

Activity 1: Analyzing CPI Data

Use the CPI Economic Dashboard for your analysis: https://research.stlouisfed.org/dashboard/13847

- 1. Inflation Economic Data Dashboard, examine current CPI data:
 - Examine the CPI graph in Box 1. What has the overall trend been since 1948?
 - What is the most recent level of CPI (Box 2)?
- 2. While the CPI level is important, CPI expressed as a percentage from a year ago is an even more important measure of the inflation rate and the economy's health.
 - Examine the graph in Box 3. How does the CPI inflation rate since the year 2000 compare to the period from 1970 to 1985?
 - Are there periods of deflation on the graph? If so, when did they occur?
 - What typically happens to CPI during recession? Is there a pattern?
- 3. Economists are quick to point out that one data point does not indicate a trend.

Month, year	Inflation Rate (CPI, percentage change from a year ago)

• Record CPI for the six most recent months (Box 4).



- Examine the graph for the shape of the line (Box 3) for recent years. (Click on the graph to get a closer look.) What is the recent trend (if any)?
- 4. Using Boxes 5 and 6, does it look like the Fed has been successful in keeping the inflation rate near its target in recent years?
- 5. Inflation data tends to be volatile, which makes it difficult to determine trends, so economists also refer to Core CPI (Consumer Price Index for all Urban Consumers, All Items Less Food and Energy).
 - Look at the graph (Box 7). Are there large differences between CPI and Core CPI lines?
 - Record the last six months of the inflation rate (CPI) and core inflation rate (Core CPI) (Boxes 4 and 8). Is there a difference between the two rates?

Month, year	Inflation Rate (CPI)	Core Inflation Rate (Core CPI)

- What does including Core CPI in your assessment tell you about the current economy?
- 6. Summarize your findings for CPI. Using all this information, what are the data telling you? It is just one economic indicator, but it is an important one. Compare the CPI inflation rate of the economy to the FOMC's inflation target (2 percent). Also make sure you consider the trend (not only the most recent release) and Core CPI in your assessment.