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

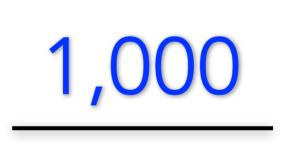
Prices Today 30 500 2,000

## Calculating the CPI

**C**FIbase

# Cost of the Basket Base

#### x 100 Cost of the Basket Base



x 100

1,000

CPI<sub>base</sub> = 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

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

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

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

$$CPI_{base} = 100$$

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

### Inflation = % Change in Price Index