



# PRESS RELEASE

## PSA Rebases the Consumer Price Index (CPI) for All Income Households to 2018

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The Philippine Statistics Authority (PSA) has rebased the Consumer Price Index (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 will start releasing the 2018-based CPI for All Income Households on 04 February 2022.

Together with this announcement are information notes on rebasing the CPI. (Annex A)

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## **Annex A**

### **Information Notes on Rebasing the CPI for All Income Households to Base Year 2018 from Base Year 2012**

#### **A. What is CPI?**

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.

#### **B. Why Rebase?**

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 rebasing of the CPI is also in accordance with the PSA Board Resolution No. 1 Series 2017-146 which approves the synchronized rebasing of the price indices to base year 2006 and every six (6) years thereafter.

## History of Rebasing the CPI:

The rebasing to 2018 is the **12<sup>th</sup>** base period and the **11<sup>th</sup>** rebasing for CPI. The previous CPI series had the following as base years:

Table 1. Base Year of the CPI

Base Year/Base Period	
• 1941	• 1988
• 1960-1962	• 1994
• 1961	• 2000
• 1966	• 2006
• 1972	• 2012
• 1978	

### C. What are the Key Elements in Rebasing the CPI?

The elements in rebasing the CPI are the following:

- 1.) Base Year/Base Period
- 2.) Market basket
- 3.) Weights
- 4.) Index Computation

#### 1.) Base Year/Base Period

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.

#### 2.) Market Basket

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

The market basket for the CPI for All Income Households is updated using the results of the 2021 Survey of Key Informants (SKI). The survey, which was undertaken in March 2021, was conducted nationwide to store managers, sellers, or proprietors, in order to

obtain information on the most commonly purchased goods and availed of services by the households.

The commodities included in the 2018-based CPI market basket are the modal commodities which were considered as the most commonly purchased/availed of commodities 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.

Table 2 below presents the comparison of the commodity classification based on 2009 and 2020 PCOICOP which are adopted in the 2012-based and 2018-based CPI market baskets, respectively.

Table 2. Commodity Classification of the CPI Market Basket

<b>2012-based CPI</b>		<b>2018-based CPI</b>	
Code	Description	Code	Description
01	Food and non-alcoholic beverages	01	Food and non-alcoholic beverages
02	Alcoholic beverages and tobacco	02	Alcoholic beverages and tobacco
03	Clothing and footwear	03	Clothing and footwear
04	Housing, water, electricity, gas and other fuels	04	Housing, water, electricity, gas and other fuels
05	Furnishings, household equipment and routine household maintenance	05	Furnishings, household equipment and routine household maintenance
06	Health	06	Health
07	Transport	07	Transport
08	Communication	08	Information and communication
09	Recreation and culture	09	Recreation, sport and culture
10	Education	10	Education services

2012-based CPI		2018-based CPI	
11	Restaurant and Miscellaneous Goods and Services	11	Restaurants and accommodation services
		12	Financial services
		13	Personal care, and miscellaneous goods and services
Note: In the 2012-based CPI, divisions 11 and 13 are combined as one division (Restaurant and Miscellaneous goods and services).			

### 3.) Weights

The weight is a value attached to a commodity or group of commodities to indicate the relative importance of the commodities or groups of commodities in the market basket.

The weights for the 2018-based CPI were derived from the expenditure data of the 2018 Family Income and Expenditure Survey (FIES). The weight for each commodity/group of commodities 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.

Table 3 shows the comparison of the expenditure weights between the 2012 and 2018-based CPI for the Philippines.

Table 3. 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	2.16	10
03 - Clothing and footwear	2.93	9	3.14	8

2020 PCOICOP Division	Philippines			
	2012=100	Rank	2018=100	Rank
04 - Housing, water, electricity, gas and other fuels	22.04	2	21.38	2
05 - Furnishings, 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.) Index Computation

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

#### D. Dissemination of Reports

CPI series for all income households for January 2022 onwards will be 2018-based.

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