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THE 2006-BASED CONSUMER PRICE INDEX

I. INTRODUCTION

The consumer price index (CPI) is an indicator of the change in the average prices of a fixed basket of goods and services commonly purchased by households relative to a base year. When the basket of the reference year no longer represents what is commonly purchased by the households, the CPI becomes irrelevant and tends to give wrong market signals. Hence, it is necessary to update the CPI using a base year that reflects the typical market basket of the time.

Rebasing an index is necessary to ensure that this barometer of economic phenomena is truly reflective of current situation. Consumer taste, fashion and technology change over time causing the fixed market basket of goods and services to become outmoded. To capture such changes for a more meaningful price comparison, revision or updating of the fixed market basket, the sample outlets, the weights and the base year had to be done periodically. The CPI is an indicator that derives its usefulness in its representation of how much a typical market basket behaves over a specific time period.

This report contains five sections including this portion, the introduction. The second section discusses the various revisions undergone by the CPI (base period, components of the market basket and weights) while the third focuses on the step-by-step activities in the rebasing and computation of the CPI simultaneous with the detailed discussion of the features of the 2006-based series in comparison with 2000-based series. Detailed discussion of the comparison of the two important economic indicators derived from the CPI, the inflation rate and the purchasing power of peso (PPP) for the present and the new series are found in the succeeding discussions chapter while the conclusion is on the last section of this report.

II. HISTORICAL BACKGROUND OF THE CPI

The NSO CPI dates back to 1945 and has undergone several revisions. Prior to that, CPI, which was then referred to as Cost of Living Index, was constructed by the

Labor Statistics Division of the Department of Labor. The task of calculating the index was transferred to the Bureau of the Census and Statistics (now the National Statistics Office) on January 1, 1941.

The first series constructed by the BCS was in 1945. The Cost of Living Index series had 1941 as base year and covered Manila only. The market basket contained 66 commodities representing goods and services commonly purchased by low-income families (families living within minimum level of subsistence). This series lasted for 18 years from 1945 to 1963.

The first revision was made in 1964. New weights were based on the results of the 1961 Survey of Income and Expenditures while the average price for 1960-1962 was used as the base price. This new series was referred to as the Consumer Price Index for Low-Income Families in Manila (families whose annual income did not exceed P2,400). The market basket contained 244 items.

Subsequent revisions were done in the following years:

1965: With 1961 as base year. The series covered Manila only.

1970: With 1966 as base year. This time, CPI was computed for various income groups: Low, middle and all-income groups. Coverage was extended to all provinces. Moreover, for Manila and suburbs, CPI for high-income group was also computed.

Market basket consisted of 249 items for low-income, 368 for middle-income, 242 for high-income and 479 for all-income groups.

1976: With 1972 as base year. This CPI series was limited only to all-income households. It covered all regions and provinces in the country including the National Capital Region (NCR).

1982: With 1978 as base year. Weights were derived based on the 1975 Family Income and Expenditures Survey (FIES) results updated to 1978 prices. This series covered all-income households. The market basket contained 407 items.

1992: With 1988 as base year. Weights were derived from the expenditure data of the 1988 FIES. A market basket for each of the 13 regions was established with the number of items ranging from 384 (for NCR) to 651 (for Region IV). Unlike in previous series where the composition of the market basket was determined by a technical committee (the Inter-Agency Committee on Price Statistics), the market basket used in this series was determined through the 1985 Commodity and Outlet Survey (COS) which was conducted using the sample households of the 1985 FIES. The 1985 COS was the first survey of its kind in the country with the purpose of identifying the market basket by asking sample households the commodities and services that they consumed most of the time and the type of outlets where these commodities and services are commonly purchased or availed of.

1996: With 1994 as base year. The expenditure data from the 1994 FIES survey results were used as weights. Individual provincial and city market baskets were

constructed using the results of the 1994 COS undertaken by the NSO and the results of the validation work on the availability and saleability of the items in the 1988 market basket in the different geographical areas. A separate market basket for the bottom 30% income group was also constructed. There were no such provincial baskets in the 1988-based series since the regional market baskets were used for the provincial CPIs.

2000: With 2000 as base year. Updating activity actually started in October 2000. Updating of the 1994 market basket was done through an interview of key informants in various outlets as to the availability and saleability of items they sell. The 1994-based market basket for the bottom 30% income group was also updated based on the results of the updating activity to come up with the 2000 market basket for this particular income group. The expenditure data from the 2000 FIES were the basis of the new CPI weights. Final reference files (base price, market baskets and weights) were completed in 2002. Computation of the 2000 and 2001 CPI series started in October 2002.

The new series also features the use of separate provincial and city market baskets and the new set of 2000 weights also computed at the provincial and city level.

2006: With 2006 as base year. A separate market basket for the upper 70% and bottom 30% income households were constructed for each province and selected city using the results of the 2007-2008 Commodity and Outlet Survey (COS). The 2007-2008 COS was conducted in June 2008 for 25,000 national sub-sample households also utilized in the 2006 FIES. The market basket for the upper 70% and bottom 30% income households were merged to come up with the 2006 CPI market basket for all income households for all provinces and selected cities. The 2006 CPI series is also the first in the CPI series that used the United Nations Classification of the Individual Consumption According to Purpose (COICOP) in determining the commodity groupings of the items and services included in the market basket. The number of items in the market basket vary by province/city and ranges from 271 (Guimaras) to 673 (Leyte). NCR has 693 items in the 2006 market basket.

The 2006 FIES expenditure data were also used to directly estimate the 2006 CPI weights at the national and regional levels. However, the 2006 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 used in selecting the 2006 FIES sample households. The MS was drawn using regions as domains in generating estimates in all the household surveys of the NSO starting July 2003. Instead, the provincial/selected city expenditure data generated directly from the 2006 FIES data were only used as basis in the determination of the model that will best estimate the expenditure data by province/selected city. In the model-based method, the small area estimation procedure used in the estimation of provincial/city expenditure data considered variables such as population, number of house renters, etc.. These were the variables that were identified to be significantly related to the expenditures of households were considered. The estimated expenditure data derived from this method were then used to come up with the provincial/city expenditure weights.

The detailed procedure in the estimation of the provincial/city expenditure data for the generation of the 2006 CPI weights was discussed in a separate report prepared by the Technical Working Group created on January 19, 2009 as per Designation Order Number 09-36 (Please refer to Annex 1 for the report).

Computation of the 2006-based CPI monthly series started in July 2010.

III. STEPS IN THE REBASING/COMPUTING THE CPI

This section focuses on the features of the components of the new CPI series and the five steps involved in the rebasing/computing the CPI: (1) identification of the base year (2) determination of the market basket (3) determination of household consumption patterns (4) monitoring of prices of items in the basket and (5) computation of the CPI.

