SPECIAL RELEASE

Summary Inflation Report of the Consumer Price Index for the Bottom 30% Income Households
La Union: May 2024
(2018=100)

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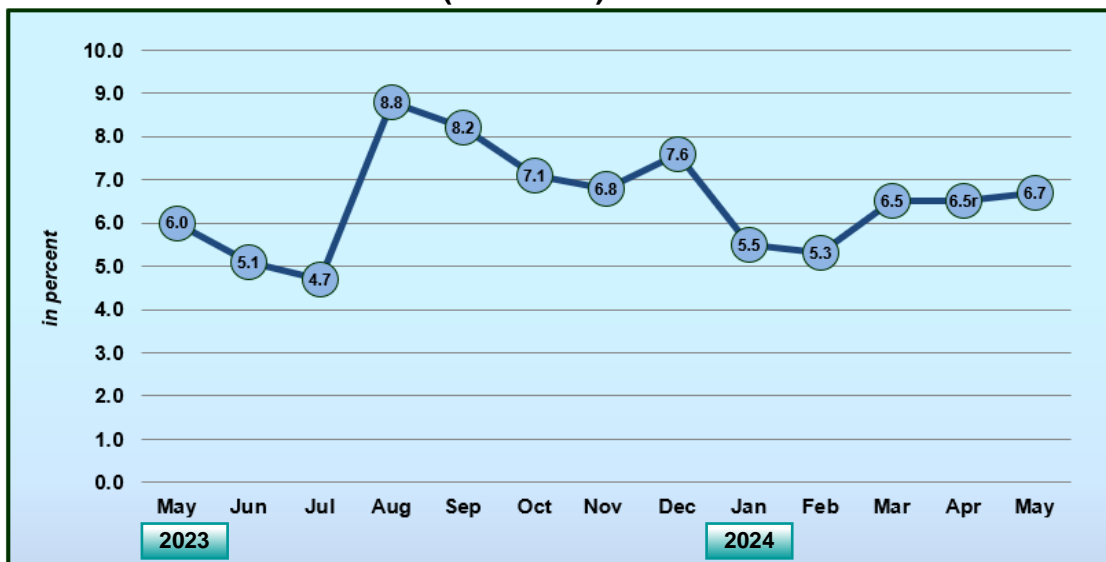### *La Union's CPI for the bottom 30% income households posted at 124.4 in May 2024*

The Consumer Price Index (CPI) for the bottom 30% income households in La Union was recorded at 124.4 in May 2024. This means that on the average, prices of goods and services purchased by the bottom 30% income households in the province have increased by 24.4 percent from the base year 2018. The province's CPI for this income group was recorded at 124.8 in April 2024 and at 116.6 in May 2023.

Meanwhile, Ilocos Region's CPI for the bottom 30% income households was recorded at 121.6 and 126.3 in May 2023 and May 2024, respectively, higher than La Union's CPI for this income group in the said periods.

La Union's inflation for the bottom 30% income households accelerates to 6.7 percent in May 2024

La Union's headline inflation for the bottom 30% income households rose to 6.7 percent in May 2024 from 6.5 percent in the previous month. This was the highest inflation recorded in the province since December 2023. This brings the provincial average inflation from January to May 2024 to 6.1 percent. In May 2023, inflation rate was posted at 6.0 percent. (Table A and Figure1)

Figure 1. Headline Inflation Rates for the Bottom 30% in La Union
May 2023 – May 2024
(2018=100)

Source: Philippine Statistics Authority

In January 2023, inflation for the bottom 30% income households in the province was posted at 9.0 percent. It slowed down in February at 8.5 percent. Inflation in the province continued to exhibit a downtrend from March 2023 to July 2023. In August 2023, inflation in the province picked up to 8.8 percent. Inflation slowed down to 8.2 percent in September 2023 and decelerated further to 7.1 percent and 6.8 percent in October 2023 and November 2023, respectively. However, inflation for this income group accelerated to 7.6 percent in December 2023.

In January 2024, inflation for the bottom 30% income households decelerated to 5.5 percent. It slowed down further to 5.3 percent in February 2024 but rose to 6.5 percent in March 2024 and remained until April 2024. In May 2024, inflation for this income group accelerated to 6.7 percent.

