

Movements of the index from one date to another are usually expressed as percent changes rather than changes in index points because index points are affected by the base period, while percent changes are not. The following example illustrates the difference between percent change and index points change:

Period	Index		
	Base A	Base B	Base C
I-----			
II-----	112.5	168.8	
Index points	121.5	182.3	225.0
change-----			243.0
Percent change-----	9.0	13.5	18.0
	$\frac{9.0}{112.5} \times 100 = 8.0$	$\frac{13.5}{168.8} \times 100 = 8.0$	$\frac{18.0}{225.0} \times 100 = 8.0$

The Bureau calculates a monthly index representing all urban places in the United States--The U.S. City Average Index--and a separate index for each of 17 Standard Metropolitan Statistical Areas.² The individual city indexes measure how much prices have changed in a particular city, from time to time; but they do not show whether prices or living costs are higher or lower in one city than in another. For example, consider the prices of a single item in two cities in 2 years:

	Price		Index, Year II (Year I=100)
	Year I	Year II	
City A-----	\$0.30	\$0.60	200
City B-----	.40	.70	175

The price is higher in City B in each of the 2 years, but the relative increase in price in City B is less and therefore the index is lower.

Uses of the Index

The Consumer Price Index is used widely by the general public to guide family budgeting and to understand what is happening to family finances. It is used extensively in labor-management contracts to adjust wages. Automatic adjustments based on changes in the index are incorporated in some wage contracts and in a variety of other types of contracts, such as long-term leases. In addition, the CPI is used as a measure of changes in the purchasing power of the dollar for such diverse purposes as adjusting royalties, pensions, welfare payments, and occasionally alimony payments. It also is used widely as a reflection of inflationary or deflationary trends in the economy.

²For New York and Chicago, the more extensive Standard Consolidated Areas are used. Revised indexes for six additional Standard Metropolitan Statistical Areas will be computed beginning at various dates in 1965.