



SPECIAL RELEASE

CPI, INFLATION RATES ON THE UPWARD TREND IN NCR FOR THE FIRST HALF OF 2008

The 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. It shows how much, on the average, prices of goods and services have increased or decreased from a particular reference period known as the base year. Since price is the cost or the amount of money for which something can be bought or sold, CPI therefore compares the current cost of certain goods and services with their cost at an earlier time.

CPI is the percentage change in the average prices of goods and services commonly bought by a group of households from the base year. To illustrate, an index of 157.0 in 2008 means that consumer prices on the average have increased by 57.0 percent from year 2000. It also means that a set of commodities which can be purchased by an average Filipino household with Php100 in June 2000 is bought with Php157.00 in 2008.

CPI in NCR grows higher by the month in the first six months of 2008

The monthly CPI in the National Capital Region (NCR) was recorded at 148.4 in January 2008, going down a little bit by 0.4 in February and increasing by 1.8 in March 2008. It made the biggest leap by the second quarter recording a 3.1 increase in April 2008 at 152.9 and continued to increase to 154.6 in May, going up further to 157.0 by June 2008.

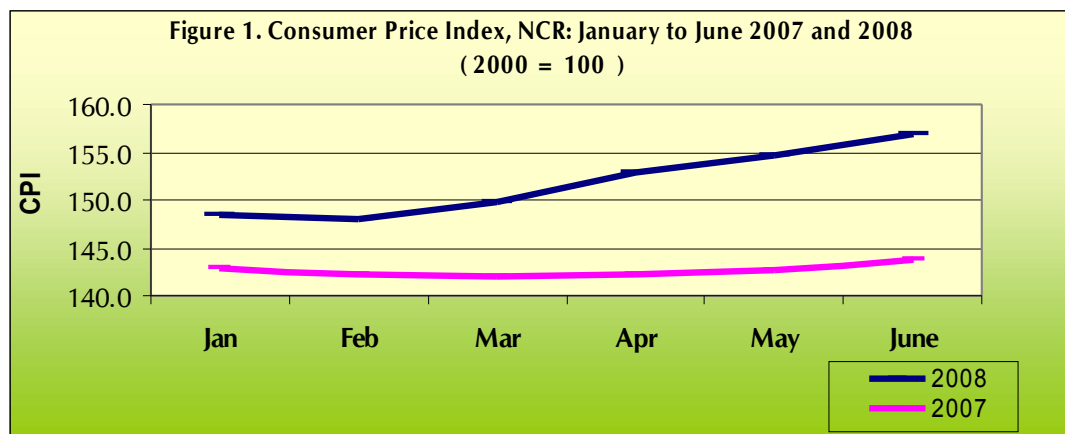


Figure I above illustrates that the figures mentioned are higher than the recorded index in 2007 where the CPI were more or less stable during the first six months at 142.8, 142.2 and 142.1 for January, February and March 2007, respectively, and gradually going up to 142.3 in April, 142.7 in May and finally, 143.8 by the month of June the year before.

