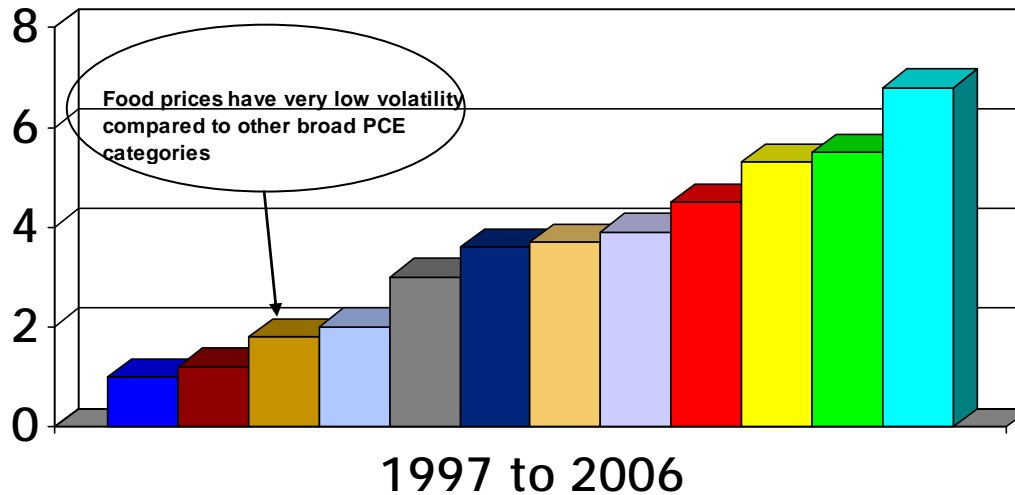
PCE Food Price Indexes

Percent change from previous month, annual rate



Volatility of PCE Food and Other Non-Energy Prices

RMSE of 1-month annual rate percent changes vs. trend





New PCE Classification & “Core” PCE Price Index

Volatility of prices excluded in current PCE excluding food and energy price index

- **Purchased meals and beverages--Low**
- **Food purchased for off-premise consumption—Higher**
 - **Processed foods—Moderate**
 - **Fresh foods—High**
- **Energy—Very high**

PCE excluding food and energy in the new classification will not exclude purchased meals and beverages

- **Also true for market-based PCE excluding food and energy**
- **PCE less energy will also be available**