Table 1. Year-on-Year Inflation Rates for the Bottom 30% in La Union, All Items
January 2020 - May 2024
(2018=100)

Month	Year				
	2020	**2021**	**2022**	**2023**	**2024**
January	2.1	4.5	0.6	9.0	5.5
February	1.5	4.1	1.5	8.5	5.3
March	2.4	3.5	2.4	7.3	6.5
April	3.1	2.3	4.2	6.2	6.5r
May	2.6	2.9	3.6	6.0	6.7
June	2.4	2.6	4.6	5.1	
July	2.0	3.5	4.4	4.7	
August	1.5	4.7	3.1	8.8	
September	1.9	5.1	3.7	8.2	
October	1.9	4.4	4.1	7.1	
November	3.5	3.4	4.8	6.8	
December	4.0	1.7	6.1	7.6	
Average	**2.4**	**3.6**	**3.6**	**4.4**	

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**Figure 2. Headline Inflation Rates for the Bottom 30% Income Households
All items, La Union and Ilocos Region: May 2023, April 2024, and May 2024
(2018=100)**
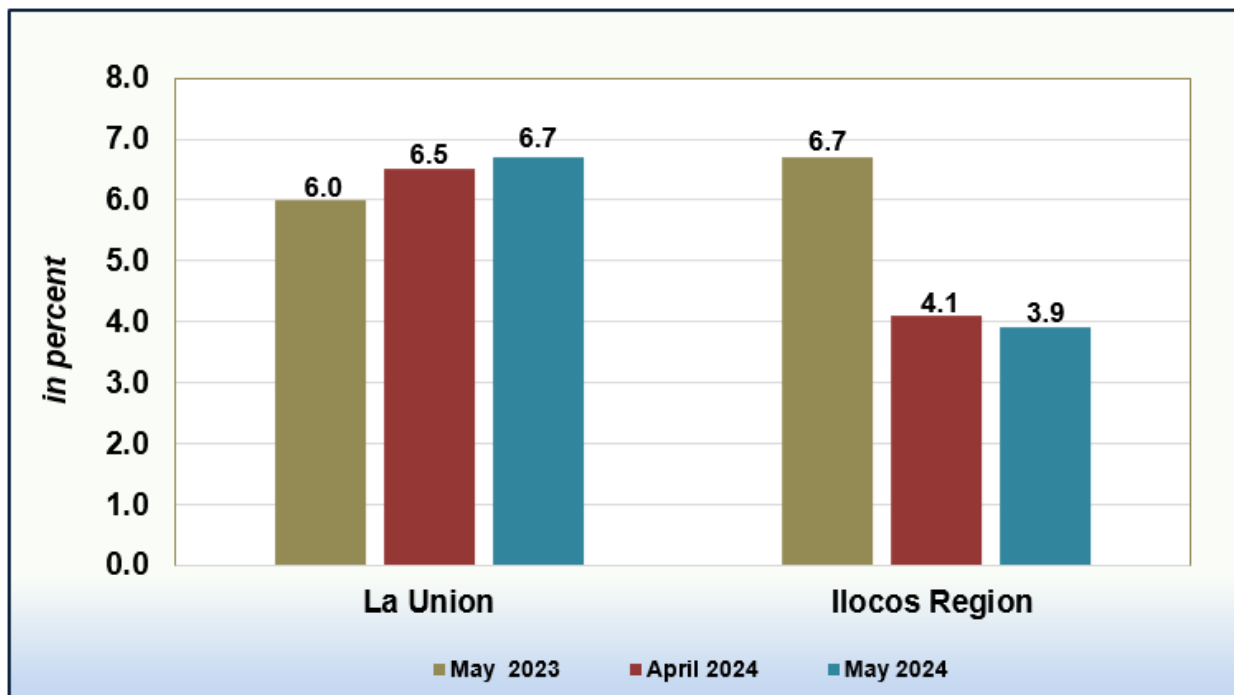
The inflation for the bottom 30% income households in Ilocos Region slowed down to 3.9 percent in May 2024 from 4.1 percent in April 2024. In May 2023, inflation in the region was recorded at 6.7 percent.

