

A value index reflects the combined movement of prices and quantities of goods and services. Value index numbers have less practical use than price and quantity indexes.

➤ TYPES OF INDEX COMPARISONS

Business index numbers are constructed in different ways, depending on the type of comparison for which the index is intended.

- Comparison across time periods. The most familiar price index numbers measure average prices in succeeding time periods.
- Comparison of geographic locations. We might use a quantity index to compare energy consumption in the in the west and east.
- Comparison of population groups. A price index of this type can compare retail prices as they affect single persons versus families.

We will focus on comparison across time periods.

There are three general types of indexes:

- Price indexes: which measure changes in price,
- Quantity indexes: which measure production and output changes,
- Value indexes: which measure changes in the value of various commodities and activities.

❖ Practice problem 1

Data of per capita consumption of Hungarian households are the following

<i>Products</i>	<i>Quantity</i>		<i>Price</i>		<i>Simple indexes</i>		
	<i>1991</i>	<i>1994</i>	<i>1991</i>	<i>1994</i>	<i>i_v</i>	<i>i_q</i>	<i>i_p</i>
<i>Milk</i>	87,2	77,4	20,7	43,6	187,0	88,8	210,6
<i>Egg</i>	233,0	212	4,3	8,2	173,5	91,0	190,7
<i>Pork</i>	19,4	17,2	192,4	359,8	165,8	88,7	187,0
<i>Poultry</i>	18,6	18,4	118,1	207,3	173,6	98,9	175,5
<i>Bread</i>	72,5	70,1	31,0	58,8	183,4	96,7	189,7
<i>Potato</i>	49,4	49,3	18,2	30,1	165,1	99,8	
<i>Sugar</i>	21,1	19,5	43,5	79,8	169,5		
<i>Apple</i>	18,3	16,2	24,9	36,2	128,7		
<i>Tropical fruits</i>	6,2	9,1	97,4	100,7	151,7		

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- a) How much has the value of consumption changed during these years? (per item and total)