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ABSTRACT

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The effects of rounding on the Consumer Price Index

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The Bureau of Labor Statistics rounds the Consumer Price Index (CPI) to a single decimal place before it is publicly released. Because the actual changes in the CPI have been small recently (the rate of inflation has been relatively low), the small differences in rounding the CPI index before calculating an inflation rate can create a significantly misleading picture of monthly price inflation. This article demonstrates how such problems can arise and investigates how frequently there is a discrepancy between inflation rates calculated from unrounded indexes and those calculated from rounded indexes under different possible rounding policies.

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