**CPI for All Income Households by Commodity Group, NCR: January to June 2007-2008
(2000=100)**

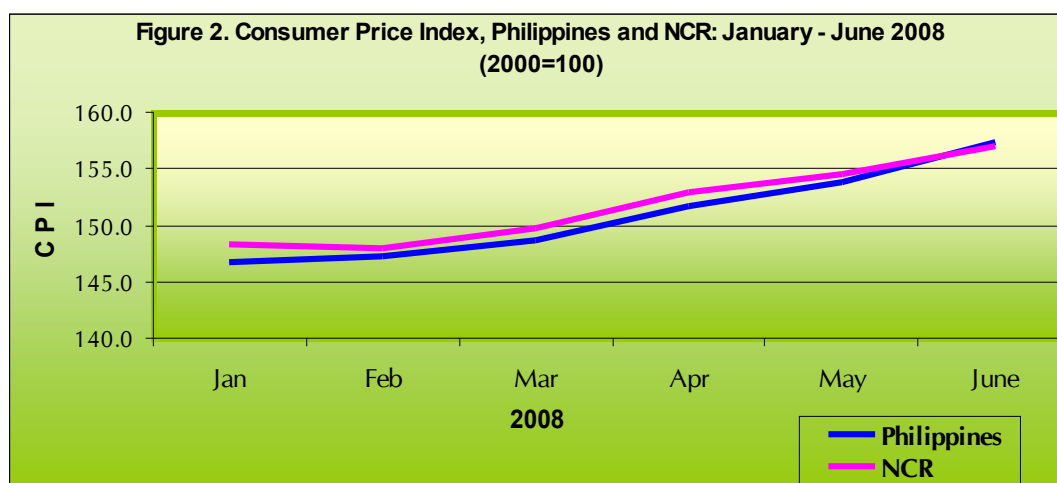
Commodity Group	January		February		March		April		May		June	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
All Items (PHILIPPINES)	146.8	140.0	147.3	139.8	148.6	139.7	151.6	140.0	153.8	140.4	157.4	141.3
All Items (NCR)	148.4	142.8	148.0	142.2	149.8	142.1	152.9	142.3	154.6	142.7	157.0	143.8
Food, Beverages & Tobacco	137.8	130.8	137.3	129.6	140.0	129.2	143.5	129.2	145.9	129.5	148.4	130.1
Clothing	132.5	129.4	135.9	129.7	136.5	130.0	136.7	130.0	136.8	130.0	136.9	130.1
Housing and Repairs	133.9	132.9	134.2	133.0	134.4	133.0	136.4	133.1	136.4	133.3	137.0	133.5
Fuel, Light and Water	212.3	210.3	208.8	210.0	213.2	210.3	223.8	210.0	224.5	210.6	218.9	211.6
Services	176.2	164.7	175.7	164.0	177.1	164.2	179.2	165.2	182.7	166.2	191.3	169.3
Miscellaneous	122.2	121.3	122.5	121.4	122.8	121.5	123.5	121.5	123.7	121.6	123.9	121.6

Source: Economic Indices and Indicators Division (EIID), Industry and Trade Statistics Department (ITSD), NSO

NCR recorded higher CPI than the national figures in the first half of 2008

Figure 2 illustrates an upward trend in the CPI both at the national level and in NCR all the way through the first semester of 2008. It could be noticed, however, that the CPI in NCR consistently recorded higher index in January throughout May 2008, but the national level CPI went higher by 0.4 percent by the month of June.

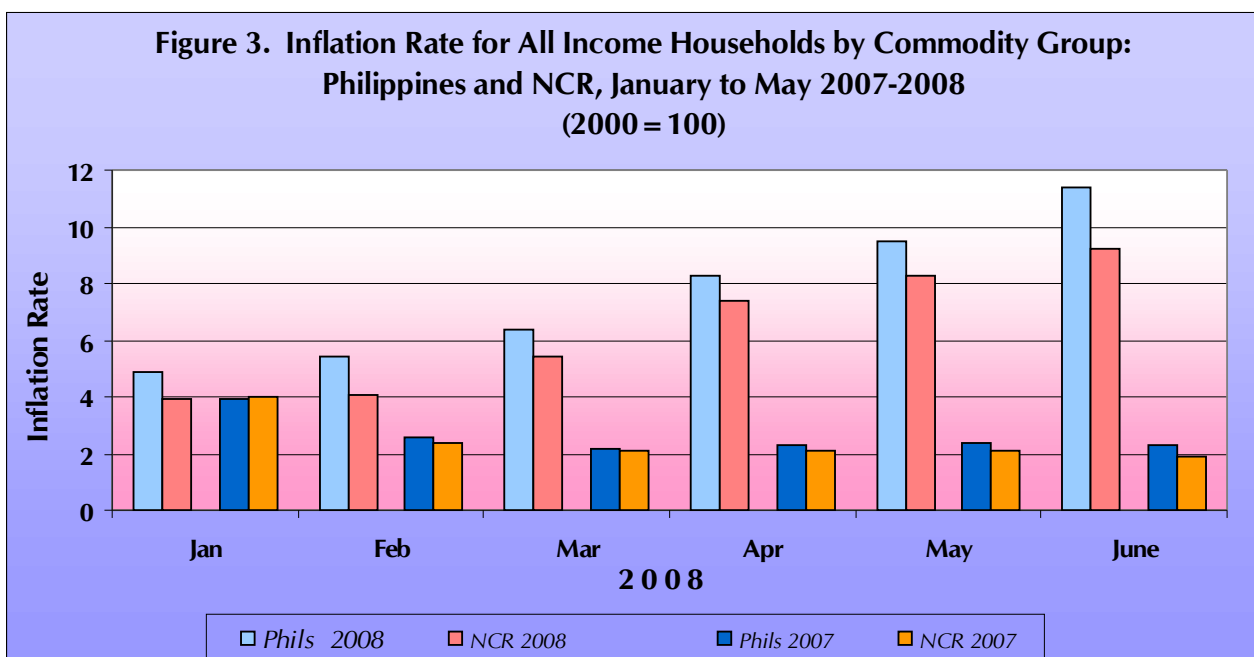
The national level CPI recorded an index of 146.8 in January and continued to rise, increasing by 0.5 in February at 147.3, and 148.6 in March. It went up to 151.6 and 153.8 in April and May respectively and finally made the biggest leap by June at 157.4 increasing by 3.6 percent.



