

SPECIAL RELEASE

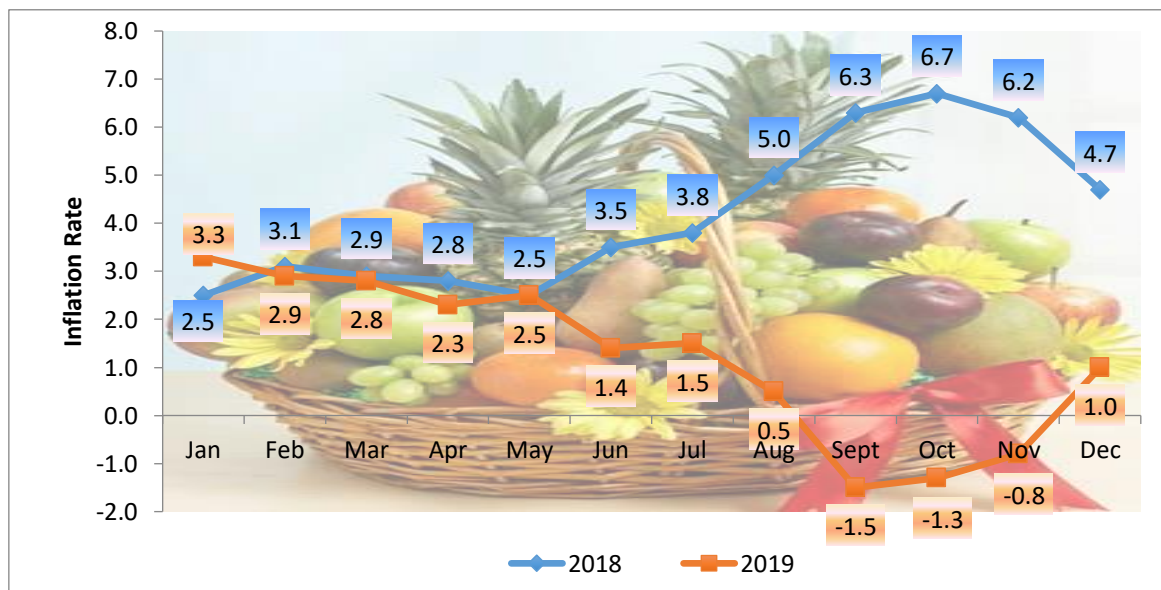
The Consumer Price Index in La Union (2012=100) 2019 Annual Report

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La Union's annual average inflation goes up in 2019

The annual average consumer price index (CPI) in La Union in 2019 was 113.1, the highest recorded since the rebasing in 2012. In 2018, the average CPI in the province was registered at 111.8 which indicate a 1.3 percentage point increase between the two-year period.

The annual average inflation in La Union went down by 3.0 percentage points from 4.2 in 2018 to 1.2 in 2019. This means that in average prices of commonly consumed goods and services merely went up by around 1.2 percent in 2019 as compared to their prices in 2018.



**Figure 1. Monthly Inflation Rates of the CPI in La Union
January-December 2018 and 2019
(2012=100)**

The highest annual inflation in 2019 was posted in January at 3.3 percent while the lowest rate was recorded in September at -1.5 percent. In 2018, the highest inflation was observed in October at 6.7 percent while the lowest rates were recorded in January and May at 2.5 percent.