1. Identification of the Base Year

The first step in updating the CPI is choosing 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 year 2006 was chosen as the base year because it was the year when FIES was conducted. It is also in accordance with the National Statistical Coordination Board (NSCB) Resolution Number 2, Series of 2009, which approves the synchronized rebasing of the price indices to base year 2006.

2. Determination of the Market Basket

The second step in CPI updating is the determination of the market basket. This activity 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.

Market basket is a term used to refer to a sample of goods and services that are commonly purchased and bought by an average Filipino household.

The market basket used in the construction of the 2006 CPI was drawn from the results of the 2007-2008 COS which involved the interview of national sub-samples of about 25,000 households of different income levels from the 2006 FIES. Provinces had their own market baskets. The commodity groupings for the 2006 CPI market basket followed that of the UN COICOP classification of commodities. Table 1 below shows the comparison of number of items in the 2000 and 2006 CPI market basket by province.

Table 1 Number of Commodities included in the 2000 and 2006 CPI Market Basket

Region/Province	Old Basket (2000=100)	New Basket (2006=100)	Percent Change of New Basket to Old Basket	No. of Common Items in the New Market Basket	Percent of Common Items in the New Market Basket	No. of New items	Percent of New Items to New Market Basket
NCR	716	693	(3.21)	209	30.16	484	69.84
CAR							
Abra	424	331	(21.93)	193	58.31	138	41.69
Benguet	443	427	(3.61)	125	29.27	302	70.73
Ifugao	370	332	(10.27)	137	41.27	195	58.73
Kalinga	453	326	(28.04)	130	39.88	196	60.12
Mt. Province	414	342	(17.39)	197	57.60	145	42.40
Apayao	436	356	(18.35)	117	32.87	239	67.13
Region 1							
Ilocos Norte	566	490	(13.43)	76	15.51	414	84.49
Ilocos Sur	519	434	(16.38)	114	26.27	320	73.73
La Union	571	467	(18.21)	146	31.26	321	68.74
Pangasinan	624	523	(16.19)	240	45.89	283	54.11
Region 2							
Batanes	286	317	10.84	134	42.27	183	57.73
Cagayan	587	610	3.92	141	23.11	469	76.89
Isabela	689	559	(18.87)	183	32.74	376	67.26
Nueva Vizcaya	545	572	4.95	140	24.48	432	75.52
Quirino	410	447	9.02	116	25.95	331	74.05
Region 3							
Bataan	569	523	(8.08)	152	29.06	371	70.94
Bulacan	593	560	(5.56)	154	27.50	406	72.50
Nueva Ecija	686	594	(13.41)	163	27.44	431	72.56
Pampanga	580	539	(7.07)	149	27.64	390	72.36
Tarlac	641	576	(10.14)	170	29.51	406	70.49
Zambales	570	631	10.70	176	27.89	455	72.11
Aurora	464	376	(18.97)	175	46.54	201	53.46
CALABARZON							
Batangas	554	534	(3.61)	120	22.47	414	77.53
Cavite	625	531	(15.04)	168	31.64	363	68.36
Laguna	639	572	(10.49)	156	27.27	416	72.73
Quezon	584	526	(9.93)	146	27.76	380	72.24
Rizal	666	558	(16.22)	143	25.63	415	74.37

Region/Province	Old Basket (2000=100)	New Basket (2006=100)	Percent Change of New Basket to Old Basket	No. of Common Items in the New Market Basket	Percent of Common Items in the New Market Basket	No. of New items	Percent of New Items to New Market Basket
MIMAROPA							
Marinduque	536	503	(6.16)	147	29.22	356	70.78
Occ Mindoro	583	532	(8.75)	150	28.20	382	71.80
Or Mindoro	591	528	(10.66)	150	28.41	378	71.59
Palawan	537	503	(6.33)	150	29.82	353	70.18
Romblon	499	479	(4.01)	115	24.01	364	75.99
Region 5							
Albay	624	504	(19.23)	127	25.20	377	74.80
Camarines Norte	508	481	(5.31)	88	18.30	393	81.70
Camarines Sur	566	535	(5.48)	100	18.69	435	81.31
Catanduanes	432	372	(13.89)	159	42.74	213	57.26
Masbate	512	439	(14.26)	139	31.66	300	68.34
Sorsogon	485	396	(18.35)	166	41.92	230	58.08
Region 6							
Aklan	569	535	(5.98)	157	29.35	378	70.65
Antique	586	418	(28.67)	146	34.93	272	65.07
Capiz	572	453	(20.80)	221	48.79	232	51.21
Iloilo	628	476	(24.20)	214	44.96	262	55.04
Negros Occ	753	534	(29.08)	114	21.35	420	78.65
Guimaras	348	271	(22.13)	158	58.30	113	41.70
Region 7							
Bohol	508	502	(1.18)	138	27.49	364	72.51
Cebu	552	545	(1.27)	182	33.39	363	66.61
Negros Oriental	614	499	(18.73)	208	41.68	291	58.32
Siquijor	387	423	9.30	112	26.48	311	73.52
Region 8							
Eastern Samar	558	523	(6.27)	130	24.86	393	75.14
Leyte	639	672	5.16	135	20.09	537	79.91
Northern Samar	524	520	(0.76)	181	34.81	339	65.19
Western Samar	510	531	4.12	108	20.34	423	79.66
Southern Leyte	552	444	(19.57)	123	27.70	321	72.30
Biliran	520	551	5.96	225	40.83	326	59.17

Region/Province	Old Basket (2000=100)	New Basket (2006=100)	Percent Change of New Basket to Old Basket	No. of Common Items in the New Market Basket	Percent of Common Items in the New Market Basket	No. of New items	Percent of New Items to New Market Basket
Region 9							
Zamboanga Norte	470	534	13.62	85	15.92	449	84.08
Zamboanga Sur	610	537	(11.97)	181	33.71	356	66.29
Zamboanga Sibugay		403		155	38.46	248	61.54
Isabela City		319		87	27.27	232	72.73
Region 10							
Bukidnon	644	442	(31.37)	200	45.25	242	54.75
Camiguin	365	325	(10.96)	95	29.23	230	70.77
Misamis Occ	528	456	(13.64)	158	34.65	298	65.35
Lanao Norte	610	528	(13.44)	200	37.88	328	62.12
Misamis Oriental	675	486	(28.00)	180	37.04	306	62.96
Region 11							
Davao Norte	525	458	(12.76)	115	25.11	343	74.89
Davao Sur	523	491	(6.12)	133	27.09	358	72.91
Davao Oriental	491	359	(26.88)	130	36.21	229	63.79
Compostela Valley		369		83	22.49	286	77.51
Region 12							
North Cotabato	527	532	0.95	100	18.80	432	81.20
Sultan Kudarat	517	453	(12.38)	121	26.71	332	73.29
Cotabato City	480	543	13.13	96	17.68	447	82.32
South Cotabato	640	587	(8.28)	145	24.70	442	75.30
Sarangani	383	522	36.29	103	19.73	419	80.27
Caraga							
Agusan Norte	558	444	(20.43)	137	30.86	307	69.14
Agusan Sur	491	455	(7.33)	109	23.96	346	76.04
Surigao Norte	555	448	(19.28)	162	36.16	286	63.84
Surigao Sur	511	477	(6.65)	115	24.11	362	75.89
ARMM							
Basilan	485	312	(35.67)	155	49.68	157	50.32
Lanao del Sur	470	445	(5.32)	150	33.71	295	66.29
Maguindanao	620	487	(21.45)	166	34.09	321	65.91
Sulu	468	462	(1.28)	462	100.00	-	-
Tawi-tawi	523	439	(16.06)	119	27.11	320	72.89