The uptrend in the inflation for the bottom 30% income households in the province from April 2024 to May 2024 was primarily influenced by the faster annual growth in the index of the heavily weighted food and non-alcoholic beverages at 11.5 percent during the month from 10.5 percent in the previous month.

This was followed by the faster annual increment in the health index at 1.5 percent in May 2024 from 1.2 percent in April 2024. Recreation, sport and culture ranked third main contributor to the acceleration of the headline inflation for this income group with a faster annual increase of 0.3 percent in May 2024 from 0.2 percent in April 2024.

In contrast, slower annual growths were noted in the indices of the following commodity groups during the month:

a. Alcoholic beverages and tobacco, 3.4 percent from 5.0 percent;
b. Housing, water, electricity, gas and other fuels, 3.0 percent from 3.3 percent;
c. Furnishings, household equipment and routine household maintenance, 1.0 percent from 1.8 percent;
d. Transport, 4.3 percent from 4.0 percent; and

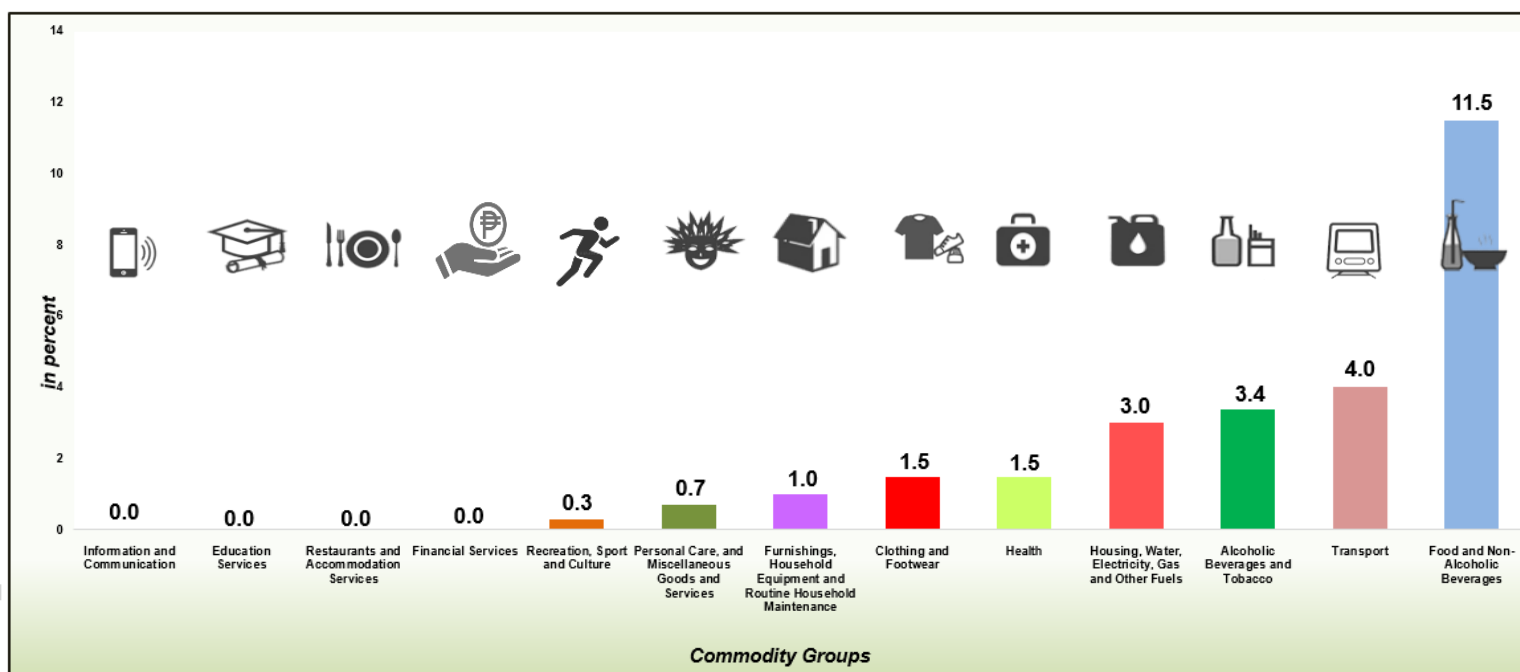e. Personal care, and miscellaneous goods and services, 0.7 percent from 1.1 percent.

