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<u>Question 5</u> Why does CPI tend to be higher than GDP deflator?

only buy | all good | x import

Year	Consumer price index (CPI)	GDP deflator	GDP ($ million)
2014	100	100	4465
2015	105.35	105.11	4814
2016	109.21	108.92	5026

because GDP deflator does not show change in the price of good

<u>Question 6</u> Answer the following questions.

	Price per unit in dollars ($)	
	2013	**2014**
Pizza	12.50 x10	12.90 x10
Chocolate milk (litres)	1.15 x100	1.25 x100
Jazz concert	45.00 x10	46.00 x10
Total cost of the typical basket	4740	4854

The typical basket of goods purchased by an average consumer consists of 10 pizzas, 100 litres of chocolate milk and 10 jazz concerts.

6.1 With 2013 as the base year, calculate CPI of 2013 and 2014.

CPI in Year 2013 = $\frac{4740}{4740} \times 100 = 100$

CPI in year 2014 = $\frac{4854}{4740} \times 100 = 102.40$

6.2 Calculate the inflation rate of 2014.

Inflation rate 2014 = $\frac{102.40 - 100}{100} \times 100 = 2.4\ \%$