- Excluding NCR, the new series had 81 provinces and 2 selected cities compared to 77 provinces and 11 cities in the 2000 series.
- Market baskets for Zamboanga Sibugay, Compostela Valley and Isabela City were added in the 2006 series.
- The number of items in the 2006 market baskets declined compared to the number of items in old market baskets except for 13 provinces.
- The number of items in the market basket of the new series ranged from 271 in Guimaras to 672 in Leyte. NCR had 693 items in the new market basket.
- The percentage of new items in the 2006-based CPI market basket ranged from 41.7 percent in Abra and Guimaras to 84.5 percent in Ilocos Norte. NCR's new market basket consisted of 69.8 percent new items.
- Retention measured as the percentage of the items in the old basket retained in the new basket was highest in Abra and Guimaras at 58.3 percent followed by Mountain Province at 57.6 percent.

3. Determination of the Household Consumption Patterns (Weights)

The third step in the CPI updating is assigning the weights to the commodity groups/sub-groups. This reflects the consumption priorities of households and the way they allocate resources to meet their needs. Moreover, 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 2006-based CPI were derived from the expenditure data of the 2006 FIES, a nationwide survey that covered around 44,542 sample households. 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 2006 FIES expenditure data were used to directly estimate the 2006 CPI weights at the national and regional levels. However, the 2006 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 used in selecting the 2006 FIES sample households. The MS was drawn using regions as domains in generating estimates in all the household surveys of the NSO 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 in a particular region when tallied will equal to the regional weights.

Table 2 below shows the comparison of weights for 2000 and 2006 by commodity group and by geographic area.

Comparison of the 2000 and 2006 Weights by Area

Table 2 2000 and 2006 CPI Weights by Commodity Group, by Area

COMMODITY DESCRIPTION	PHILIPPINES		NCR		AONCR	
	(2006=100)	(2000=100)	(2006=100)	(2000=100)	(2006=100)	(2000=100)
00. ALL ITEMS	100.00	100.00	23.79	30.00	76.21	70.00
01. FOOD AND NON-ALCOHOLIC BEVERAGES	38.98	41.50	6.78	9.27	32.20	32.23
02. ALCOHOLIC BEVERAGES AND TOBACCO	1.99	1.97	0.33	0.35	1.66	1.62
03. CLOTHING AND FOOTWEAR	2.96	3.36	0.74	0.88	2.22	2.48
04. HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	22.46	23.70	6.97	9.48	15.49	14.22
05. FURNISHING, HOUSEHOLD EQUIPMENT & ROUTINE MAINTENANCE OF THE HOUSE	3.22	3.22	0.84	1.08	2.38	2.14
06. HEALTH	2.99	2.07	0.64	0.51	2.35	1.56
07. TRANSPORT	7.81	5.59	1.86	1.97	5.95	3.62
08. COMMUNICATION	2.26	1.93	0.71	0.96	1.55	0.97
09. RECREATION AND CULTURE	1.93	2.80	0.50	0.80	1.43	2.00
10. EDUCATION	3.37	3.33	0.76	1.16	2.61	2.17
11. RESTAURANTS AND MISC.GOODS AND SERVICES	12.03	10.53	3.66	3.54	8.37	6.99

- **Philippines**

- The share of food and non-alcoholic beverages to the total expenditure dropped to 38.98 percent in 2006 from 41.50 percent in 2000. Except for milk, cheese and eggs and food products, not elsewhere classified whose shares increased to 3.29 percent and 1.09 percent from 3.12 percent and 0.96 percent, the shares of all the other food groups went down. The share for rice dropped to 8.92 percent from 9.36 percent Expenditure shares for non-alcoholic beverages however went up to 2.69 percent from 2.59 percent.

- The share of alcoholic beverages and tobacco increased to 1.99 percent in the new series from 1.97 in the old series. However, the share of tobacco alone went down to 0.99 percent from 1.19 percent in the old series.
 - The share of clothing and footwear declined to 2.96 percent in 2006 from 3.36 percent in 2000 due to the decreases in the shares of clothing materials, garments and shoes and other footwear in 2006.
 - The decline in the share of housing, water, electricity, gas and other fuels group to 22.46 percent in 2006 from 23.70 percent in 2000 was brought about by the lower expenditure shares for rentals, 13.75 percent from 15.77 percent and maintenance and repair of the dwelling, 0.60 percent from 1.02 percent. The expenditure shares of water and electricity however went up to 1.05 percent and 4.51 percent from 0.85 percent and 3.70 percent.
 - The share of furnishings, household equipment and routine maintenance of the house was at 3.22 percent in the two series.
 - The share of recreation and culture group also went down to 1.93 percent in 2006 from 2.80 percent in 2000 as the expenditure shares of its subgroups recreational and cultural services and newspapers, books and stationery dropped to 0.26 percent and 0.50 percent in 2006 from their respective 2000 shares of 1.24 percent and 0.60 percent.
 - Increases in the shares of all the commodity subgroups under health pulled up the group's expenditure share to 2.99 percent in the new series from 2.07 percent in the old series .Likewise, the share of transport group also rose to 7.81 percent in the 2006 series from 5.59 percent in the 2000; communication, 2.26 percent from 1.93 percent; education, 3.37 percent from 3.33 percent; and restaurants and miscellaneous goods and services, 12.03 percent from 10.53 percent.
- **NCR**
 - The overall weight for food and non-alcoholic beverages dropped to 6.78 percent in 2006 from 9.27 percent in 2000 as the expenditure shares for all the food subgroups went down in 2006.
 - The decrease in the expenditure share of tobacco to 0.14 percent in 2006 from 0.19 percent in 2000 pulled down the total share of alcoholic beverages and tobacco to 0.33 percent from 0.35 percent.
 - Except for health whose expenditure share went up to 0.64 percent in 2006 from 0.51 percent in 2000, the rest of the commodity groups registered declines in their 2006 expenditure shares: clothing and footwear, 0.74 percent in 2006 from 0.88 percent in 2000; housing, water, electricity, gas and other fuels, 6.97 percent from 9.48 percent; furnishings, household equipment, and routine maintenance of the house, 0.84 percent from 1.08 percent; transport, 1.86 percent from 1.97 percent; communication, 0.71 percent from 0.96 percent; recreation and culture, 0.50 percent from 0.80 percent; education, 0.76 percent

from 1.16 percent; and restaurants and miscellaneous goods and services, 3.66 percent from 3.54 percent.

