**Consumer Price Index, Inflation and Purchasing Power of the Peso**

*Scope and Classification*

The CPI covers all resident households across all income levels in both urban and rural areas, except “institutionalized” persons (those found living in institutional quarters such as penal institutions, orphanages, hospitals, military camps, etc.).

Transactions covered by the CPI follow the household final consumption as defined in the 1993 System of National Accounts (SNA). In particular, expenditures on capital formation in the form of owner-occupied housing is included, as well as production for own final consumption. Also, as is customary, gifts and contribution to others and some other disbursements are excluded, as well as illegal market goods and services. Durable consumer goods bought in second hand markets are left out of the price collection. Prices of sample commodities/services are quoted from the sample outlets or sample establishments nationwide.

The CPI is computed at the national and regional level as follows:

1. Philippines
2. CAR – Cordillera Administrative Region
3. Region I – Ilocos Region
4. Region II – Cagayan Valley
5. Region III – Central Luzon
6. Region IVA – CALABARZON
7. Region IVB – MIMAROPA
8. Region V – Bicol Region
9. Region VI – Western Visayas
10. Region VII – Central Visayas
11. Region VIII – Eastern Visayas
12. Region IX – Zamboanga Peninsula
13. Region X – Northern Mindanao
14. Region XI – Davao Region
15. Region XII – SOCCSKSARGEN
16. Region XIII – Caraga
17. ARMM

CPI values are also computed for the National Capital Region (NCR) and for Areas Outside NCR (AONCR).

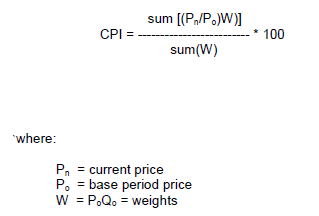
CPI values are likewise computed by commodity group based on the Philippine Classification Of Individual Consumption According to Purpose (PCOICOP) as follows:

1. All Items
2. Food and Non-Alcoholic Beverages
3. Alcoholic Beverages and Tobacco
4. Clothing and Footwear
5. Housing, Water, Electricity, Gas and Other Fuels
6. Furnishing, Household Equipment and Routine Maintenance of House
7. Health
8. Transport
9. Communication
10. Recreation and Culture
11. Education

Restaurant and Miscellaneous Goods and Services

*Sources of Data and Methdology*

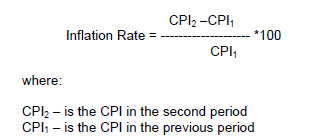
The **Consumer Price Index** is generated by the Philippine Statistics Authority (PSA) from survey data collected weekly and twice a month through the Survey of Retail Prices of Commodities and Services. Prices are collected through personal interviews from selected stalls in public markets, sari-sari (variety) stores, supermarkets and service shops all over the country. The CPI is computed as the weighted arithmetic mean of price relatives (basket of goods/services). This is a variant of the *Laspeyres’* formula with fixed base year period weights.



The base year refers to the benchmark year against which prevailing prices in the reference period (e.g., current year) are compared. The CPI is computed using a basket of goods and commodities that are most commonly purchased by households. The price of a basket of commodities is set to 100 in the base year. The items included in the CPI basket are assigned weights based on the proportion of spending on specific consumer goods/services to total consumption/expenditure.

The present series uses 2006 as the base year. The year 2006 was chosen as the base year because it was the year when the last Family Income and Expenditure Survey (FIES) was conducted. There is no fixed interval for rebasing the index. Rebasing depends on the availability of the FIES data which is also the basis for the CPI weights. The Technical Committee on Price Statistics (TCPS), consisting of representatives from various government agencies, reviews the methodology used in rebasing the CPI.

The **inflation rate** is defined as the annual rate of change or the year-on-year change in the CPI. It is the rate of change in the average price level between two periods. The formula used is:



The **purchasing power of the peso** shows how much the peso in the base period is worth in the current period. It is computed as the reciprocal of the CPI for the period under review multiplied by 100.

