ASSIGNMENT: Inflation
DIRECTIONS: The Consumer Price Index (CPI) is used to calculate inflation. CPI uses 8 main categories: housing, food & beverage, apparel, transportation, medical care, recreation, education and communication, and other services. In order to calculate CPI, we look at the average cost for the categories and divide the previous CPI to understand growth or decline in prices.

For example:

May 2015		May 2016	
Housing	$1,400	Housing	$1,500
Food/Bev	$450	Food/Bev	$480
Apparel	$220	Apparel	$230
Transpo.	$400	Transpo.	$380
Medical	$200	Medical	$230
Recreation	$130	Recreation	$150
Education	$140	Education	$150
Other	$50	Other	$50
	$2,990		$3,170

1.) Calculate CPI: Numerator: _____ =   (express as
                       Denominator: percentage)

2.) In order to maintain a sustainable, healthy inflation rate of 2%, what should the individual goods cost in May 2016? (There are many correct answers here)

Housing: _____   Food/Bev: _____   Transp: _____   Other: _____

Med: _____   Ed: _____   Apparel: _____   Recreation: _____

3.) Describe two strategies you could use to fight inflation and why these strategies work effectively. Choose one strategy for investing & one for spending.

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