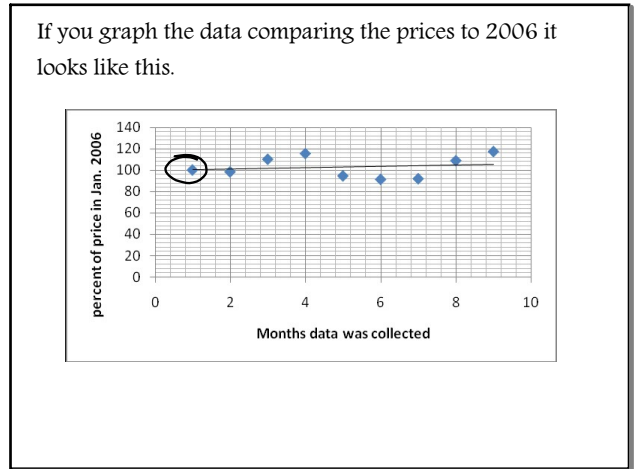


Gasoline Prices (cents/L)			% of Jan. 06
2006	Jan	95	$\frac{95}{95} \times 100 = 100\%$
	March	93.3	$\frac{93.3}{95} \times 100 = 98.2\%$
	May	104.6	$\frac{104.6}{95} = 110.1\%$
	July	109.7	115%
	Sep.	89.7	94.4%
	Nov.	86.5	91%
2007	Jan.	87.1	91.7%
	March	102.4	107.3%
	May	111.5	117.3%

what everything else is compared

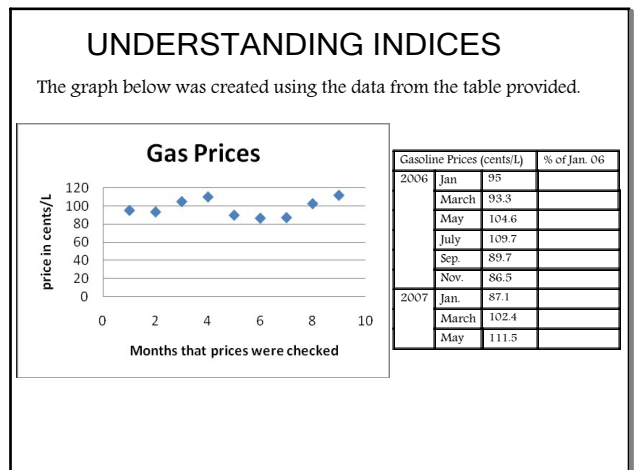
In the third column of the chart express the price a percent of the price in Jan. 2006.



Nov 16-10:18 PM

Nov 16-10:11 PM

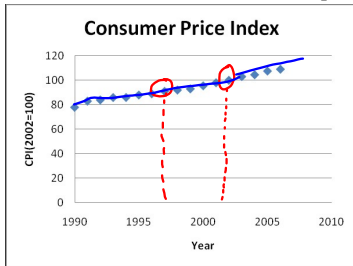
This is Price index. A Price Index describes the price of an item compared to a base value measured at a particular time or in a particular place. Price indices help people predict trends in prices. The Consumer Price Index is a very important index by stat Canada. It compares goods and service prices to a particular time to see what is happening to prices in general over time. (Up or Down and by how much?)



Nov 16-10:06 PM

Example 1

Use the CPI below to answer each question.



- a) What is the base ~~price~~ ^{year} for the CPI? **2002**
- b) In what year was the cost of the basket of goods about 90% of the base cost? **1997**
- c) What was the CPI in 1990? What does this mean?
79 **79% of the price in 2002**
- d) Describe the change in the CPI from 1990 to 1997. What do you notice about the line segment representing this period?
Went up about 4%. There is a larger jump in price these years
- e) Describe the overall trend in the CPI and its significance.
Generally prices are going up slowly. Therefore it costs more to buy the same things

2. Use the graph from #1

- a) Calculate the average annual rate of inflation from 1990 to 2006.

$$\frac{\text{Range}}{\# \text{ of years}} = \frac{110 - 79}{16} = \frac{31}{16} = 1.9\% / \text{year}$$

- b) Use your answer to part "a" to predict the CPI from 2010. Justify your prediction.

2006 → last data

$$4 \times 1.9 = 7.6$$

$$110 + 7.6 = 117.6$$

- c) What would the CPI be in 1985?

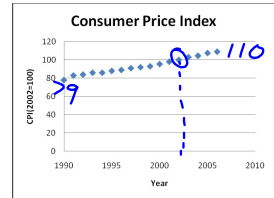
$$5 \times 1.9 = 9.5$$

$$79 - 9.5 = 69.5$$

- d) If the price of goods and services in ^{base year} 2002 is \$450, what would be the price of the same things in 1990?

79% of 450

$$.79 \times 450 = 355.50$$



$$\frac{450}{100} = \frac{x}{.79}$$

$$.79 \times 450 = x$$

$$\$355.50 = x$$

Use an Index to Compare Cities

The 2006 UBS Prices and Earnings report includes a comparison of clothing prices in 71 cities. The base price is the price in New York.

City	Clothing Price Index (New York = 100)
Zurich	115.6
Oslo	114.4
Dublin	97.5
New York	100
Toronto	73.8
Tokyo	148.1
Rome	87.5
Hong Kong	75
Delhi	43.8

- a) Which cities in this table have index values less than 100?

What does that mean?
Dublin, Toronto, Rome, H.K., Delhi
The same clothes in those cities cost LESS than in N.Y.

- b) How do clothing prices in Zurich and Hong Kong compare to clothing prices in New York?

Zurich has prices that are 15.6% higher than N.Y.

H.K. has prices that are 25% lower than N.Y.

NOTE: There are other types of Indices that use a formula instead of a base number to describe something about a place or person which then allows them to compare the data.

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#1, 2ac, 3ac,
5, 6, 9, 10, 11

MSIP → Tomorrow → Handout
H.W. from past