- **Areas Outside National Capital Region (AONCR)**

- The group weight of food and non-alcoholic beverages slightly dropped to 32.20 percent in 2006 from 32.23 percent in 2000 as the expenditure shares of all its food subgroups except meat, milk, cheese and eggs, oils and fats and food products, not elsewhere classified, also declined. The expenditure share of non-alcoholic beverages went up to 2.15 percent from 1.92 percent.
- The increase in the expenditure share of alcoholic beverages to 0.82 percent in 2006 from 0.61 percent in 2000 raised the expenditure share of its commodity group alcoholic beverages and tobacco to 1.66 percent from 1.62 percent. The weight of tobacco however dropped to 0.85 percent from 1.01 percent.
- The expenditure weights for clothing and footwear went down to 2.22 percent in 2006 from 2.48 percent in 2000 as expenditure weights for its subgroup components such as clothing materials (0.01 percent from 0.03 percent); garments (0.99 percent from 1.52 percent); and shoes and other footwear (0.45 percent from 0.66 percent) also declined in 2006.
- The overall weight of housing, water, electricity, gas and other fuels group went up to 15.49 percent in 2006 from 14.22 percent in 2000. This was due to the increments in the expenditure shares of the following commodity subgroups: actual rentals paid by tenants, 9.05 percent in 2006 from 8.64 percent in 2000; water, 0.64 percent from 0.52 percent; electricity, 3.10 percent from 2.29 percent; and solid fuels, 1.04 percent from 0.81 percent.
- Increment in the expenditure weight of furnishings, household equipment and routine maintenance of the house to 2.38 percent in 2006 from 2.14 percent in 2000 was attributed to the uptick in the expenditure shares of household appliances, 0.38 percent from 0.35 percent; glassware, tableware and household utensils, 0.17 percent from 0.11 percent; and goods and services for routine household maintenance, 1.52 percent from 1.34 percent.
- The expenditure share of recreation and culture however decreased to 1.43 percent in 2006 from 2.00 percent in 2000 as the share of recreational and cultural services group also dropped to 0.15 percent from 0.86 percent and newspapers, books and stationery, 0.41 percent from 0.42 percent.
- Higher expenditure weights of the subgroup components of health caused its group weight to increase to 2.35 percent in 2006 from 1.56 percent in 2000. Other commodity groups that exhibited higher expenditure shares in 2006 are the following: transport, 5.95 percent from 3.62 percent; communication, 1.55 percent from 0.97 percent; and restaurants and miscellaneous goods and services, 8.37 percent from 6.99 percent.

4. Monitoring of Prices of Items in the Market Basket

The next step in the updating the CPI is to establish baseline information for prices of the items in the base year and monitoring of the prices of the items on a regular basis.

Collection of data for the CPI is done through the collective effort of the Bureau of Agricultural Statistics (BAS) and the NSO. BAS collects price data for agricultural commodities in NCR and in provincial capitals where there are BAS offices while NSO collects prices for all other commodities in all other areas.

Except for FBT which is monitored on a weekly basis in NCR, price collection is done twice a month. First collection phase is done during the first five days of the month while the second phase is on the 15th to 17th day of the month.

About 400,000 price quotations gathered throughout the country are entered into the computation of the monthly CPI.

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:

1. 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 survey forms and the outlet is patronized by the large segment of the population.
2. Consistency and completeness of stock

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

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

3. Permanency of outlet – the outlet to be chosen should be an established store or stall in the market area. It should not be an ambulant or transient vendor.
4. Geographical location- the outlet should be in a convenient place and is accessible to the majority if not all consumers in the area.

5. Computation of the CPI

The formula used in computing the CPI is the weighted arithmetic mean of price relatives, a variant of the Laspeyres formula with fixed base year period weights. In computing the CPI, the formula is

$$\text{CPI} = \frac{\text{sum} [(P_n/P_o)W]}{\text{sum}(W)} * 100$$

where:

P_n = current price
 P_o = base period price
 $W = P_oQ_o$ = weights

IV. INDICATORS DERIVED FROM THE CPI

A. Inflation Rate

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:

$$\text{Inflation Rate} = \frac{\text{CPI}_2 - \text{CPI}_1}{\text{CPI}_1} * 100$$

where:

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

The succeeding discussions present the inflation rates in the new series compared with the old series.

The Annual Inflation Rates: January 2007 to December 2010

ALL ITEMS

• Philippines

- Both sets of inflation rates generally followed the same trend from January 2007 to December 2010.
- Inflation rates in the 2006 series were higher than those in the 2000 series except for January and December. The annual average inflation in 2007 for the new series was pegged at 2.9 percent and 2.8 percent in the old series.
- On the other hand, the 2006 series recorded lower inflation rates in 2008 than those in the 2000 series. The annual average inflation at 8.1 percent in the 2006-based series was lower by 0.8 percentage point from 8.9 percent in the 2000-based. The difference between the rates of the two series was due to change in weights.
- In 2009, the 2006-based rates were consistently higher than the 2000-based inflation rates. The average inflation during the year was 4.1 percent in the new series, higher by 0.8 percentage point than the old series at 3.3 percent.
- Similarly, annual inflation rates in 2010 were higher in the 2006 series than those in the 2000 series from September to December. The national annual average inflation in 2010 was recorded at 3.8 percent in the new series and 3.8 percent in the old series.

• NCR

- In NCR, inflation rates in the 2006-based series were higher in 2007 compared to 2000-based series except in January to April and December. The two series posted the same rate in November. The annual average inflation in 2007 stood at 2.7 percent in the new series and 2.6 percent in the old series.
- In 2008, the difference between the rates of the two series could be attributed to the change in weights. The rates for the 2000 series were higher than those of the 2006 series except in November and December. The average inflation rate in 2008 was estimated at 6.7 percent in the old series and 6.2 percent in the new series.
- Meanwhile, inflation rates for the 2006-based series were higher compared with those of the 2000-based series in 2009 except in December. The average inflation rate during the year was 2.7 percent in the 2006 series, higher by 0.8 percentage point than the old series (1.9 percent). The difference in the rates between the two series is primarily due to the change in weights.

- Annual Inflation rates in 2010 for the new series were lower than those of the old series except in October and December. The inflation in September was the same for both series at 3.5 percent. Annual average inflation in the 2006 series was pegged at 3.7 percent and 4.0 percent in the 2000 series.