Inflation Rates in NCR more than doubled in six months time

An upward trend in the inflation rates in NCR was likewise recorded during the first semester of 2008 doubling the January 2008 rate of 3.9 percent to 9.2 percent in June 2008. A slight 0.2 percent increased the February rate to 4.1 going up further to 5.4 percent in March. The biggest increase in inflation rate in NCR was recorded in April when it rose to 7.4 percent and gradually increased by 0.9 percent in May and June 2008 to 8.3 percent and 9.2 percent respectively.

The reverse was noted in the 2007 inflation rates in NCR where a declining trend was recorded from 4.0 percent in January 2007 to an abrupt decline to 2.4 in February 2007 and a further downward movement recorded in March, April and May 2007 at 2.1 percent. Still a lower rate was seen in June 2008 at 1.9 percent.



Inflation Rates at the national level higher than NCR in the first six months of 2008

While the same upward trend in inflation rates occurred both at the national level and NCR, and while the CPI was higher in NCR than the national figures, the Philippines displayed consistent higher rates from January to June 2008 than NCR. Same is true in 2007, except in January where NCR was slightly higher by 0.1 percent.

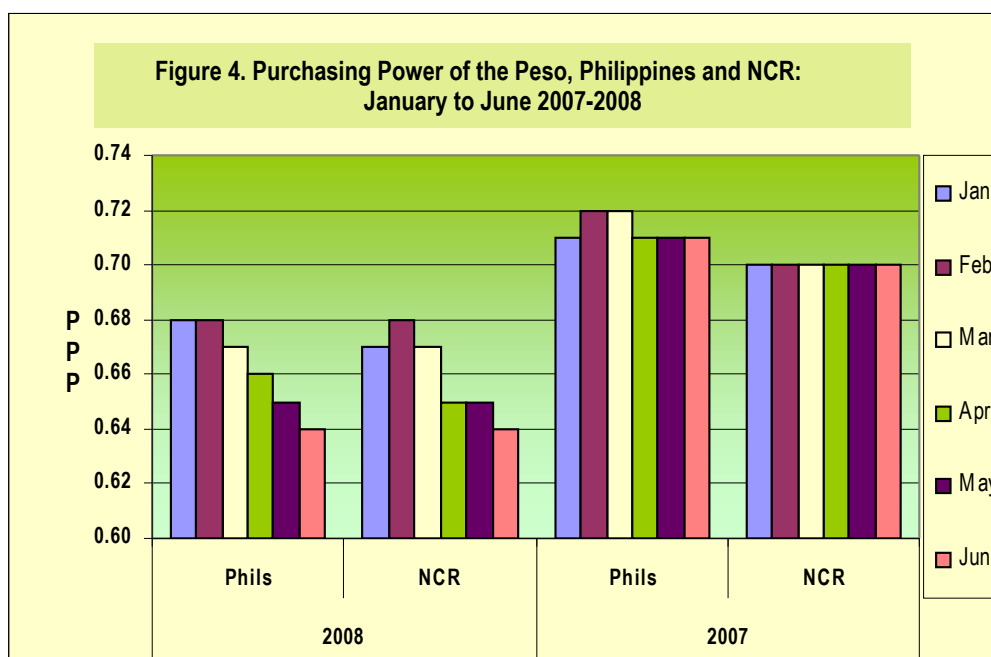
**Inflation Rate for All Income Households by Commodity Group, Philippines and NCR: January to June 2007-2008
(2000=100)**