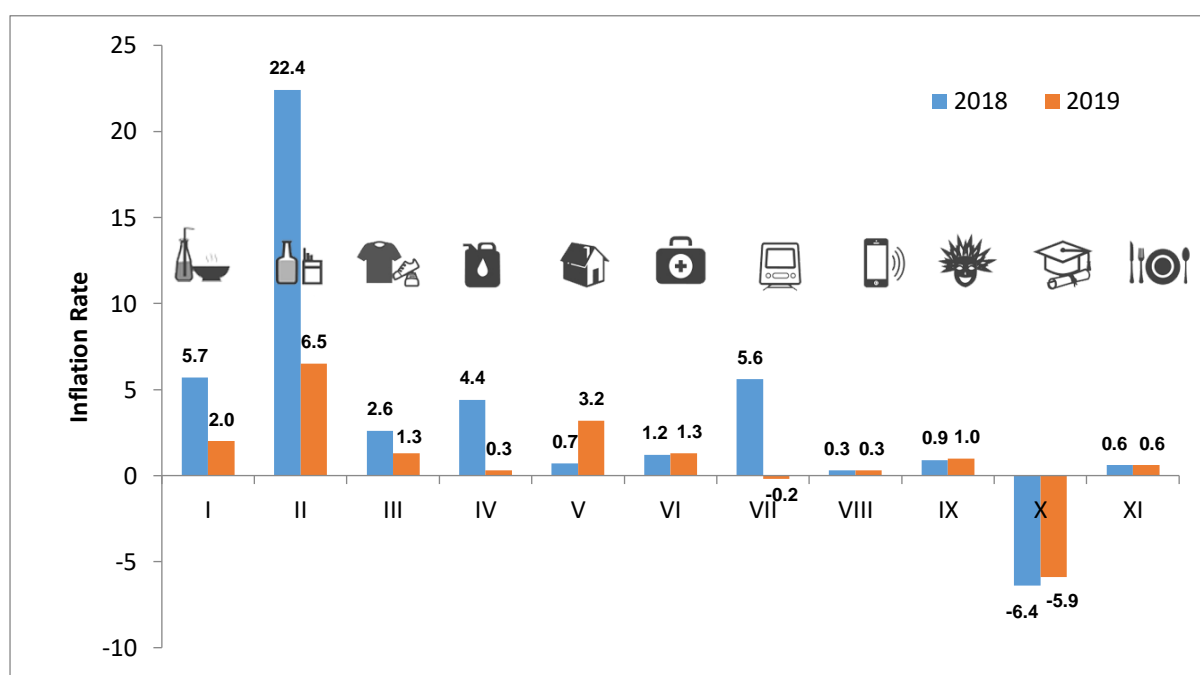


Generally lower annual average rates in 2019 were recorded as compared to 2018, except for the following commodity groups; furnishing, household equipment and routine maintenance of the house recorded an increase of 2.5 percentage points (0.7% to 3.2%); followed by education which recorded an increase of 0.5 percentage point (-6.4% to -5.9%). While the commodity groups of health, and recreation and culture both recorded an increase of 0.1 percentage point (1.2% to 1.3% and 0.9% to 1.0% respectively).

By Commodity Group

Alcoholic beverages and tobacco posted the highest inflation in 2019

At the provincial level, the highest annual average growth in 2019 was recorded in the commodity group of alcoholic beverages and tobacco at 6.5 percent. From an annual inflation of 22.4 percent in 2018, said commodity group posted a decrease of 15.9 percentage points.



- I – Food and Non-Alcoholic Beverages
- II – Alcoholic Beverages and Tobacco
- III – Clothing and Footwear
- IV – Housing, Water, Electricity, Gas and Other Fuels
- V – Furnishings, Household Equipment and Routine Maintenance of the House
- VI – Health
- VII – Transport
- VIII – Communication
- IX – Recreation and Culture
- X – Education
- XI – Restaurant and Miscellaneous Goods and Services

**Figure 2. Inflation Rates by Commodity Groups
La Union: 2018 and 2019
(2012=100)**

This was followed by furnishing, household equipment and routine maintenance of the house with inflation of 3.2 percent in 2019, posting an increase of 2.5 percentage points as compared to the 2018 prices of commodities. Next is the commodity group of food and non-alcoholic drinks with an inflation of 2.0 percent in 2019, and recorded a decrease of 3.7 percentage points from 5.7 percent in 2018. A decline of 1.3 percentage points was also observed under clothing and footwear between its



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inflation rates in 2019 and 2018 with 1.3 percent and 2.6 percent, respectively. Health; recreation and culture; and education commodity groups manifested minimal increases in terms of annual average inflation rate (less than 1.0 percentage point).

On the other hand, the commodity group of transport manifested a slowdown price movement as indicated by a 5.8 percentage points decrease in its annual average inflation rate (5.6% to -0.2%). While no movement in the inflation rates of commodities under communication, and restaurant, miscellaneous goods, and services was observed.

