



## TECHNICAL NOTES

### Consumer Price Index (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.
- is widely used in the calculation of the inflation rate and purchasing power of the peso.
- is used to adjust other economic series for price changes. Example, CPI components are used as deflators for most personal consumption expenditures (PCE) in the calculation of the Gross National Product (GNP).
- is used as basis to adjust wages in labor management contracts as well as pensions and retirement benefits. Thus, increases in wages through collective bargaining agreements use the CPI as one of their bases.

### Inflation Rate (IR)

- interpreted in terms of declining purchasing power of peso.
- is the annual rate of change or the year-on-year change of the CPI expressed in percent.

Inflation Rate  $(\text{reference month, reference year})$

$$= \left[ \frac{\text{CPI}(\text{reference month, reference year}) - \text{CPI}(\text{reference month, previous year})}{\text{CPI}(\text{reference month, previous year})} \right] \times 100\%$$

### Purchasing Power of Peso

- shows how much the peso in the base period is worth in the current period.
- computed as the reciprocal of the CPI for the period under review multiplied by 100.

### Market Basket

- is a sample of goods and services, which is meant to represent the totality of all the goods and services purchased by households relative to a base year.
  - To determine the commodities that will form the market basket for the 2018-based CPI, the Survey of Key Informants (SKI) was conducted in March 2021. The survey, which was conducted nationwide to store managers, sellers or proprietors, obtained information on the most commonly purchased of goods and availed of services by the households.
  - The commodities in the 2018-based CPI market basket are grouped/classified according to the 2020 Philippine Classification of Individual Consumption According to Purpose (PCOICOP) which is based on the United Nations COICOP. Meanwhile, the commodities in the 2012-based CPI market basket used the 2009 PCOICOP version of classification of commodities.

### Base year

- 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.



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