Table 2. Year-on-Year Inflation Rates for Bottom 30% Income Households by Commodity Group, La Union: May 2023, April 2024 and May 2024 (2018=100)

Commodity Group	Inflation Rate		
	May 2023	April 2024	May 2024
Food and Non-Alcoholic Beverages	5.5	10.5	11.5
Alcoholic Beverages and Tobacco	5.6	5.0	3.4
Clothing and Footwear	4.4	1.5	1.5
Housing, Water, Electricity, Gas and Other Fuels	14.6	3.3	3.0
Furnishings, Household Equipment and Routine Household Maintenance	5.4	1.8	1.0
Health	4.3	1.2	1.5
Transport	5.9	4.3	4.0
Information and Communication	1.3	0.0	0.0
Recreation, Sport and Culture	4.7	0.2	0.3
Education Services	0.5	0.0	0.0
Restaurants and Accommodation Services	-0.3	0.0	0.0
Financial Services	0.0	0.0	0.0
Personal Care, and Miscellaneous Goods and Services	1.7	1.1	0.7

Source: Philippine Statistics Authority
Retail Price Survey of Commodities for the Generation of Consumer Price Index

Meanwhile, clothing and footwear retained its previous month's annual increment of 1.5 percent, respectively. Similarly, the annual inflation of information and communication, education services, restaurants and accommodation services, and financial services remained at zero percent during the month.

Figure 3. Inflation Rates by Commodity Groups for the Bottom 30% Income Households, La Union: May 2024 (2018=100)

Food inflation for the bottom 30% income households at the provincial level also accelerated to 12.2 percent in May 2024 from 11.1 percent in April 2024. In May 2023, food inflation for this income group was recorded at 5.6 percent.

The faster annual increment of food inflation for the bottom 30% income households in the province in May 2024 was primarily contributed by the faster annual increment of 2.5 percent in the fish and other seafoods index in May 2024 from a 2.1 percent annual decrease in April 2024. This was followed by meat and other parts of slaughtered land animals with a faster annual growth of 3.4 percent during the month from 0.8 percent in the previous month. The third contributor to the uptrend of food inflation in May 2024 was recorded in the index of fruits and nuts with a faster year-on-year mark-up of 14.9 percent during the month from 10.5 percent in the previous month.

Moreover, faster annual increases were also noted in the following food groups:
  a. Flour, bread and other bakery products, pasta products, and other cereals, 2.7 percent from 2.6 percent;
  b. Vegetables, tubers, plantains, cooking bananas and pulses, 6.8 percent from 6.2 percent; and
  c. Ready-made food and other products not elsewhere classified, 6.0 percent from 5.1 percent.

Also, a slower annual drop of 4.1 percent was noted in the index of sugar, confectionery and desserts during the month from 5.6 percent annual decline in the previous month.

On the contrary, slower annual growth rate was observed in the index of rice at 35.1 percent in May 2024 from 36.4 percent in April 2024.

Faster annual decline of 3.1 percent was noted in the index of milk, other dairy products and eggs in May 2024 from an annual decrease of 1.4 percent in April 2024.

Meanwhile, the annual increment of 17.9 percent in the index of corn and annual decrease of 6.6 percent in the index of oils and fats remained.

Main Contributors to the Food Inflation

Food inflation contributed 85.6 percent or 5.7 percentage points to the overall inflation for the bottom 30% income households in the province in May 2024. The top three food groups in terms of contribution to the food inflation during the month were the following:

  a. Cereal and cereal products, which includes rice, corn, flour, bread and other bakery products, pasta products, and other cereals with 88.2 percent share or 10.8 percentage points;
  b. Meat and other parts of slaughtered land animals with 4.2 percent share or 0.5 percentage point; and

c. Vegetables, tubers, plantains, cooking bananas and pulses, with 3.6 percent share or 0.4 percentage point.

TECHNICAL NOTES

The Philippine Statistics Authority (PSA) 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 prices of goods and services commonly purchased by consumers relative to a base year. It is most widely used in the calculation of inflation rate purchasing power of the peso (PPP). The CPI series also serve as basis for economic analysis, collective bargaining agreements, wage adjustments, and for monitoring the effects of government economic policy on households.