Food and Non-Alcoholic Beverages

The annual average increment of the food and non-alcoholic beverages index move slower in 2019. The annual average adjustment of the food index decelerated to 2.0 percent in 2019 from 5.7 percent in 2018. Similarly, the annual average growth of the non-alcoholic beverages index went down to 2.8 percent from 12.0 percent.



By Food Group

Among the food groups, the biggest annual increase of 2.9 percentage points (2.5% from 5.4%) was observed in the fish index. This was closely followed by sugar, jam, honey, chocolate and confectionery with 1.7 percentage points increase. The indices of milk, cheese and eggs and other cereals, flour, cereal preparation, bread, pasta and other bakery products also posted an increase, with 0.8 percentage point and 0.1 percentage point, respectively.

Meanwhile, the following subgroups had manifested a slower price movements in 2019, bread and cereals (-0.2% from 7.0%); rice (-0.5% from 8.9%); corn (-1.5% from 5.3%); meat (2.6% from 3.8%); oils and fats (1.2% from 1.3%); fruits (4.5% from 6.1%); vegetables (3.5% from 11.8%); and food products not elsewhere classified (1.2% from 1.8%).

Alcoholic Beverages and Tobacco



The annual average inflation of alcoholic beverages and tobacco index went down to 6.5 percent in 2019 from 22.4 percent in 2018. This posted the biggest decrease of 15.9 percentage points among commodity groups in 2019. The annual average add-on of alcoholic beverages index decelerated to 7.1 percent in 2019 from 10.8 percent in 2018 while the annual average inflation of tobacco index went down to 5.8 percent from a double-digit inflation of 38.1 percent in the previous year.



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Clothing and Footwear

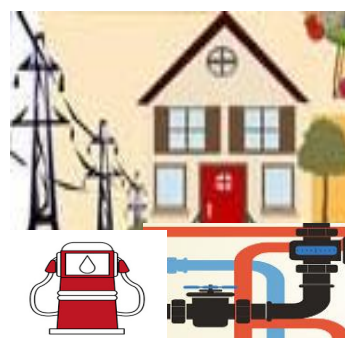
The annual increment in the clothing and footwear index went down in 2019. The clothing index registered a decrease in the annual average growth at 1.7 percent in 2019 from 3.3 percent in 2018. The annual average movement in the footwear index was stagnant at 0.6 percent.



Housing, Water, Electricity, Gas and Other Fuels

The annual average rate in the housing, water, electricity, gas and other fuels index decelerated to 0.3 percent in 2019.

The annual average movement in the electricity, gas and other fuels index decelerated by 10.3 percent in 2019 from its previous year's 11.0 percent. In the same manner the annual average prices of commodities under water supply and miscellaneous services relating to the dwelling and maintenance and repair of the dwelling decreased to 0.6 percent and 1.2 percent, respectively, in 2019.



On the other hand, the annual average rate in the actual rentals for housing index remained at zero percent in 2018 and 2019. Which means that the relative prices of housing rental was stagnant for the years 2018 and 2019.

Furnishings, Household Equipment and Routine Maintenance of the House



A faster annual average increment was recorded in the furnishings, household equipment and routine maintenance of the house index from 0.7 percent in 2018 went up to 3.2 percent in 2019.



The upward trend in the annual average movement of the group's index was contributed by higher annual average price gains in the indices of household textiles; and goods and services for routine household maintenance with 0.7 percent and 4.1 percent inflation rates, respectively.

However, the annual average rates of glassware, tableware and household utensils; household appliances; and tools and equipment for house and garden have displayed minimal downward movements. While the annual average rate in the furniture and furnishing, carpets and other floor coverings index remained at zero percent in 2018 and 2019.



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Health

The annual average inflation of the health index went up to 1.3 percent in 2019 from 1.2 percent in 2018. A faster annual average rate of 7.0 percent was observed in out-patient services index in 2019 from 4.4 percent growth in the previous year. In the same manner uptick of prices in hospital services index was also observed in 2019. However, a decrease was observed in the medical products, appliances and equipment at 0.5% from 1.1% in the previous year.



