SPECIAL RELEASE

**Summary Inflation Report
of the Consumer Price Index in La Union: JUNE 2021
(2012=100)**

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### *La Union's CPI posted at 117.9 in June 2021*

The Consumer Price Index (CPI) in La Union in June 2021 was recorded at 117.9. This means that on the average, prices of goods and services in the province have increased by 17.9 percent from the base year 2012. The province's CPI was posted at 117.7 in May 2021 and at 114.7 in June 2020.

Meanwhile, Ilocos Region's CPI was recorded at 121.6 and 126. 6 in June 2020 and June 2021 respectively, higher than La Union's CPI in said periods.

La Union's inflation accelerates by 2.8% in June 2021

La Union's headline inflation moved to a faster pace by 2.8 percent in June 2021. In May 2021, inflation was recorded at 2.6 percent and in June 2020, at 1.9 percent.

**Figure 1. Headline Inflation Rates in La Union, All Items
June 2020 – June 2021
(2012=100)**
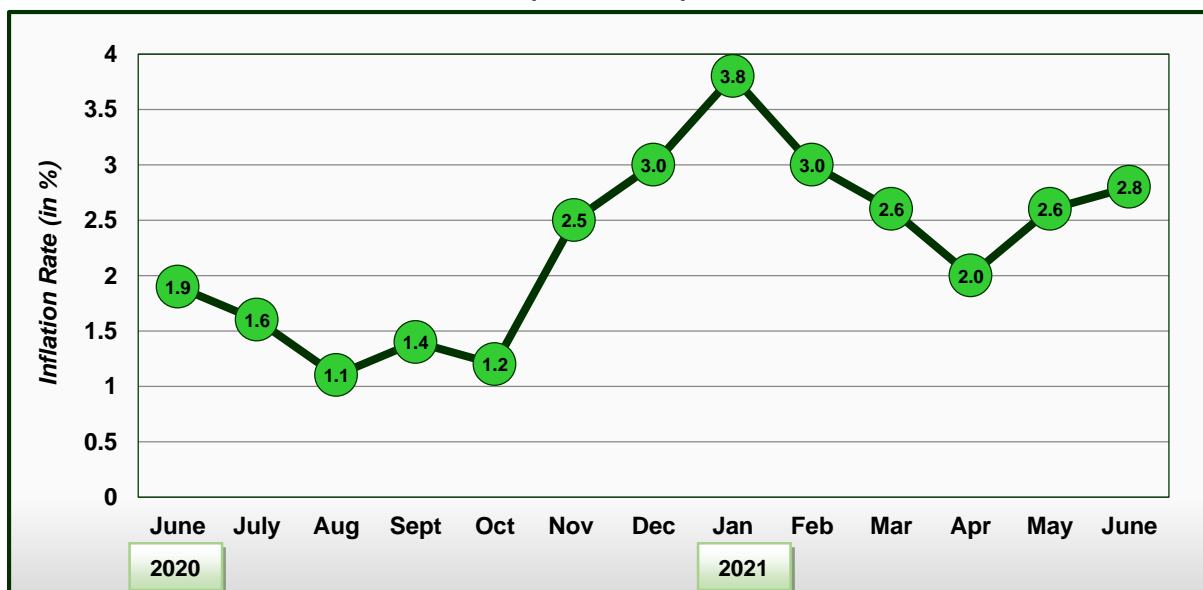
Source: Philippine Statistics Authority

In 2020, the headline inflation in La Union was recorded at 1.4 percent in January. Inflation continued to accelerate in February, March, and April at 1.5 percent, 1.8 percent, and 2.4 percent respectively. Inflation slowed down to 1.7 percent in May but registered higher annual growth in June at 1.9 percent. It again decelerated to 1.6 percent and at 1.1 percent in July and August, respectively. Inflation accelerated by 1.4 percent in September but moved at a slower pace in October at 1.2 percent. Inflation rose by 2.5 percent in November and continued to pick up by 3.0 percent in December.

Inflation in the province further accelerated by 3.8 percent in January 2021. Meanwhile, a downtrend was observed as the inflation slowed down to 3.0 percent in February and further eased to 2.6 percent and 2.0 percent in March and April, respectively. In May and June 2021, an uptrend was observed in the province's inflation as it climbed by 2.6 percent and 2.8 percent, respectively.