- **AONCR**

- Inflation rates in AONCR generally followed the same direction in January 2007 to December 2010.
- In 2007, the rates in the 2006-based series were higher than the 2000-based series except in January, February, November and December. The average inflation during the year was 3.0 percent in the 2006-based series, higher by 0.2 percentage point than the 2000-based series (2.8 percent). The difference between the rates of the two series was due to the change in weights.
- The annual average inflation in 2008 was lower by 1.2 percentage points at 8.7 percent in the 2006-based series from 9.9 percent in the 2000-based series. The difference in the rates of the two series was due to the change in weights.
- In 2009, the 2006-based rates were higher than those in the 2000-based series except in the first quarter of the year. The annual average inflation during the year was 4.7 percent in the new series and 3.9 percent in the old series. The difference between the rates of the two series was primarily due to the change in weights.
- In 2010, inflation rates in the new series from January to July were lower than those in the old series. Afterwards, the rates in the new series became higher than those in the old series. The average inflation was recorded at 3.8 percent in the new series and 3.7 percent in the old series.

FOOD and NON-ALCOHOLIC BEVERAGES

- **Philippines**

- In 2007, the annual inflation rates at the national level for food and non-alcoholic beverages generally moved at the same direction with the rates in the 2006 series higher than those of the 2000 series except in January. The new series had an annual average rate of 3.7 percent compared with 3.3 percent in the old series. The difference in the rates between the two series was mainly due to the change in weights.
- The annual average inflation in 2008 was 13.0 percent in the 2006-based series compared with 13.6 percent in the 2000-based series. The difference between the rates of the two series was due to the change in weights.
- For 2009, inflation rates for the two series followed the same trend with the rates of the new series higher than those of the old series except during the first quarter

of the year. The annual average inflation for the group was 6.2 percent in the new series and 6.0 percent in the old series.

- The rates in the two series also followed the same direction in 2010 with the 2006-based rates higher than those of the 2000-based rates except in January. The group's annual average inflation in 2010 was 4.0 percent in the new series and 3.2 percent in old series. The difference in the rates between the two series can be attributed to the change in the market basket.

- **NCR**

- Annual inflation for food and non-alcoholic beverages for the two series in 2007 moved at the same trend. Average inflation during the year was posted at 3.3 percent for both series.
- Inflation rates seen in the 2006 series were higher than the 2000 series in 2008 except in January. Annual average inflation was 11.9 percent in the new series and 11.4 percent in the old series. The difference between the rates of the two series was due to the change in weights.
- Annual average inflation seen in 2009 was higher in the 2006 series at 5.4 percent than the 2000 series at 5.0 percent. The difference in the two rates was due to change in the market basket.
- In 2010, inflation rates for both series moved at the same direction with 2006 series generally higher than those in the 2000 series. The annual average inflation for the year was recorded at 2.9 percent in the new series and 2.4 percent in the old series.

- **AONCR**

- The 2006-based rates for food and non-alcoholic beverages were higher than the 2000-based rates in 2007. The annual average inflation during the year was 3.8 percent in the new series and 3.4 percent in the old series. The difference in the rates of the two series can be attributed to the change in weights.
- Following the same directions in 2008, the two series posted double-digit annual growth rates starting in the second quarter of the year. This was triggered by higher annual price increments in selected food items such as rice, corn, processed fish, seafoods, fresh fruits, cooking oil, spices and flour and flour products. The annual average inflation for the year was registered at 13.2 percent in the new series, lower by 1.0 percentage point than the old series at 14.2 percent. The difference in the two rates was due to the change in weights.
- The double-digit inflation figures were continuously observed until the first quarter of 2009. Lower annual average inflation was recorded in 2009 at 6.5 percent in the new series and 6.2 percent in the old series as growth rates were registered at single digit at the start of the second quarter of the year.

- Annual inflation rates in 2010 were consistently higher in the new series. The annual average for the year was 4.2 percent in the new series and 3.5 percent in the old series. The difference in the rates between the two series was due to the change in market basket.

ALCOHOLIC BEVERAGES and TOBACCO

• Philippines

- Annual inflation rates in 2007 for both series almost stood at the same levels for the alcoholic beverages and tobacco group. Thus, the annual average inflation rate for the two series was pegged at 3.0 percent.
- In 2008, annual average inflation for the group was estimated at 5.2 percent in the 2006 series and 4.8 percent for the 2000 series with the monthly rates in the 2006 series consistently higher than those in the 2000 series. The difference can be attributed to the change in the market basket.
- In 2009, the new series likewise consistently posted higher rates than the old series with the two series generally following the same direction. The annual average inflation during the year was 4.2 percent in the 2006 series and 3.9 percent in the 2000 series. The difference in the rates between the two series was due to the change in the market basket.
- Annual rates were higher in the new series than those in the old series in 2010 except in May and September. Annual average inflation for the year was registered at 3.0 percent in the new series and 2.8 percent in the old series.

• NCR

- The two series generally followed the same direction during the period in review. The annual average inflation in 2007 was 4.1 percent in the 2006 series compared to 3.9 percent in the 2000 series. In 2008, the annual average inflation in the new series was 4.9 percent, higher than that of the old series at 4.7 percent. Both series recorded the same annual average inflation in 2009 at 3.5 percent.
- In 2010, the group's annual average inflation was 2.3 percent in the 2006 series and 2.4 percent in the 2000 series.

• AONCR

- The annual average inflation for alcoholic beverages and tobacco in 2007 were posted at 2.8 percent in the new series and 2.7 percent in the old series.
- The rates in the new series were consistently higher than those in the old series from January 2008 to December 2010 except in September 2010. The group's

annual average inflation in the new series in 2008 and 2009 were correspondingly observed at 5.3 percent and 4.4 percent from 4.8 percent and 4.0 percent in the old series. For 2010, average inflation was registered at 3.1 percent in the new series and 2.9 percent in the old series.

CLOTHING and FOOTWEAR

• Philippines

- At the national level, inflation rates for both series generally followed the same trend with the new series generally showing higher rates from 2007 to 2010. The average inflation in 2007 was at 2.4 percent in the new series compared to the 2.3 percent in the old series.
- In 2008, average inflation was posted at 4.8 percent in the new series. It differed by 0.4 percentage point from 4.4 percent in the old series. The difference was due to the change in market basket.
- Annual average inflation in 2009 was 3.6 percent in the new series and 2.9 percent in the old series. The difference of 0.7 percentage point in the inflation between the two series was due to the change in the market basket.
- In 2010, the annual average rate was 2.7 percent in the 2006 series compared to 2.4 percent in the old series,

• NCR

- In 2007, the rates in the present series were generally higher than that of the new series. The average inflation in 2007 in the new series at 2.6 percent was lower by 0.2 percentage point than the old series at 2.8 percent.
- Higher annual price increments in new items such as dry cleaning service and selected footwear in 2008 and 2009 resulted to higher inflation in the clothing and footwear index in the new series at 6.5 percent and 3.0 percent, respectively from their corresponding rates in the old series at 5.7 percent and 2.1 percent.
- In 2010, inflation rates in the 2006-based series were consistently higher than in the 2000-based series. The annual average inflation was 3.3 percent in the new series compared to 2.0 percent in the old series.

