

Activity 3: Measures of Inflation

This activity focuses on the price level component of the 2007-09 recession, and you will use FRED® to find data that pertain to inflation. FRED® is a great and simple tool for finding, viewing, and transforming official data.

1. Go to <https://fred.stlouisfed.org/> and sign in to your personal FRED® account.
2. In the search bar, type in “CPI.” One of the first few results should be **Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, Index 1982-1984 = 100, Monthly, Seasonally Adjusted**. Click on this.
3. View the graph. What agency reports this data?
4. Drag the mouse along the line in the plot area. You will see a vertical line giving you a value for the CPI at each of the dates. By what frequency are the periods changing? In what units are the values? What are the base years?
5. Place the cursor on the most recent point to find a current value for the CPI. What is the current CPI? In what month/year is this reported? Is it simple to determine the rate of inflation from this measure alone?
6. Look at the upper right of the screen for an orange button that says EDIT GRAPH. Click it and make sure the EDIT LINE 1 tab is highlighted. Look below where there is an option that says **Units**. Click in the **Units** box and change the units to **Percent Change from Year Ago**. Look at the graph now. The percent change of any price level measure is an estimate for inflation. What is the current inflation rate (as measured by the CPI) and in what month/year is this reported?

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7. What is the highest rate of (CPI) inflation since December 2007? In what month/year is this reported?

8. What is the lowest rate of (CPI) inflation since December 2007? In what month/year is this reported?

9. Starting with 1948, how do the lowest rates of inflation during past recessions compare with that during the Great Recession? Cite some numbers to make your comparison. How does it make the Great Recession different from the others? What happens to inflation in or around recessions?

10. Starting with 1948, how do past peaks of inflation compare with the most recent peak of inflation? Cite data to make your comparison.

11. Save the graph to your FRED® account: Find the **Account Tools** button under the graph and click it. Select **Save Graph**. Select an **Observation Range**. The middle choice—**Always chart from YYYY-00-00 to the last value available**—will ensure that your graph updates whenever new data are added to the series. Type in a title and click **Save Graph**. You may create a **Category** folder first, if you wish, and save the graph in the folder.

12. Dashboard option: Finish by adding the completed graph to your FRED® dashboard. Click the **Account Tools** button under the graph and select **Add to Dashboard**. Select your dashboard and in the **Graph Name** box, type “Activity 3-Measures of Inflation.” Select an **Observation Range**. Click **Add to Dashboard**. For additional instructions, see Activity 1.