Inflation rate is defined as the annual rate of change or the year-on-year change in the CPI. On the other hand, the PPP is a measure of the real value of the peso in a given period relative to a chosen reference period.

Rebasing of CPI for the bottom 30% income household to Base Year 2018 and Adopting the Chained Laspeyres Formula in Index Computation

The PSA has rebased the CPI for all income households to base year 2018, from base year 2012. The methodology of rebasing the CPI to base year 2018 was approved by the PSA Board through the PSA Board Resolution No. 15 Series of 2021.

The PSA has started releasing the 2018-based CPI for All Income Households on 04 February 2022. The rebasing to 2018 is the 12th base period and the 11th rebasing for CPI. This was announced in Press Release Number 2022-01 dated 04 January 2022. The CPI series for all income households for January 2022 onwards shall be 2018-based.

1. Identification of the Base Year

Base period is a reference 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 rebased from base year 2012 to base year 2018.

The rebasing of the CPI is done periodically by the PSA due to the following: 1) to ensure that the CPI market basket continues to capture goods and services commonly purchased by households over time; 2) to update expenditure patterns of households; and 3) to synchronize its base year with 2018 base year of the Gross Domestic Product and other indices produced by PSA such as the Producer Price Index (PPI) for Agriculture; PPI for Manufacturing; and Value of Production Index (VaPI), Volume of Production Index (VoPI), and Value of Net Sales Index (VaNSI) for Manufacturing.

The year 2018 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.

2. Determination of the Market Basket

Market basket refers to a sample of goods and services commonly purchased by the households.

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.

The 2018-based CPI for the Bottom 30% Income Households market basket was determined from the results of the 2022 Commodity and Outlet Survey (COS). The COS was conducted nationwide on 01 to 20 April 2022 to gather information on specifications of commodities and services commonly purchased by households, and type of outlets where these commodities and services are being purchased/availed.

The commodities in the 2018-based CPI market basket are grouped according to the 2020 Philippine Classification of Individual Consumption According to Purpose (PCOICOP) 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 2018-based CPI were derived from the expenditure data of the 2018 FIES. The weight for each item of expenditure is the proportion of the expenditure of commodity/group of commodities to the total national expenditure. The sum of the weights of the commodity groups at the national level is equal to 100.

The table below shows the comparison of the expenditure weights between the 2012 and 2018-based CPI for the Philippines.

CPI Weights for All Income Households by PCOICOP Division

2020 PCOICOP Division	Philippines			
	2012=100	Rank	2018=100	Rank
All items	100.00		100.00	
01 – Food and non-alcoholic beverages	38.34	1	37.75	1
02 – Alcoholic beverages and tobacco	1.58	11	2.6	10
03 – Clothing and Footwear	2.93	9	3.14	8
04 – Housing, water, electricity, gas and other fuels	22.04	2	21.38	2
05 – Furnishing, household equipment and routine maintenance of the house	2.95	8	3.22	7
06 – Health	3.89	6	2.89	9
07 – Transport	8.06	3	9.03	4
08 – Information and communication	2.93	9	3.41	6
09 – Recreation, sport and culture	1.41	12	0.96	12
10 – Education services	3.28	7	1.96	11
11 – Restaurants and accommodation services	8.05	4	9.62	3
12 – Financial services			0.03	13
13 – Personal care and miscellaneous goods and services	4.54	5	4.46	5

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. Index Computation

The 2018-based CPI series uses the same method of computation as the 2012-based CPI series, which is the chained Laspeyres formula.

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 2018 as the base year:

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

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

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

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

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.

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

Where:

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

GM_{PR} = Geometric mean of price relatives

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

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

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

Where:

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

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

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

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

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

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 7: Compute the index for All Items.

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

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)

6. Dissemination of Reports

Data are available five days after the reference month which are posted at the PSA website (www.psa.gov.ph). Data series are also uploaded at the OpenSTAT database portal of the PSA website.

Economic Indicators Derived from the CPI

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

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

$$\text{Inflation Rate} = \frac{CPI_2 - CPI_1}{CPI_1} \times 100$$

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

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