• AONCR

- Generally, the rates in the two series followed the same direction from 2007 to 2010.
- Annual price hikes in the new items included in other articles of clothing and clothing accessories and cleaning and repair of footwear groups were magnified in the new series because of the bigger weights attached to these commodity/service groups. Thus, inflation rates in the new series were

consistently higher than those in the old series from 2007 to 2009. The difference in the rates between the two series is mainly due to the change in the market baskets.

- The 2006-based rates were generally lower than those in the 2000-based rates. The annual average inflation in 2010 was recorded at 2.5 percent in the new series compared to 2.7 percent in the old series. Annual hikes in clothing materials index were lower in the new series than those in the old series.

HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS

• Philippines

- In 2007, inflation rates for housing, water, electricity, gas and other fuels group generally moved in the same direction with the rates in the 2006 series consistently higher than those in the 2000 series except in January and December. The annual average inflation rate was 2.3 percent in the new series and 2.1 percent in old series.
- On the other hand, the 2006-based rates were generally lower than the 2000-based rates in 2008 and in 2010. This was due to the slowdown in the annual adjustments in the charges for electricity rates during the period which was further emphasized in the new series because of the bigger weights attached to the commodity group in the new series. The annual average inflation in 2008 was 4.6 percent in the new series and 5.6 percent in the old series. In 2010, annual average inflation was 5.1 percent in the new series and 5.9 percent in the old series.
- The annual price decreases of LPG in 2009 lowered the annual rates in the old series than those in the new series. Bigger weights attached to the commodity group in the old series lowered the rates in the 2000 series. Hence, the annual average inflation during the year was higher in the 2006 series at 1.8 percent compared to 0.2 percent in the 2000 series.

• NCR

- Annual inflation rates in the two series generally followed the same path from 2007 to 2010. In 2007, the rates in the new series were generally higher than those in the old series.
- The slower annual movements in water rates in 2008 were further emphasized in the 2006 series because of the bigger weights attached to the commodity group. Thus, inflation in the new series in 2008 were generally lower than those in the old series. Annual average inflation during the year was 3.0 percent in the new series compared to 3.1 percent in the old series.
- In 2009, the annual average inflation rate in the 2006 series was 1.3 percent, higher by 0.5 percentage point in the 2000 series (0.8 percent). The difference was due to the change in weights.

➤ The annual average in 2010 was pegged at 6.6 percent in the two series.

- **AONCR**

➤ Both series generally followed the same direction with higher rates generally observed in the new series than those in the old series in 2007. The annual average inflation for the group was 2.3 percent for both series.

➤ The annual inflation in 2008 were lower in the new series compared with those in the old series. Annual average inflation during the period was 5.4 percent in the new series, lower by 1.7 percentage points than that of the old series at 7.1 percent. This was due to the change in weights.

➤ In 2009, annual average inflation at 1.9 percent in the new series was higher by 2.1 percentage points than the old series at -0.2 percent. .

➤ Lower inflation rates were seen in the new series than those of the old series during the year 2010. Annual upward price adjustments of commodity groups with bigger weights in the new series such as rental rates of dwellings and solid fuels (firewood and charcoal) slowed down during the period. The annual average inflation in 2010 was posted at 4.4 percent in the new series and 5.5 percent in the old series.

FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE

- **Philippines**

➤ Generally following the same path in 2007, the national annual average inflation rate for the year was 2.2 percent for both series.

➤ In 2008, annual average inflation of 4.8 percent was observed in new series and 4.7 percent in the old series. In 2009, annual average inflation was 3.8 percent in and 3.6 percent in the old series.

➤ Similarly, in 2010, inflation rates in the new series were generally higher than those of the old series. The annual average inflation in the new series at 2.5 percent was higher by 0.1 percentage point compared to that in the old series.

- **NCR**

➤ Both sets of inflation rates generally followed the same behavior in 2007, 2008 and 2009 with the 2006-based rates generally lower than the 2000-based rates.

➤ In 2010, annual inflation were however higher in the new series than those in the old series starting in April. Higher annual upward price adjustment for new household appliance included in the group effected higher annual rates in the new

series. The annual average inflation during the year was 1.9 percent in the new series and 1.7 percent in the old series.

- **AONCR**

- The annual inflation for the two series followed the same trend in 2007 with slightly lower annual average inflation for the year seen in the new series at 2.4 percent compared to 2.5 percent in the old series.
- Similarly, the annual inflation rates for the two series followed the same direction in 2008 and 2009 with the annual inflation in the new series generally higher than those in the old series. Annual average inflation was 5.2 percent in 2008 in the new series and 4.7 percent in the old series. In 2009, annual average inflation was 4.0 percent in the new series and 3.8 percent in the old series.
- In 2010, annual average inflation in the new series stood at 2.7 percent, lower than the 2.8 percent recorded in the old series.

HEALTH

- **Philippines**

- In 2007 and 2008, inflation rates for the 2006 series were consistently lower than those of the 2000 series. The annual average inflation in 2007 for the new series at 3.8 percent differed from the old series by 0.8 percentage point at 4.6 percent. The difference between the rates of the was due to the change in the market basket. The annual average inflation in 2008 was 6.3 percent in the new series and 7.3 percent in the old series.
- Likewise, annual inflation rates in 2009 and 2010 were generally lower in the 2006 series than those in the 2000 series. The annual average inflation for the group in 2009 was 5.2 percent in the new series and 5.3 percent in the old series. In 2010, annual average inflation was pegged at 3.8 percent in both series.

- **NCR**

- Both series generally followed the same direction during the period in review from January 2007 to December 2010 with the rates in the new series generally lower than those in the old series. This was brought about by the slower annual price hikes generally observed in selected pharmaceutical products and hospital services index which were emphasized in new series because of the bigger weights attached to these commodity groups.
- The annual average inflation rate in 2007 was 5.2 percent in the new series and 5.7 percent in the old series. In 2008, the annual average inflation at 7.0 percent in the new series was lower by 0.3 percentage point at 7.3 percent in the old series. In 2009, annual average inflation in the new series was also lower by 0.3 percentage point at 5.2 percent compared to 5.5 percent in the old series.

- In 2010, annual average inflation was 4.1 percent in the new series and 4.5 percent in the old series.

- **AONCR**

- Annual inflation rates in the health group index from January 2007 to May 2010 were likewise generally lower in the new series compared to the rates in the old series with both series generally following the same direction.
- The annual average inflation in 2007 at 3.4 percent in the new series differed by 0.8 percentage point from the rate in the old series at 4.2 percent due to the change in the market basket.
- In 2008, the annual average growth was 6.1 percent in the new series and 7.3 percent in the old series. The difference of 1.2 percentage points between the rates of the two series was primarily due to the change in weights.
- For 2009, the annual average inflation was recorded at 5.1 percent in the new series and 5.3 percent in the old series. In 2010, annual average inflation was 3.6 percent in the new series and 3.4 percent in the old series. The difference in the rates of the two series was due to the change in the market basket.

