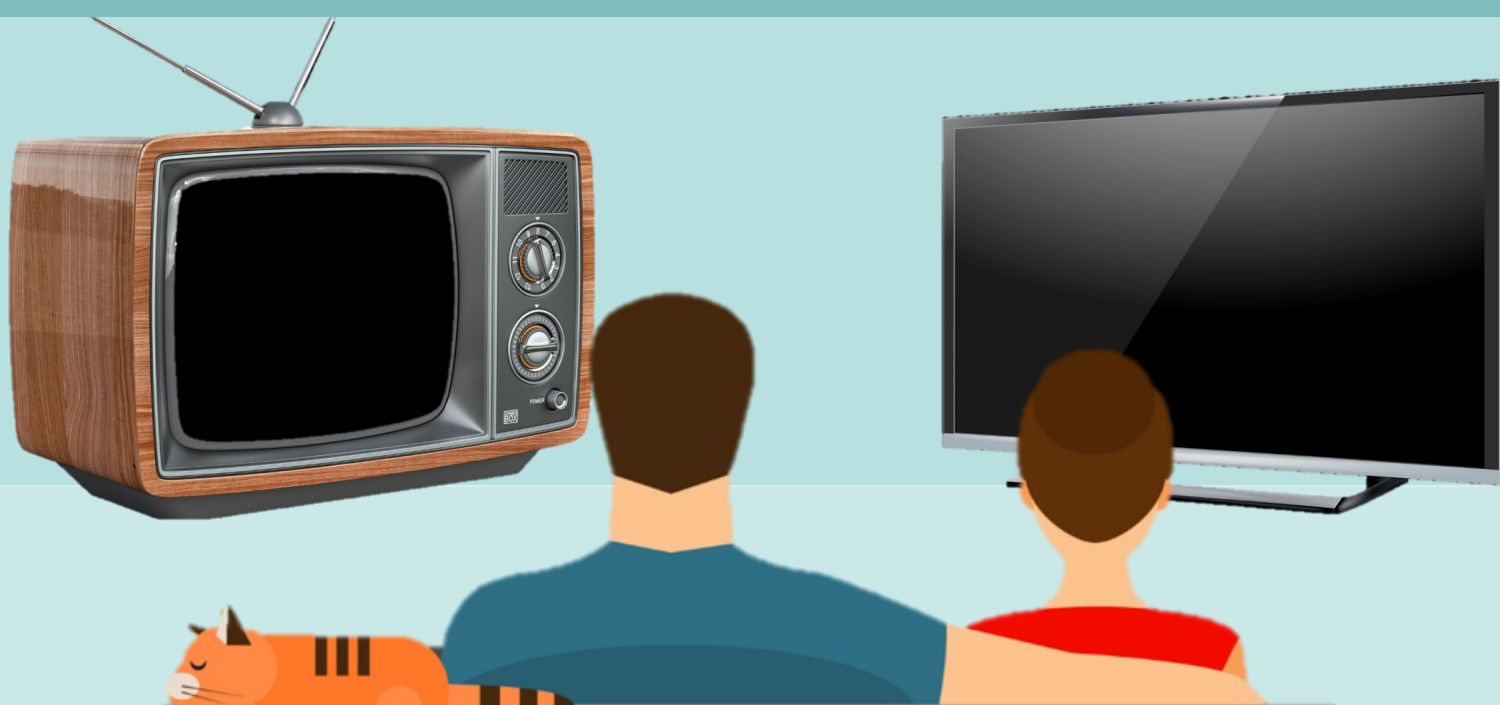


MEASURING PURE PRICE CHANGE IN A CONSTANTLY CHANGING WORLD



The Consumer Price Index (CPI) tracks **price change** experienced by Canadians by comparing the cost of a fixed basket of goods and services through time. Over time, products become outdated, technology advances and tastes evolve. As new products become available, they may change in **quality**, with new features or enhanced services, or in **quantity**, with different sized packaging.

HOW DOES IT WORK?

To ensure an accurate CPI, prices are measured for the same items over time – this principle is known as **constant quality**. Dollar values, assigned to the characteristics of a product or service, are added or removed from the price as the characteristics change over time, in a process known as **quality adjustment**. Once the collected prices are adjusted to maintain constant quality, the remaining price movement is reflected in the CPI as a **pure price change**.



If a cup of coffee from your favourite restaurant now comes in a smaller cup but you pay the same amount, the price has **increased**.



If your new sheets now have a higher thread count and the price has increased proportionally, the price index is **unchanged**.



If your internet provider upgrades your download speed at no additional charge, the price of your internet service has **decreased**.

