**Exam practice**

1 a) Calculate the inflation rate if the consumer price index changes from 123.0 to 129.15. (2)

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b) Calculate the price index if there is 3.0% inflation during the year and if the index was previously at 130. (2)

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c) Calculate how much a basket of goods and services which is currently priced at $1200 would cost if the CPI increased from 125 to 135. (3)

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2 The data below are for a hypothetical country, Jukeland.

|  |  |  |
| --- | --- | --- |
| **Item** | **Retail Price Index** | **Weight** |
| Clothing | 110 | 10 |
| Food | 120 | 20 |
| Housing | 130 | 30 |
| Others | 140 | 40 |

a) Define what is meant by a 'retail price index' (RPI). (2)

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b) 'The typical household in Jukeland spends more money on housing than on food or clothing.' Explain this statement. (3)

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c) Use the data above to calculate the weighted retail price index (RPI) in Jukeland. (4)

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