Transport



The annual average hike in the transport index inched down to -0.2 percent in 2019 from 5.6 percent in 2018.

The annual average mark-up in the operation of personal transport equipment index jumped down to -0.2 percent in 2019 from 21.0 percent in 2018. Also, annual average inflation of transport services index dropped to -0.3 percent from 0.1 percent.

Communication

The annual average uptick in the communication index remained at 0.3 percent in 2019.

A zero percent annual average growth was recorded in the telephone and telefax equipment index in 2018 and 2019. Meanwhile, the annual average inflation of the telephone and telefax services index remained at 0.3 percent in 2019. However, postal services index exhibited a decrease in the annual average growth of 2.5 percent in 2019 from 7.3 percent in 2018.



Recreation and Culture

The recreation and culture index in the province registered a higher annual average uptick at 1.0 percent in 2019 from 0.9 percent in 2018.



Higher annual average adjustments were recorded in recreational and cultural services (4.8 percent from 3.9 percent), followed by audio-visual, photographic and information processing equipment (0.1 percent from -0.1 percent). While the rate of increase of commodities under other major durables for recreation and culture remained unchanged at 0.0 percent. However, the indices of other recreational items and equipment, gardens and pets and



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newspapers, books and stationery decreased at 0.7% from 1.0% and 0.6% from 0.8%, respectively.

Education

The annual average adjustment in the education index increased to -5.9 percent in 2019 from -6.4 percent in 2018, recording a 0.5 percentage points increase. The increase in the annual average inflation rate, though negative, indicates that in general prices of commodities under education in 2019 went up as compared to prices in the previous year. The uptrend in the annual rate of the group's index was mainly attributed to the increase in annual rate registered in the secondary education and tertiary education index at 0.7% in 2019 from 0.0% in 2018 and -10.5% in 2019 from -10.8% in 2018.



Restaurant and Miscellaneous Goods and Services



The annual average inflation of restaurant and miscellaneous goods and services index remained at 0.6 percent in 2019. The indices of catering services; and personal effect not elsewhere classified exhibited a decrease in the annual average increments in 2019 at 0.3 percent and 0.4 percent compared with their previous year's rates of 0.5 percent and 1.0 percent, respectively. On the other hand, an increase in the average annual movement of prices was observed in personal care from 0.6 percent in 2018 to 1.2 percent in 2019.



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**TABLE 1. Annual Average Consumer Price Index and Inflation Rate
for All Income Households, La Union: 2018 and 2019
(2012 = 100)**

