



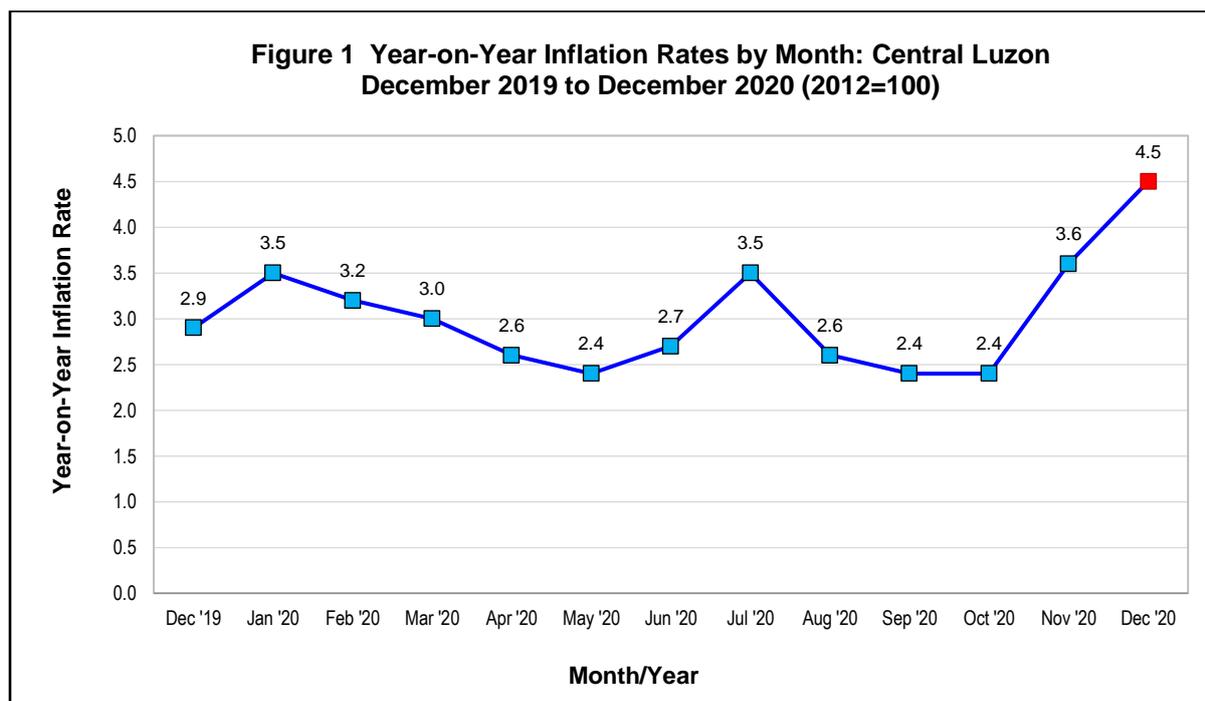
SPECIAL RELEASE

Central Luzon's Inflation and Consumer Price Index (CPI) December 2020

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Central Luzon's Inflation Rate Continued to Accelerate at 4.5%

Central Luzon's annual inflation rate continued to accelerate in December 2020 at 4.5 percent, the highest rate registered for the year. It is higher by 0.9 percentage point compared to the registered rate of 3.6 percent in November 2020. Further, it is higher by 1.6 percentage points compared to the posted rate of 2.9 percent in December 2019. (See Figure 1)

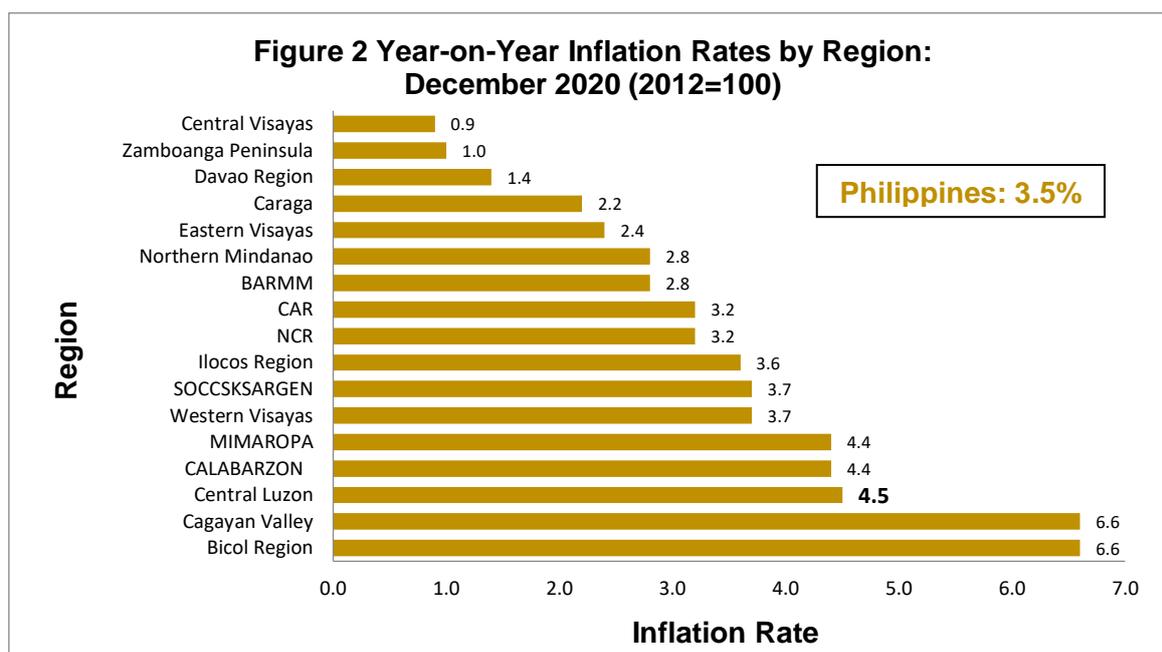


Source: Survey of Retail Prices of Commodities for the Generation of CPI, PSA

Central Luzon ranked third highest inflation rate among the 17 regions in the country. Both Bicol region and Cagayan Valley posted the highest inflation rate at 6.6 percent in December 2020. Central Visayas remained the lowest registered inflation rate at 0.9 percent, which is lower than its registered rate of 1.1 percent in November 2020.