Table 1. Year-on-Year Inflation Rates in La Union, All Items
January 2017 – June 2021
(2012=100)

Month	Year				
	2017	**2018**	**2019**	**2020**	**2021**
January	0.4	2.5	3.3	1.4	3.8
February	0.9	3.1	2.9	1.5	3.0
March	1.1	2.9	2.8	1.8	2.6
April	2.6	2.8	2.3	2.4	2.0
May	2.7	2.5	2.5	1.7	2.6
June	2.4	3.5	1.4	1.9	2.8
July	2.7	3.8	1.5	1.6	
August	2.8	5.0	0.5	1.1	
September	3.0	6.3	-1.5	1.4	
October	2.2	6.7	-1.3	1.2	
November	1.8	6.2	-0.8	2.5	
December	1.5	4.7	1.0	3.0	
Average	**2.0**	**4.2**	**1.2**	**1.8**	

Source: Philippine Statistics Authority

**Figure 2. Headline Inflation Rates, All Items in La Union and Ilocos Region
June 2020, May 2021, and June 2021
(2012=100)**
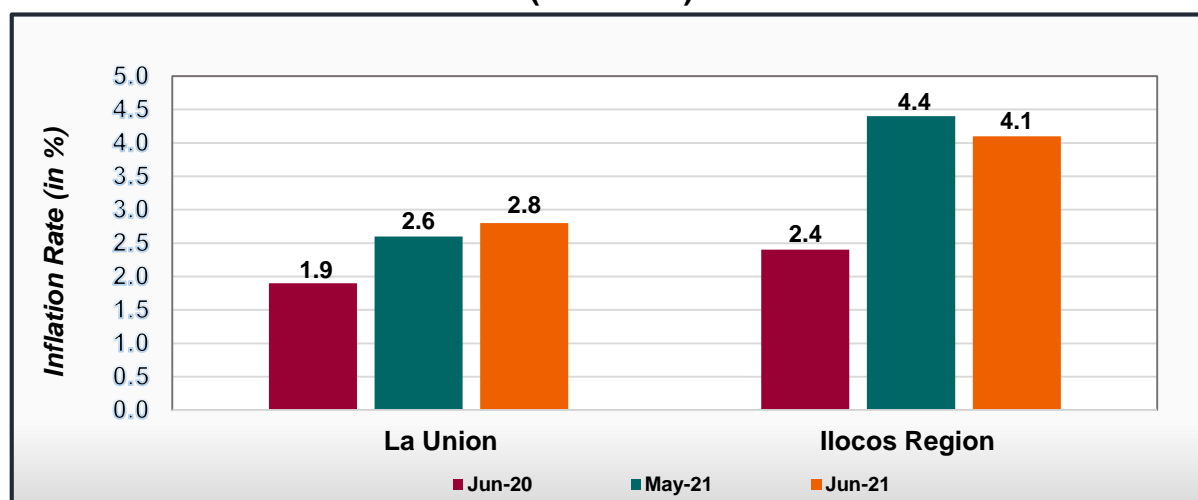
Source: Philippine Statistics Authority

Meanwhile, Ilocos Region's headline inflation slowed down by 4.1 percent in June 2021. Inflation rate in the region was recorded at 4.4 percent in May 2021 and at 2.4 percent in June 2020.

In the province, the uptrend in inflation from was primarily due to faster annual growth registered in the heavily-weighted food and non-alcoholic beverages index at 3.0 percent in June 2021, from 2.3 percent inflation in May 2021. The annual increment also accelerated in the housing, water, electricity, gas and other fuels index went up by 0.9 percent from 0.5 percent in the previous month. Moreover, the annual declined in the recreation and culture index was higher in June 2021 at -0.3 percent from its annual inflation of -0.4 percent a month ago.

**Table 2. Year-on-Year Inflation Rates for All Income Households
by Commodity Group, La Union: June 2020, May 2021 and June 2021
(2012=100)**

Commodity Group	Inflation Rate		
	June 2020	May 2021	June 2021
Food and Non-Alcoholic Beverages	3.8	2.3	3.0
Alcoholic Beverages and Tobacco	18.6	12.5	10.7
Clothing and Footwear	3.3	3.2	3.2
Housing, Water, Electricity, Gas and Other Fuels	-3.4	0.5	0.9
Furnishings, Household Equipment and Routine Maintenance of the House	3.0	1.3	1.2
Health	1.0	2.7	2.3
Transport	-4.5	10.2	8.1
Communication	0.3	0.0	0.0
Recreation and Culture	0.4	-0.4	-0.3
Education	0.0	0.0	0.0
Restaurant and Miscellaneous Goods and Services	5.4	2.0	0.0

On the other hand, slower annual increments were seen in the indices of alcoholic beverages and tobacco (10.7% from 12.5%); furnishings, household equipment and routine maintenance of the house (1.2% from 1.3%); health (2.3% from 2.7%); transport (8.1% from 10.2%); and restaurant and miscellaneous goods and services (0.0% from 2.0%).