COMMODITY GROUP	CPI		Inflation Rate	
	2019	2018	2018	2019
ALL ITEMS	113.1	111.8	4.2	1.2
I. FOOD AND NON-ALCOHOLIC BEVERAGES	122.8	120.4	5.7	2.0
* Food	122.7	120.4	5.3	1.9
Bread and Cereals	121.9	122.2	7.0	-0.2
Rice	126.0	126.6	8.9	-0.5
Corn	131.2	133.2	5.3	-1.5
Other Cereals, Flour, Cereal Preparation, Bread, Pasta and Other Bakery Products	108.0	107.2	0.6	0.7
Meat	117.1	114.1	3.8	2.6
Fish	125.9	119.4	2.5	5.4
Milk, Cheese and Eggs	110.4	109.0	0.5	1.3
Oils and Fats	106.8	105.5	1.3	1.2
Fruit	157.8	151.0	6.1	4.5
Vegetables	135.5	130.9	11.8	3.5
Sugar, Jam, Honey, Chocolate and Confectionery	123.2	116.4	4.1	5.8
Food Products N.E.C.	114.7	113.3	1.8	1.2
* Non-alcoholic Beverages	124.0	120.6	12.0	2.8
II. ALCOHOLIC BEVERAGES AND TOBACCO	184.5	173.3	22.4	6.5
Alcoholic Beverages	157.7	147.3	10.8	7.1
Tobacco	226.8	214.4	38.1	5.8
NON-FOOD	104.5	104.2	2.3	0.3
III. CLOTHING AND FOOTWEAR	114.1	112.6	2.6	1.3
Clothing	115.8	113.9	3.3	1.7
Footwear	110.0	109.3	0.6	0.6
IV. HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	99.6	99.3	4.4	0.3
Actual Rentals for Housing	100.0	100.0	0.0	0.0
Maintenance and Repair of the Dwelling	118.1	116.7	1.4	1.2
Water Supply and Miscellaneous Services Relating to the Dwelling	100.1	99.5	0.7	0.6
Electricity, Gas and Other Fuels	97.9	97.2	11.0	0.7
V. FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE	111.3	107.9	0.7	3.2
Furniture and Furnishings, Carpets and Other Floor Coverings	96.4	96.4	0.0	0.0
Household Textiles	109.5	108.7	0.6	0.7
Household Appliances	110.1	109.9	0.5	0.2
Glassware, Tableware and Household Utensils	109.4	108.9	0.8	0.5
Tools and Equipment for House and Garden	105.6	105.4	0.3	0.2
Goods and Services for Routine Household Maintenance	113.8	109.3	0.7	4.1
VI. HEALTH	106.8	105.4	1.2	1.3
Medical Products, Appliances and Equipment	106.8	106.3	1.1	0.5
Out-patient Services	124.6	116.4	4.4	7.0
Hospital Services	100.4	100.1	0.1	0.3
VII. TRANSPORT	106.4	106.6	5.6	-0.2
Operation of Personal Transport Equipment	96.7	96.9	21.0	-0.2
Transport Services	115.2	115.5	0.1	-0.3
VIII. COMMUNICATION	103.1	102.8	0.3	0.3
Postal Services	120.8	117.9	7.3	2.5
Telephone and Telefax Equipment	101.1	101.1	0.0	0.0
Telephone and Telefax Services	103.3	103.0	0.3	0.3
IX. RECREATION AND CULTURE	107.5	106.4	0.9	1.0
Audio-visual, Photographic and Information Processing Equipment	100.5	100.4	-0.1	0.1
Other Major Durables for Recreation and Culture	104.7	104.7	0.0	0.0
Other Recreational Items and Equipment, Gardens and Pets	110.0	109.2	1.0	0.7
Recreational and Cultural Services	140.8	134.3	3.9	4.8
Newspapers, Books and Stationery	103.8	103.2	0.8	0.6
X. EDUCATION	102.7	109.1	-6.4	-5.9
Pre-primary and Primary Education	139.8	139.7	0.5	0.1
Secondary Education	134.9	134.0	0.0	0.7
Tertiary Education	84.5	94.4	-10.8	-10.5
Education Not Definable by Level	101.0	101.0	0.0	0.0
XI. RESTAURANT AND MISCELLANEOUS GOODS AND SERVICES	107.3	106.7	0.6	0.6
Catering Services	105.4	105.1	0.5	0.3
Personal Care	111.6	110.3	0.6	1.2
Personal Effects N.E.C.	105.8	105.4	1.0	0.4