The national annual inflation rate posted an increase to 3.5 percent in December 2020 from 2.5 percent in November 2020.

Figure 2 presents the annual inflation rates of the different regions in the Philippines in December 2020.



Source: Survey of Retail Prices of Commodities for the Generation of CPI, PSA

The heavily weighted food and non-alcoholic beverages accelerated at a rate of 7.7 percent in December 2020 from its registered rate of 6.1 percent in November 2020. Further, accelerations were also posted in the indices of health (2.4%), transport (5.7%), communication (0.6%), and restaurant and miscellaneous goods and services (2.7%). Meanwhile, decelerations were registered in the indices of alcoholic beverages and tobacco (13.4%), clothing and footwear (1.1%), and furnishings, household equipment and routine maintenance of the house (1.5%).

Table 1 Year-on-Year Inflation Rates by Commodity Group:
Central Luzon (2012 = 100)

Commodity Group	Dec 2020	Nov 2020	Dec 2019
All Items	4.5	3.6	2.9
Food and Non-Alcoholic Beverages	7.7	6.1	2.1
Alcoholic Beverages and Tobacco	13.4	14.6	28.4
Clothing and Footwear	1.1	1.2	3.3
Housing, Water, Electricity, Gas and Other Fuels	-0.4	-0.5	2.3
Furnishings, Household Equipment and Routine Maintenance of the House	1.5	1.7	2.6
Health	2.4	2.0	2.1
Transport	5.7	4.2	2.1
Communication	0.6	0.4	0.1
Recreation and Culture	-1.1	-1.4	1.1
Education	0.7	0.7	4.1
Restaurant and Miscellaneous Goods and Services	2.7	2.2	2.1

Source: Survey of Retail Prices of Commodities for the Generation of CPI PSA

On the other hand, slower declines were posted in the indices of housing, water, electricity, gas and other fuels (-0.4%) and recreation and culture (-1.1%), while education retained its previous month's rate of 0.7 percent. (See *Table 1*)

The regional food index inflation rate further accelerated in December 2020 at 8.2 percent. It was 6.5 percent in November 2020 and 1.9 percent in December 2019. (See *Table 1a, p. A-1*)

The faster rate of increase in the regional food index can be attributed in the indices of Vegetables and Meat which recorded at 30.5 and 14.6 percent, respectively. While, slower acceleration were observed in the following food indices:

- Rice, 2.2 percent
- Oils and fats, 2.9 percent
- Fruits, 2.7 percent

Meanwhile, decelerations were posted in the indices of other cereals, flour, cereal preparation, bread, pasta and other bakery products (2.6%), fish (8.0%), milk, cheese and eggs (1.3%) and sugar, jam, honey, chocolate and confectionery (0.6%). On the other hand, slower rate of decline was posted by corn at -0.3 percent.


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Technical Notes

This Special Release presents the results of the Survey of Retail Prices of Commodities and Services for the Generation of Consumer Price Index (CPI) conducted in December 2020.

CPI

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 for their day-to-day consumption relative to a base year.

Uses of the CPI

As an indicator, the CPI is most widely used in the calculation of the inflation rate and purchasing power of the peso. It is a major statistical series used for economic analysis and as monitoring indicator of government economic policy.

The CPI is also used as a deflator to express value series in real terms, which is, measuring the change in actual volume of transaction by removing the effects of price changes. Another major importance of the CPI is its use as basis to adjust wages in labor management contracts as well as pensions and retirement benefits. The CPI also serves as inputs in wage adjustments through the collective bargaining agreements.

Components of the CPI

a. Base Period

This is a reference date or simply a convenient benchmark to which a continuous series of index numbers can be related. Since the CPI measures the average changes in the retail prices of a fixed basket of goods, it is necessary to compare the movement in previous years back to a reference date at which the index is taken as equal to 100.

The present series uses the 2012 as the base year. The year 2012 was chosen as the base year because it is the year when the Family Income and Expenditure Survey (FIES) was conducted. The FIES is the basis of the CPI weights.

b. Market Basket

Market basket refers to a sample of thousands of varieties of goods purchased for consumption and services availed by the households in the country. It was selected to represent the composite price behaviour of all goods and services purchased by the consumers.

c. Weighting System

The weighting system is a desirable system that considers the relevance of the components of the index. For the CPI, the weighting pattern uses the expenditures on various consumer items purchased by households as a proportion to total expenditures.

d. Geographic Coverage

CPI values are computed at the national, regional, and provincial levels, and for selected cities. A separate CPI for NCR is also computed.

e. Classification Standards

The 2012-based CPI series is the first in the series that used the 1999 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 2012-based CPI also follows the 2015 Philippine Standard Geographic Classification codes.

Inflation Rate

The inflation rate (IR) is the annual or monthly rate of change of the CPI in percent. It is interpreted in terms of declining purchasing power of money.