

Answer on Question #84489- Economics – Macroeconomics

Product	2010			2011		
	Cost ₁₀ , \$	Q ₁₀	P ₁₀ , \$	Cost ₁₁ , \$	Q ₁₁	P ₁₁ , \$
CF	200	100	2	225	75	3
B	90	60	1,5	120	80	1,5
C	50	500	0,1	100	500	0,2

A)

$$\text{CPI}(2010) = 100\%$$

$$\text{CPI}(2011) = \text{Cost of basket at current prices (2011)} \times 100$$

$$\text{Cost of basket at base year prices (2010)}$$

The basket is the base year quantities (ie. CF = 100, B = 60 and C = 500)

$$\text{CPI}(2011) = \frac{(Q_{10cf} \cdot P_{11cf} + Q_{10b} \cdot P_{11b} + Q_{10c} \cdot P_{11c})}{(Q_{10cf} \cdot P_{10cf} + Q_{10b} \cdot P_{10b} + Q_{10c} \cdot P_{10c})} \cdot 100\% = 144,11\%$$

B)

$$\text{Inflation rate} = \text{CPI}_{11} - \text{CPI}_{10}$$

$$\text{Inflation Rate} = 44,11\%$$

Answer provided by <https://www.AssignmentExpert.com>