Source: *Philippine Statistics Authority*
Price Statistics Division

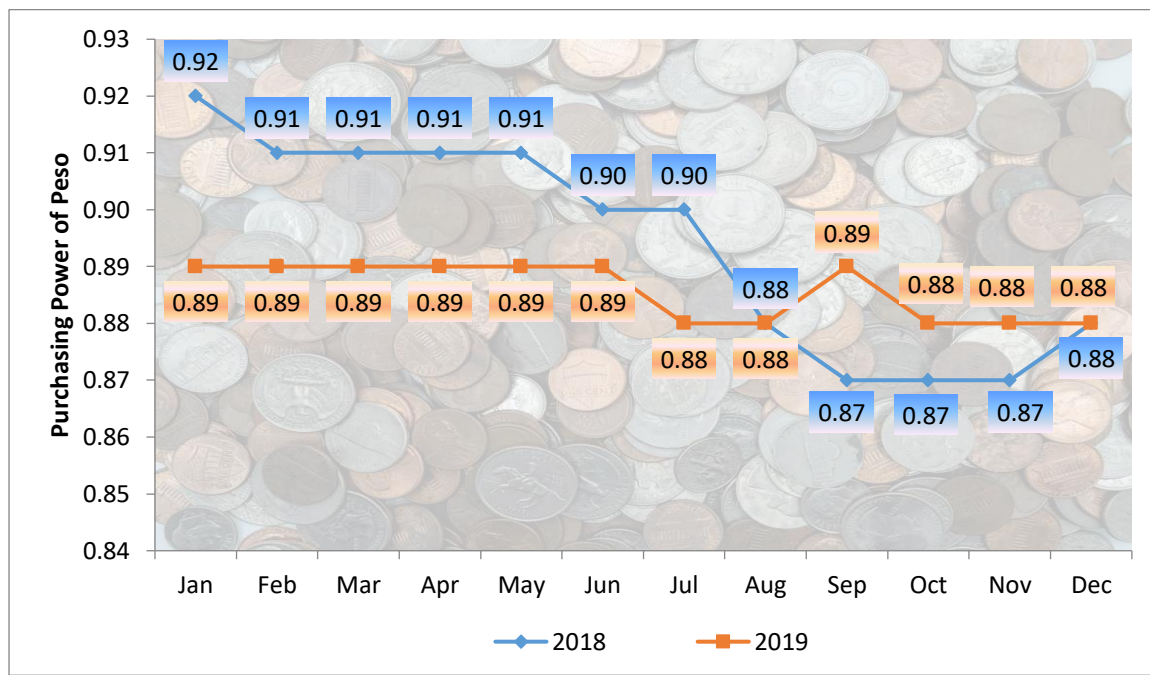


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Purchasing Power of the Peso



**FIGURE 3. Purchasing Power of the Peso in La Union
January - December 2018 and 2019
(2012 = 100)**

The average Purchasing Power of the Peso (PPP) in La Union in 2019 went down to 88 centavos from the average PPP of 89 centavos in 2018. This means that the purchasing capability of P1.00 in 2012 was decreased by 12 centavos in 2019.

In 2019, the PPP in La Union was recorded at 89 centavos in January and weakened by a centavo in July to August. In September, the PPP went up to 89 centavos and it eases down to 88 centavos in last quarter of the year.



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TECHNICAL NOTES

The Philippine Statistics Authority generates and announces the monthly Consumer Price Index (CPI) based on a nationwide survey of prices for a given basket of goods and services.

The **CPI** is an indicator of the change in the average retail prices of a fixed basket of goods and services commonly purchased by households relative to a base year. It shows how much on the average, prices of goods and services have increased or decreased from a particular reference period known as base year. It also serves as a basis for economic analysis, collective bargaining agreements, for wage adjustments, and for monitoring the effects of government economic policy on households.



Rebasing of CPI to Base Year 2012 and Adopting the Chain Method in the 2012-based CPI

The Philippine Statistics Authority (PSA) released the Consumer Price Index (CPI) for All Income Households with base year 2012 on 06 March 2018. The 2012-based CPI is the tenth in the rebasing series. This was announced in press release number 2018-031 dated 22 February 2018. Data users can expect two sets of the CPI as the new series shall be issued simultaneously with the 2006-based series until June 2018. The CPI series for July 2018 onwards shall be 2012-based.

1. Identification of the Base Year

The base period is the period, usually a year, at which the index number is set to 100. It is the reference point of the index number series. The CPI is now rebased to 2012 base year from the current 2006 base year.

2012

The year 2012 was chosen as the next base year because it was the latest year when the Family Income and Expenditure Survey (FIES) results were made available. It is also in accordance with PSA Board Resolution No. 1, Series of 2017-146, which approved the synchronized rebasing of the price indices to base year 2006 and every six (6) years thereafter.



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2. Determination of the Market Basket



Market basket refers to a sample of goods and services, which is meant to represent the totality of all goods and services purchased by households relative to a base year.

Determining the right market basket is crucial because inadequate representation of the typical basket will give wrong signals as to the behavior of prices, a very important factor in economic planning.