TRANSPORT

- **Philippines**

- Annual inflation rates in the transport group index for both series followed the same trend with the new series generally registering higher rates in 2007. Annual upward adjustment in transport services index particularly passenger transport services by road and air during the year were magnified in the new series because of the bigger weights attached to these commodity groups. Double-digit inflation rates of new service item under passenger transport service by sea and inland water group in the new series were also noted during the period. The annual average inflation of the group in 2007 at 1.4 percent in the new series was higher by 0.6 percentage point than that of the old series at 0.8 percent. This difference was primarily due to the change in weights.
- Negative annual movement in passenger transport service by sea and inland waterway indexes were seen in 2008. Thus, annual rates posted in the new series were lower compared to the rates in the old series except in November and December which were triggered by the slowdown in the annual rates of fuels and lubricants for personal transport equipment index. The annual average inflation for the group in 2008 was 9.0 percent in the new series and 10.6 percent in the old series.
- The double-digit inflation recorded in passenger transport service by air index in 2009 were further magnified because of the bigger weights attached to this

commodity group in the new series. Thus, the 2009 annual average inflation at 1.0 percent in the new series was higher compared to -2.6 percent in the old series.

- In 2010, annual rates in the new series were lower than those in the old series due to the negative annual rates posted in passenger transport service by sea and inland waterway indexes. The annual average inflation was noted at 3.6 percent in the new series and 5.2 percent in the old series. The difference between the rates of the two series was due to the change in weights.

- **NCR**

- In 2007, annual inflation rate in the transport group index was -0.5 percent in the new series compared to zero growth in the old series. Rollbacks in jeepney and bus fares during the period were emphasized in the new series because of the bigger weights attached to the commodity group (passenger transport by road).
- The annual inflation for both series in 2008 generally followed the same direction with the rates in the old series higher than those in the new series except in December. Annual upward price adjustments in fuels and lubricants for personal transport equipment index were magnified in the old series because of the bigger weights attached to the commodity group. The annual average inflation in 2008 was 8.6 percent in the new series and 11.2 percent in the old series.
- On the contrary, negative annual average rates were both recorded in the two series in 2009 due to the downward annual price movements in fuels and lubricants for personal transport equipment index. The annual average inflation during the year was -6.2 percent in the new series and -8.3 percent in the old series.
- With annual price hikes in fuels and lubricants for personal transport equipment index in 2010, the rates in the old series were higher than those in the new series. The annual average inflation in 2010 was at 4.6 percent in the new series and 6.6 percent in the old series.

- **AONCR**

- The trends of inflation rates for the transport group index in 2007 for the two series generally followed the same path. The annual average inflation during the year at 2.0 percent in the new series was higher by 0.7 percentage point compared to 1.3 percent in the old series. The difference was due to the change in weights.
- In 2008, the rates in the new series were lower than the old series from April to November. The annual average inflation rate for the group was estimated at 9.0 percent for the new series and 10.2 percent in the old series. The difference was mainly due to the change in weights.
- The annual increments seen in passenger transport services by road and air index in 2009 which have bigger weights in the new series mainly pushed a higher

annual average inflation at 3.2 percent in the new series compared to the 0.7 percent increment in the old series.

- In 2010, the rates in the new series were lower compared to those in the old series. This can be attributed to the slower annual movement in the passenger transport by road index which was emphasized by the bigger weights attached to the commodity group in the new series.

COMMUNICATION

• Philippines

- Both sets of inflation rates generally followed the same trend from January 2007 to December 2010 with the 2006-based rates consistently lower than the 2000-based rates. The continuous price decreases in new items such as mobile phones included in the new series resulted to the negative annual rates recorded in the communication group's index during the period in review. The difference between the rates in the two series during the period in review was mainly due to the change in the market basket. Mobile phones were included in all the provinces in the 2006-based CPI market basket whereas selected provinces have mobile phones in the 2000-based CPI market basket.
- The annual average inflation in the new series was -1.7 percent in 2007 compared to 1.8 percent in the old series. In 2008 and 2009, the annual average inflation were -3.0 percent and -1.9 percent, respectively in the new series and corresponding rates in the old series were at 0.4 percent and -0.4 percent.
- In 2010, a negative annual average rate was still observed in the new series at -1.1 percent while in the old series, the group's index registered a 0.1 percent annual growth.

• NCR

- Generally following the same direction in 2007, the annual average inflation rate in NCR in the new series was lower than that in the old series. The 3.3 percentage points difference in the rates of the two series was attributed to the change in the market basket. The slower annual price increases in new items included in the new market basket such as mobile phones effected lower rates in the new series.
- Inflation rates in 2008 for the two series generally followed the same trend. The average annual inflation was -2.4 percent in the new series and 0.9 percent in the old series.
- In 2009, the annual rate was -2.1 percent in the new series and -0.1 percent in the old series. Likewise, both series still recorded negative annual average rates in 2010 with those in the new series posting lower rates than those in the old series.

- **AONCR**

- Negative annual rates were consistently noted in the rebased series from 2007 to 2010. The rates were -2.3 percent in 2007, -3.2 percent in 2008, -1.8 percent in 2009 and -0.9 percent in 2010. The corresponding annual average inflation rates in the old series were 0.8 percent, -0.2 percent, -0.6 percent and 0.1 percent.

RECREATION AND CULTURE

- **Philippines**

- At the national level, inflation rates for recreation and culture group in the 2006 series were consistently higher than those in the 2000 series in 2007 and 2008. Higher annual rates in services provided by cinemas index in 2007 and 2008 were magnified in the new series because of the bigger weights attached to this commodity group in the 2006 series. Annual price increases in new commodity items in the new series also effected higher annual rates in the new series (e.g. equipment for the Reception, Recording and Reproduction of Sound and Pictures, Toys, Gardens, Plants and Flowers, etc.). The corresponding annual average inflation for the group in 2007 and 2008 were 1.3 percent and 2.5 percent in the new series compared to their respective rates in the old series at 1.0 percent and 2.0 percent.
- Meanwhile, the negative annual rates continuously posted in the index of personal computers and visual display units, printers, software and miscellaneous accessories were magnified in the new series because of the bigger weights attached to this commodity group. It contributed to lower rates in the new series from 2009 to 2010. Annual rates were also lower in the 2006 series as all provincial markets baskets have personal computers in the 2006 market baskets compared to the 2000 market baskets where only selected provinces had this item. The annual average inflation in 2009 and 2010 correspondingly recorded at 0.8 percent and 0.6 percent in the new series were slower than their respective annual rates at 1.5 percent and 0.8 percent in the old series.

