

less frequent type of price index expresses prices in one location as a percentage of prices in a base location, which is set equal to 100, and measures the comparative levels of prices between different places at a fixed point in time.

21.3.1 Consumer price index

The purpose of the consumer price index is to measure the movement from month to month in retail prices of goods and services bought by a representative cross-section of the Canadian urban population. For a particular article or service, a price index number is simply the price of the article in one period of time expressed as a percentage of its price in a reference period, usually called a base period. However, indexes for individual goods may be combined to form indexes representing price movements of broad groups of goods and services. Thus, the consumer price index relates to the wide range of goods and services bought by Canadian urban families.

The group of goods and services represented in the index is called the index "basket" and "weights" are assigned to the price indexes of individual items for purposes of combining them into an over-all or composite index. The weights reflect the relative importance of items in expenditures of middle-size urban families with medium incomes. The basket is an