To determine the commodities that will form the market basket for the 2012-based CPI, the updating of the 2006 basket through the Survey of Key Informants was conducted from 07 October to 15 November 2013. The survey was conducted nationwide to store managers, sellers or proprietors and were asked of the most commonly purchased items or commodities. The commodities are grouped according to the 2010 Philippine Classification of Individual Consumption According to Purpose (COICOP) which is based on the United Nations COICOP.

3. Determination of the Household Consumption Patterns (Weights)

This activity involves assigning weights to the commodity groups/sub-groups. This reflects the consumption priorities of households and the way they allocate resources to meet their needs. Weight is a value attached to a commodity or group of commodities to indicate the relative importance of that commodity or group of commodities in the market basket.

The weights for the 2012-based CPI were derived from the expenditure data of the 2012 FIES, a survey that covered around 50,000 sample households nationwide. The weight for each item of expenditure is a proportion of that expenditure item to the total national expenditure. The total (all items) national expenditure weights is equal to 100.

The 2012 FIES expenditure data were used to directly estimate the 2012 CPI weights at the national and regional levels. However, the 2012 FIES estimates for the expenditure data at the provincial level were not directly utilized in estimating the CPI expenditure weights as the data at the provincial/city level may not be reliable with the use of the households' master sample (MS) that was utilized in selecting the 2012 FIES sample households. The MS was drawn using regions as domains in generating estimates in all the household surveys of the PSA starting July 2003.



The provincial/city expenditure data were derived using the model-based method in small area estimation procedures using the regional expenditure data as the control total for all the expenditure data within the specific region. Using these estimates, the weight for each item of expenditure is computed as a proportion of that item of expenditure to the total national expenditure. A raking procedure was done to adjust the weights of the provinces so that the provincial weights when added up will equal to the regional weights.



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4. Monitoring of Prices of Items in the Market Basket

This involves establishing baseline information for prices of the items in the base year and monitoring the prices of the items on a regular basis. Collection of data for the CPI is done by the provincial staff of the PSA. Except for food, beverage and tobacco (FBT) in the National Capital Region (NCR) and petroleum products which are monitored on a weekly basis, price collection is generally done twice a month. First collection phase is done in the first five days of the month while the second phase is on the 15th to 17th day of the month. Data are collected from the sample outlets (outlets or establishments where prices of commodities/services are collected or quoted) which were chosen using the following criteria:

- a. Popularity of an establishment along the line of goods to be priced – this means the sample outlet is publicly noted in the locality for selling goods included in the CPI market basket and the outlet is patronized by a large segment of the population.
- b. Consistency and completeness of stock

Consistency of stock – the outlet has a constant, steady or regular stock of commodities listed in the CPI price collection forms as well as of those commodities of the same kind and belonging to the same commodity group.

Completeness of stock – the sample outlet carries in its stock many if not all of the items included in the CPI price collection forms relative to the other outlets in the area.

- c. Permanency of outlet – the outlet is an established store or stall in the market area. It should not be an ambulant or transient vendor in order that the collection of data can be done for the succeeding survey rounds.
- d. Geographical location – the outlet is conveniently located and is accessible to the majority of consumers in the area.

5. Computation of the CPI

The PSA employed the weighted arithmetic mean of price relatives and the “Chain” method to provide timely indicators since this method allows the inclusion or exclusion of commodities in the market basket to address the changing consumer taste and preferences and technological changes. Below are the steps in the computation of CPI using the 2012 as the base year:

Step 1: Compute the monthly average price for each commodity.

$$\text{Monthly Average Price of Commodity} = \frac{\text{Outlet 1 (1}^{\text{st}} \text{ Phase) Price} + \text{Outlet 1 (2}^{\text{nd}} \text{ Phase) Price} + \text{Outlet 2 (1}^{\text{st}} \text{ Phase) Price} + \text{Outlet 2 (2}^{\text{nd}} \text{ Phase) Price} + \text{Outlet 3 Price} + \text{Outlet 4 Price} + \text{Outlet 5 Price} + \text{Outlet 6 Price}}{8}$$

Step 2: Compute the price relative (PR) for each commodity.

$$\text{PR} = \frac{\text{Current Month Average Price}}{\text{Previous Month Average Price}}$$



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Step 3: Compute the index for the 5-digit group (Sub-Class).