The annual inflation in the indices of education and communication remained at zero growth from May to June 2021, while the annual inflation in the clothing and footwear index remained at 3.2 percent.

Figure 3.   Inflation Rates by Commodity Groups, La Union: June 2021 (2012=100)
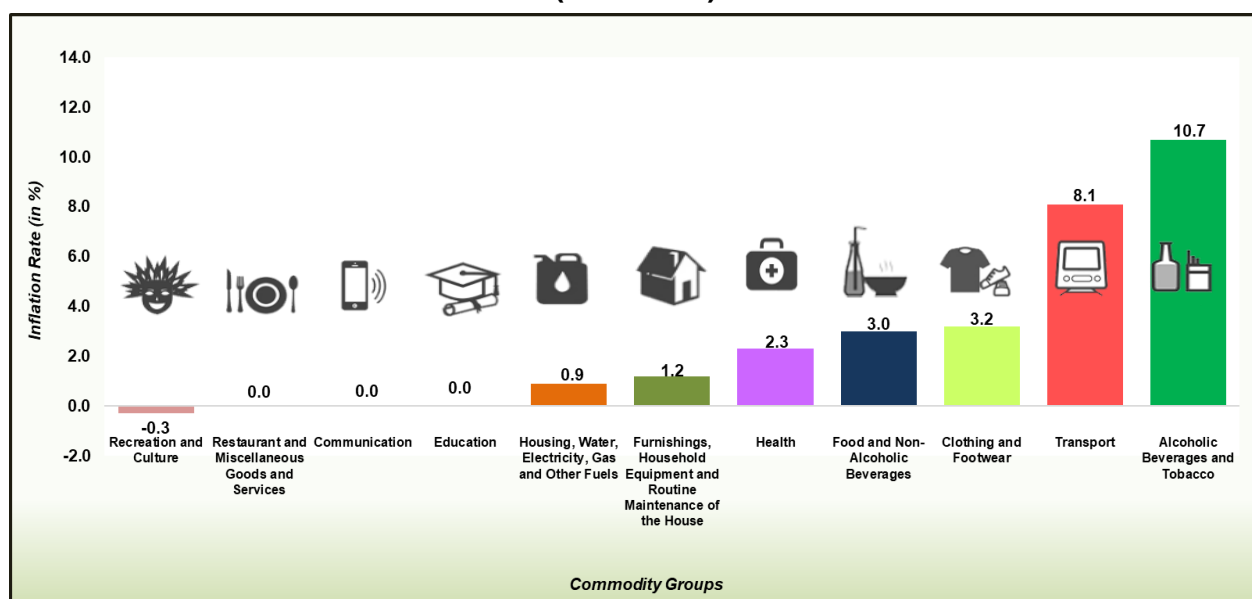
At the provincial level, inflation for food index accelerated by 3.2 percent in June 2021 from 2.3 percent in May 2021. In June 2020, inflation for food was recorded at 3.9 percent.

From May to June 2021, annual upticks were higher in the indices of corn (23.9% from 13.1%); fish (0.4% from -1.4%); milk, cheese, and eggs (1.4% from 0.6%); fruits (14.6% from 10.9%); vegetables (5.4% from -2.5%) and sugar, jam, honey, chocolate and confectionery (1.4% from 1.0%). In addition, the annual drop in the indices of bread and cereals and rice at -0.6 percent and -1.5 percent respectively were higher than their previous month and decline of -0.5 percent and -0.2 percent respectively.

On the other hand, a downtrend was observed in the annual rate in the indices of other cereals, flour, cereal preparation, bread, pasta and other bakery products (1.6 percent from 1.9 percent) and meat (11.3 percent from 13.8 percent). The annual decline in the food products not elsewhere classified also went down to -1.7 percent from -1.3 percent. Meanwhile, the annual inflation in the oils and fats index remained at 3.0 percent.

PPP in La Union remains at PhP0.85 in June 2021

The Purchasing Power of the Peso (PPP) in La Union remained stable at PhP0.85 in June 2021, the same figure posted in the past four months. This means that the purchasing capability of PhP1.00 in 2012 decreased by 15 centavos in June 2021. In June 2020, the PPP in the province was recorded at PhP0.87.

