

Creating a CPI Basket

Part 1: Instructions

The Consumer Price Index (CPI) is constructed by calculating the cost of a “basket” of goods that a typical consumer buys. Many other types of price indexes can also be constructed this way. Your assignment is to make up a Student Price Index (SPI) using items that you buy.

Steps:

1. *Fix the basket.* Choose 10 different products, and be specific—for example, 15 ounces Kellogg’s Corn Flakes, 12-pack Diet Coke.
2. *Find the prices.* Find the actual prices for each product—for example, 12-pack Diet Coke, \$3.98.
3. *Calculate the cost of the basket.* Add up the total cost of buying all the items on your list (CPI basket). Your assignment is not complete without this step.

Part 2: Changes in the Student Price Index

The CPI is used to measure inflation. Use your SPI to calculate how prices have changed for your items over the course of the semester, over nine weeks, or since you completed the first part of this assignment.

Steps:

1. Using the same products at the same store that you previously included in your SPI, find the current price for each product that was on your original basket list. (Some prices may not have changed.)
2. Calculate the total price of buying these products at their current prices.
3. Calculate the percentage change in price for the entire basket.

Formula: ***Cost of basket now – Cost of first basket / Cost of first basket x 100***

Compare the change in the cost of your basket, representing just a few items, with the changes in the CPI.

1. Go to the [CPI page](#) of the U.S. Bureau of Labor Statistics website.
2. Select the first box—**U.S. All Items 1982-84=100 - CUUR0000SA0**—then click the **Retrieve data** button.
3. On the new page that appears, click the **More Formatting Options** link.
4. From the new options that are displayed, select **12-Month percent change**, then click the **Retrieve data** button.

How do the rates compare? If the inflation rate of your basket is not similar to the current inflation rate, why do you think they differ?