

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 today ==

Cost of the Basket Today

Cost of the Basket **Base** $\times 100$

CPI today ==

2,000



$$1,000 \times 100$$

CPI today == 2000

Basket **today** is **two times** more
expensive than in the **base year**

The ONE number that
represents today's prices of all
goods and services in the
market basket is 200

Calculating the CPI

$$\text{CPI}_{\text{today}} = \frac{\text{Cost of the Basket Today}}{\text{Cost of the Basket Base}} \times 100$$

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

$$\text{CPI}_{\text{today}} = \frac{2,000}{1,000} \times 100$$

$$\text{CPI}_{\text{today}} = 200$$

The **ONE** number that represents today's prices of all goods and services in the market basket is **200**

Basket **today** is **two times** more expensive than in the **base year**

Calculating the CPI

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