Basket	Quantity	Prices Base Year
Food	10	10
Doctor Visit	2	50
Rent	1	700
Gasoline	50	2
Basket Cost		1,000

Prices Today
30
75
1500
1
2,000

Calculating the CPI

$$CPI_{base} =$$

Cost of the Basket Base

Cost of the Basket Base $^{x\ 100}$

1,000

x 100

1,000

$$CPI_{base} = 100$$

The CPI in the base year is always 100

The ONE number that represents base year's prices of all goods and services in the market basket is 100

Calculating the CPI

$$CPI_{base} = \frac{\text{Cost of the Basket Base}}{\text{Cost of the Basket Base}} \times 100$$

$$CPI_{base} = \frac{1,000}{1,000} \times 100$$

$$CPI_{base} = 100$$

Basket	Quantity	Prices Base Year	Prices Today
Food	10	10	30
Doctor Visit	2	50	75
Rent	1	700	1500
Gasoline	50	2	1
Basket Cost		1,000	2,000

The CPI in the base year is always 100

The ONE number that represents base year's prices of all goods and services in the market basket is 100

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Inflation = % Change in Price Index