Step 3.1: Compute the geometric mean of PRs for each 5-digit group.

$$GM_{PR} = \left(\prod_{i=1}^n PR_i \right)^{1/n}$$

Where:

GM_{PR} = Geometric mean of price relatives

PR_i = Price relative of each commodity

n = number of commodities under the 5-digit group

Step 3.2: Compute the index for 5-digit group.

$$I_{5\text{-digit,current month}} = (GM_{PR}) * (I_{5\text{-digit,previous month}})$$

Where:

$I_{5\text{-digit,current month}}$ = Index of the 5-digit group (sub-class)
for the current month

GM_{PR} = Geometric mean of price relatives

$I_{5\text{-digit,previous month}}$ = Index of the 5-digit group (sub-class)
for the previous month

Step 4: Compute the index for the 4-digit group (Class).

$$I_{4\text{-digit}} = \frac{\sum_{i=1}^n (W_{(5\text{-digit})i}) (I_{(5\text{-digit})i})}{\sum_{i=1}^n (W_{(5\text{-digit})i})}$$

Where:

$I_{(4\text{-digit})}$ = index of the 4-digit group

$W_{(5\text{-digit})i}$ = weight of 5-digit group

$I_{(5\text{-digit})i}$ = index of the 5-digit group



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Step 5: Compute the index for the 3-digit group (Group).

$$I_{3\text{-digit}} = \frac{\sum_{i=1}^n (W_{(4\text{-digit})i}) (I_{(4\text{-digit})i})}{\sum_{i=1}^n (W_{(4\text{-digit})i})}$$

Where:

$I_{(3\text{-digit})}$ = index of the 3-digit group

$W_{(4\text{-digit})i}$ = weight of the 4-digit group

$I_{(4\text{-digit})i}$ = index of the 4-digit group

Step 6: Compute the index for the 2-digit group (Division).

$$I_{2\text{-digit}} = \frac{\sum_{i=1}^n (W_{(3\text{-digit})i}) (I_{(3\text{-digit})i})}{\sum_{i=1}^n (W_{(3\text{-digit})i})}$$

Where:

$I_{(2\text{-digit})}$ = index of the 2-digit group

$W_{(3\text{-digit})i}$ = weight of the 3-digit group

$I_{(3\text{-digit})i}$ = index of the 3-digit group

**Step
Items.**

7: Compute the index for All

$$I_{\text{all items}} = \frac{\sum_{i=1}^n (W_{(2\text{-digit})i}) (I_{(2\text{-digit})i})}{\sum_{i=1}^n (W_{(2\text{-digit})i})}$$

Where:

$I_{\text{all items}}$ = index for All Items

$W_{(2\text{-digit})i}$ = weight of the 2-digit group (Division)

$I_{(2\text{-digit})i}$ = index of 2-digit group (Division)

Economic Indicators Derived from the CPI

Two important indicators, the inflation rate and purchasing power of the peso (PPP), are derived from the CPI which are important in monitoring price stability and the value of the country's currency.



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Inflation Rate is the annual rate of change or the year-on-year change of the CPI expressed in percent. The formula is:

$$\text{Inflation Rate} = \frac{\text{CPI}_2/\text{CPI}_1}{\text{CPI}_1} \times 100$$

Where: CPI_2 – is the CPI in the second period
 CPI_1 – is the CPI in the previous period




Headline Inflation is the rate of change in the weighted average prices of all goods and services in the CPI basket while **Core Inflation** refers to the rate of change in the CPI that excludes the following item/commodity groups: rice, corn, fruits and vegetables, and fuel items.

The **PPP** measures the real value of the peso in a given period relative to a chosen reference period. It is computed by getting the reciprocal of the CPI and multiplying the result by 100.

$$\text{PPP} = \frac{1}{\text{CPI}} \times 100$$




NIÑO E. TUAZON
(Supervising Statistical Specialist)
Officer-in-Charge



Management System
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ID 9108640991



The Fifth Bldg., Gov. Ancheta St., Barangay IV, City of San Fernando, La Union 2500
TeleFax Number: (072) 888-5740
E-mail: psa.launion@yahoo.com