Figure 4. Purchasing Power of the Peso in La Union
June 2020 – June 2021
(2012 = 100)
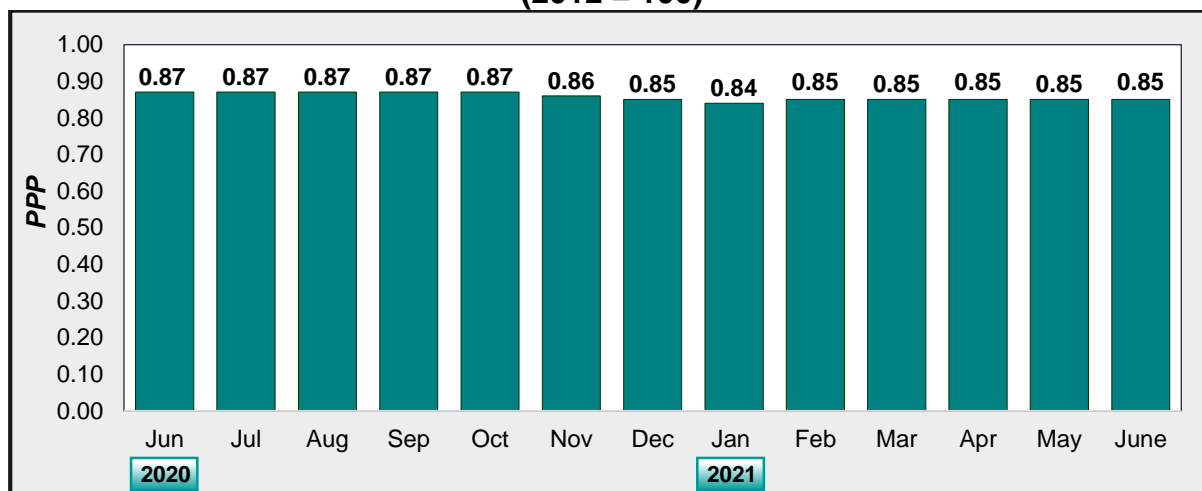
Source: Philippine Statistics Authority

From June to October 2020, the PPP in La Union was stable at PhP0.87. It decreased in November 2020 at PhP0.86 and in December 2020 at PhP0.85. The PPP in the province further went down in January 2021 at PhP0.84. It again went up in February 2021 at PhP0.85 and remained until June 2021.

Figure 5. Purchasing Power of the Peso in La Union and Ilocos Region
June 2020 – June 2021
(2012 = 100)
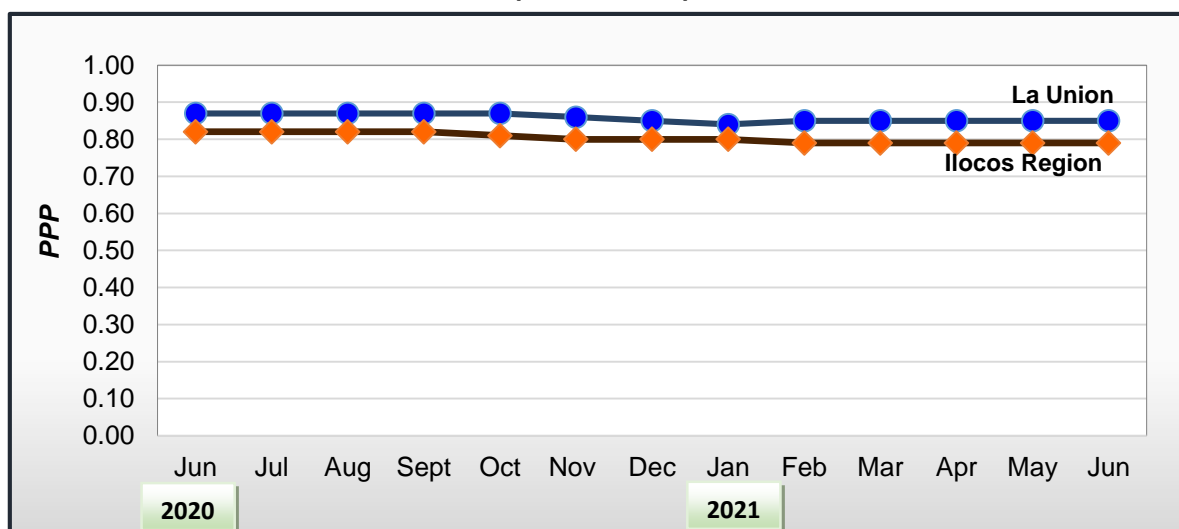
Source: Philippine Statistics Authority, Price Statistics Division

La Union's PPP in June 2021 was higher than Ilocos Region's PPP of PhP0.79. The region's PPP was posted at PhP0.79 in May 2021 and at PhP0.82 in June 2020.

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 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 PSA released the 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. Two sets of the CPI, 2006-based and 2012-based series were issued simultaneously 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.

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.

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.

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.

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

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).

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

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

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 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)

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
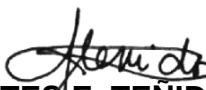CPI_1 – is the CPI in the previous period

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

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.

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

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