

Definitions to accompany OPM's exhibit on Various Inflation Measures dated August 15, 2016

National Income and Product Accounts (NIPAs) – prepared by the Bureau of Economic Analysis, the NIPAs measure the value and composition of national output and the types of incomes generated in its production. Some commonly known economic measures developed within the framework of the NIPAs include Gross Domestic Product (GDP), Personal Income (PI), and Gross State Product (GSP).

Personal Income (PI) - income received by persons from all sources.

Consumer Price Index (CPI) – prepared by the Bureau of Labor Statistics, the CPI is a measure of the level of prices of out-of-pocket expenditures made by consumers. E.g. medical care includes co-pays made directly by consumers.

Personal Consumption Expenditures Price Index (PCE PI) – measure of the level of prices of expenditures made by households, including those made on behalf of households. E.g. medical care includes what insurance pays on behalf of consumers, as well as the co-pays made directly by consumers. The PCE PI is derived within the framework of the NIPAs.

Core CPI and PCE PI – measures of price levels which remove the more volatile components of Food and Energy.

Implicit Price Deflator (IPD) – measure of the level of prices of all new, domestically produced, final goods and services in an economy (output). The IPD is derived within the framework of the NIPAs.

State and Local Government IPD (SLGD) – the IPD for the State and Local Government industry within either the national (GDP) or regional (GSP) measures of domestic production. The SLGD is the value of services produced by government, measured as the purchases made by government on inputs of labor, intermediate goods and services, and investment expenditures. In other words, within the NIPAs framework government output is valued in terms of input costs. The SLGD therefore measures the value of output produced by government, which in turn is equal to the cost of inputs for that same governmental body.

Medicaid is not directly included in the SLGD as a line-item, but indirectly when the state incurs expenses on behalf of Medicaid recipients. (E.g. expenses for Medicaid are included in the SLGD at the point when the state reimburses providers for services received by Medicaid patients).

Sources: Bureau of Economic Analysis, Dr. Daniel Kennedy's presentation before the Connecticut Spending Cap Commission on May 25, 2016