

## **Abstract**

This paper addresses five related measurement questions:

1. How best to estimate “trend inflation”?
2. Can univariate estimates of trend inflation be improved by using disaggregate inflation series?
3. How does this disaggregate-based trend inflation compare with conventional core inflation?
4. Should the weights used to construct core inflation change over time, i.e. does the role of a given disaggregate in core change over time?
5. Is trend inflation (univariate, multivariate, core) a good forecast of future headline inflation?

We answer these questions using time series of sectorial inflation data for the United States. We analyze these data using a dynamic factor model that allows for stochastic volatility and time-varying factor loadings.