- **NCR**

- Inflation rates for both series generally followed the same behavior in 2007 with the 2006 series generally higher than those in the 2000 series. A higher annual average inflation at 1.6 percent in the new series was registered in 2007 compared to the 1.5 percent in the old series.
- The annual average inflation rate for the group in 2008 was posted at 2.8 percent in the 2006 series, higher by 0.4 percentage point than the present series at 2.4 percent. The difference was due to the change in weights.
- Annual average inflation in the 2006 series at 1.6 percent in 2009 was lower by 0.5 percentage point than that of the 2000 series at 2.1 percent. The difference in the rates between the two series was due to the change in the market basket.

➤ In 2010, both series registered annual average inflation of 0.7 percent.

- **AONCR**

➤ The 2006 series consistently posted higher Inflation rates in 2007 and 2008. The annual average inflation rates for the group in the new series were recorded at 1.1 percent and 2.4 percent in 2007 and 2008, respectively compared to their corresponding rates in the old series at 0.9 and 1.7 percent.

➤ However, the rates in the 2006 series were lower compared to 2000 series in 2009. The annual average inflation for the group was registered at 0.6 percent for the new series and 1.3 percent for the old series.

➤ In 2010, the annual average inflation in the 2006 series at 0.6 percent was lower by 0.1 percentage point than that of the 2000 series at 0.7 percent.

EDUCATION

- **Philippines**

➤ At the national level, inflation rates in the new series were generally lower than those in the 2000 series from 2007 to 2009. In the new series, the average inflation for the group was observed at 6.2 percent in 2007; 6.9 percent in 2008; and 4.9 percent in 2009 compared to their respective rates in the old series at 7.3 percent; 7.8 percent; and 5.2 percent. Higher annual growths in secondary and tertiary education index were emphasized in the old series because of the bigger weights attached to this commodity group in the old series

➤ The annual average inflation in the new series for 2010 was pegged at 4.4 percent and in the old series, 4.5 percent.

- **NCR**

➤ In 2007, inflation rates for the 2000 series were lower than the 2006 series from January to May. While the rate in 2006 series was lower than the 2000 series in June, the two series from July onwards stood at the same rate. The annual average inflation for the new series during the year was at 9.6 percent and 9.5 percent in the old series.

➤ The annual average inflation rate for the group in 2008 was noted at 9.0 percent in the 2006 series, lower by 0.3 percentage point than the old series at 9.3 percent. Similarly, the corresponding annual average inflation in 2009 and 2010 in the new series were also lower at 4.2 percent and 3.2 percent compared to their respective rates in the old series at 4.4 percent and 4.2 percent. Annual hikes in secondary and tertiary education index were emphasized in the 2000 series because of the bigger weights attached to these commodity groups compared to those in the 2006 series.

- **AONCR**

- Likewise, annual average inflation rates were lower in the new series at 5.3 percent in 2007; 6.3 percent in 2008 and 5.0 percent in 2009 compared to their respective annual average rates in the old series at 6.0 percent, 6.9 percent and 5.7 percent.
- In 2010, inflation rates in the 2006 series were generally higher than those in the 2000 series. Annual average inflation during the period was at 4.9 percent in the new series and 4.3 percent in the old series. The annual increments in secondary and tertiary education index in 2010 were magnified in the 2006 series because of the bigger weights attached to these commodity groups.

RESTAURANTS AND MISCELLANEOUS GOODS AND SERVICES

- **Philippines**

- The movement of the inflation rates derived from the two series were generally the same in 2007 with the rates in the new series higher than those in the old series. The annual average inflation rate in 2007 was recorded at 2.9 percent in the 2006 series and 2.5 percent in the old series.
- The rates in the new series were also generally higher than those in the old series from 2008 to 2010. The annual average inflation in the new series was recorded at 4.6 percent in 2008; 5.1 percent in 2009 and 2.6 percent in 2010 while those in the old series were at 4.4 percent, 3.9 percent and 2.2 percent. Higher annual movements in other appliances, articles and products for personal care and catering services indexes were magnified in the new series because of the bigger weights attached to these commodity groups.

- **NCR**

- The 2006-based rates were generally lower than the 2000-based rates during the calendar year 2007. Average inflation rate for the year stood at 2.7 percent in the new series, lower by 0.2 percentage point than that for the old series at 2.9 percent.
- Inflation in 2008 was also posted at a lower rate of 2.9 percent in the new series compared with that of the old series at 3.2 percent. The difference in the inflation of both series was due to the change in weights.
- In 2009, higher inflation rates were registered in the new series as annual increments in the catering services index were magnified in the new series because of bigger weights attached to this commodity group. The annual average inflation in the new series at 5.1 percent was higher by 1.0 percentage point than that in the old series at 4.1 percent.

- Inflation in the 2006 series were generally lower than those in the 2000 series in 2010. The annual average inflation during the year was 1.2 percent in the new series and 1.3 percent in the old series.

- **AONCR**

- Inflation rates for both series generally followed the same trend in 2007 to 2010 with inflation in the new series consistently higher than those of the old series. The corresponding annual average inflation for the group in the new series were 3.0 percent in 2007; 5.2 percent in 2008 and 2009; and 3.2 percent in 2010. Meanwhile, their respective annual average inflation in the old series were 2.4 percent, 4.9 percent, 3.9 percent and 2.6 percent. The difference in the rates can be attributed to the change in weights.

B. Purchasing Power of Peso (PPP)

Another important economic indicator derived from the CPI is the PPP. The PPP is a measure of 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. That is,

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

The table below shows the PPP using the 2000 basket and the 2006 basket:

Year	2000=100	2006 =100
2006	0.72	1.00
2007	0.70	0.97
2008	0.65	0.90
2009	0.63	0.86
2010	0.60	0.83

- At 2000 prices, one peso in 2000 was worth 70 centavos in 2007, 65 centavos in 2008, 63 centavos in 2009 and 60 centavos in 2010.
- Using 2006 as the base year, one peso in 2006 was worth 97 centavos in 2007, 90 centavos in 2008, 86 centavos in 2009 and 83 centavos in 2010.

Thus, the nearer the base year to the current period the bigger the value of the peso derived from the series. As the period goes farther from the base year, the value of peso diminishes as this is “eaten up” by the inflationary factors.

V. CONCLUSION

This report not only presented the results of the rebased CPI series in comparison with the old series but also discusses the different steps in rebasing the CPI.

Rebasing the CPI is updating the market basket of goods and services and the set of weights which assigns the relative importance of the price changes of the goods and services in the basket.

The market basket and the weights assigned to the commodity groups are important components of the CPI. A more current representation of the commonly purchased items in a specific period and of the corresponding weights will ensure the relevance and usefulness of the CPI.

Since the 2006 CPI captures the more recent market basket and the corresponding consumption pattern or weights, the inflation rate became more sensitive to the changes in price as the CPI is meant to do so. Thus, the 2006-based CPI is more reflective of the effects of changes in the prices of goods and services to the average Filipino household.