Basis	CPI	PCE
Basket	fixed	flexible
Sustitution	Not capture well	Captured
Coverage	limit	Broader
Inflation value	Higher	Lower

CPI usually overstate inflation

Biases in CPI :

① Substitution Bias - people change consm when prices change

eg apple becomes expensive

→ buy bananas

CPI assumes same basket

Reality change

Result - CPI overstate inflation.

② Quality bias -

product improved over time

eg smartphone v/s flip phones

Price ↑ but quality ↑ too

CPI ignored quality improvement

Result : overstate inflation

1 GB = Rs 250

unlimited data = Rs 350