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Activity
Exploring Inflation

The Inflation Explorer is an interactive tool that lets the user explore how prices of individual goods and services, and overall inflation, have changed over time. The purpose of this Activity is to guide students through interesting examples of price developments and trends, illustrating key concepts relating to inflation.

Your Task

Step 1

Download and read 'User Guide: Inflation Explorer – How to Use it', 'Explainer: Inflation and its Measurement' and 'In a Nutshell: The Inflation Target'.

Step 2

Open the Inflation Explorer on the RBA website:
rba.gov.au/education/resources/digital-interactives/inflation-explorer/

Step 3

Work through the exercises in this Activity.

Exploring Price Changes in the Basket of Consumer Goods and Services

1 Under **'Your Shopping Basket'**, select **'Consumer Goods and Services (CPI)'**.

2 Type **'1993'** in the **'From Year'** box.

Type **'2020'** in the **'To Year'** box.

3 Type **'1000'** in the **'Amount'** box on the right. This indicates a hypothetical amount a family might spend on their whole shopping basket of goods and services in one week in 2020.

Select **'Calculate'**. Scroll down to see the information and graph.

1. **What was the total price change?**

2. **What was the average annual price change?**

3. **How does the average annual price change over this period compare to Australia's inflation target?**

4. **Write your observations about the graph.**

Exploring Price Changes in Fruit

1 Under **'Your Shopping Basket'**, select the drop down arrow for **'Food and non-alcoholic beverages'** and then select **'Fruit'**.

2 Type **'2000'** in the **'From Year'** box.

Type **'2020'** in the **'To Year'** box.

3 Type **'30'** in the **'Amount'** box on the right.

Select **'Calculate'**. Scroll down to see the information and graph.

6. **Write your observations about the graph.**

7. **Write an explanation of why 'Fruit' prices might have behaved in this way.**

   (Hint: research news stories about natural disasters and bananas.)

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1   Keeping **'Fruit'** selected, also select **'Consumer Goods and Services (CPI)'** under **'Your Shopping Basket'**.

3   Type '**1000**' in the **'Amount'** box on the right for **'Consumer Goods and Services (CPI)'**.

   Select **'Calculate'**. Scroll down to see the information and graph.

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8. **How does the 'Fruit' price series differ to the 'Consumer Goods and Services (CPI)' price series in the graph?**

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9. **Why are there large increases in 'Fruit' price series but only small increases in the Consumer Goods and Services (CPI) price series?**

   (Hint: 'Fruit' is one of 87 components that make up the Consumer Goods and Services (CPI) shopping basket.)

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Exploring Price Changes in Automotive Fuel

1   Under **'Your Shopping Basket'**, select the drop down arrow for **'Transport'** and then select **'Automotive fuel'**.

2   Type **'2000'** in the **'From Year'** box.

   Type **'2020'** in the **'To Year'** box.

3   Type **'60'** in the **'Amount'** box on the right.

   Select **'Calculate'**. Scroll down to see the information and graph.

10. **Write your observations about the graph.**

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11. Write an explanation of why 'Automotive fuel' prices might have behaved in this way.

(Hint: research news stories about oil prices.)

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Exploring Price Changes in 'Audio, Visual and Computing Equipment'

1 Under **'Your Shopping Basket'**, select the drop down arrow for **'Recreation and culture'** and then select **'Audio, visual and computing equipment'**.

2 Type **'1981'** in the **'From Year'** box.

Type **'2020'** in the **'To Year'** box.

3 Type **'1000'** in the **'Amount'** box on the right.

Select **'Calculate'**. Scroll down to see the information and graph.

12. Write your observations about the graph.

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13. Write an explanation of why 'Audio, Visual and Computing Equipment' prices might have behaved in this way.

(Hint: read the section 'Quality changes' in 'Explainer: Inflation and its Measurement' and consider how technology has improved over the time period selected.)

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Exploring Price Changes in 'Motor Vehicles' and 'Furniture'

1 Under **'Your Shopping Basket'**, select the drop down arrow for **'Transport'** and then select **'Motor vehicles'**.
Also select the drop down arrow for **'Furnishings, household equipment and services'** and then select **'Furniture'**.

2 Type **'1981'** in the **'From Year'** box.

Type **'2020'** in the **'To Year'** box.

3 For **'Motor vehicles'**, type **'25000'** in the **'Amount'** box on the right.

For **'Furniture'**, type **'1000'** in the **'Amount'** box on the right.

Select **'Calculate'**. Scroll down to see the information and graph.

14. Write your observations about the graph.

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15. Write an explanation of why 'Motor vehicles' and 'Furniture' prices might have behaved in this way.

(Hint: research changes made to Australia's tariff barriers during this period, and consider the effect of these changes on the prices of imported items.)

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