Commodity Group	January		February		March		April		May		June	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
All Items (PHILIPPINES)	4.9	3.9	5.4	2.6	6.4	2.2	8.3	2.3	9.5r	2.4	11.4	2.3
All Items (NCR)	3.9	4	4.1	2.4	5.4	2.1	7.4	2.1	8.3	2.1	9.2	1.9
Food, Beverages & Tobacco	5.4	4.9	5.9	2.9	8.4	2.9	11.1	2.8	12.7	2.8	14.1	2.6
Clothing	2.4	4	4.8	3.7	5	3.3	5.2	3.1	5.2	2.8	5.2	2.8
Housing and Repairs	0.8	2.5	0.9	1.6	1.1	1	2.5	1	2.3	1.1	2.6	1.3
Fuel, Light and Water	1	5.5	-0.6	1.8	1.4	1.3	6.6	1.7	6.6	3.4	3.4	2
Services	7	3.9	7.1	2.5	7.9	2.2	8.5	2.4	9.9	1.8	12.8	1.4
Miscellaneous	0.7	2.3	0.9	1.8	1.1	1.4	1.6	1.3	1.7	1.3	1.9	1.3

Source: EIID, ITSD, NSO

NCR Purchasing Power of the Peso (PPP) continues to decline

While the Inflation Rate is on the upward trend during the first six months of 2008, the PPP in NCR continues to decline. This is the expected result of inflation, as it denotes a corresponding decline in the internal purchasing power of the peso. As prices increases, more money will be needed to buy the same amount of goods and services that can be bought at a certain price from a certain period in the past.



As illustrated in Figure 4 above, the PPP in NCR continued to decline during the first half of 2008, except for the month of February where it registered a Php0.01 increase from its previous Php0.67 level in January 2008. The PPP went back to Php0.67 in March 2008 and continued to dive as it recorded a purchasing power of Php0.65 for both April and May 2008, and further down to Php0.64 in June 2008.

Comparing the NCR PPP to the national level PPP, the Philippines and NCR had the same PPPs in most months except in January and April 2008 where the national level PPPs were higher by Php0.01 in both months.

Lower PPP recorded in NCR during the first six months of 2008 than the 2007 figures

Taking a closer look at Figure 4, the graph displays a large difference of the PPP between the first six months of 2007 and 2008 for both NCR and the Philippines. In NCR, the PPP was quite stable during the first six months in year 2007 but somehow showed an obvious decline during the first six months in 2008.

Year	January		February		March		April		May		June	
	Phils.	NCR	Phils.	NCR	Phils.	NCR	Phils.	NCR	Phils.	NCR	Phils.	NCR
2008	0.68	0.67	0.68	0.68	0.67	0.67	0.66	0.65	0.65	0.65	0.64	0.64
2007	0.71	0.7	0.72	0.7	0.72	0.7	0.71	0.7	0.71	0.7	0.71	0.7
2006	0.74	0.73	0.73	0.72	0.73	0.72	0.73	0.72	0.73	0.72	0.72	0.71
2005	0.79	0.78	0.79	0.78	0.79	0.78	0.78	0.77	0.78	0.77	0.77	0.76
2004	0.86	0.85 ^r	0.86	0.85	0.85	0.85	0.85	0.84	0.85	0.84	0.83	0.83
2003	0.89	0.89	0.89	0.88	0.89	0.88 ^r	0.89	0.88 ^r	0.88 ^r	0.88 ^r	0.88	0.87 ^r
2002	0.92	0.91	0.92	0.91	0.92	0.91	0.91	0.91	0.91	0.9	0.91	0.91
2001	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.94	0.94	0.93
2000	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.01	1.01	1.01
1999	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.04	1.05

R – revised
Source: EIID, NSO

Table 1.1 Consumer Price Index for All Income Households
NCR: January - June 2008
(2000=100)

COMMODITY GROUP	Jan	Feb	Mar	Apr	May	Jun
ALL ITEMS	148.4	148.0	149.8	152.9	154.6	157.0
I. FOOD, BEVERAGES AND TOBACCO	137.8	137.3	140.0	143.5	145.9	148.4
* FOOD	138.3	137.6	140.4	144.2	146.7	149.3
Cereal & Cereal Prep.	139.3	140.4	148.7	162.6	167.2	179.9
Cereals	121.6	121.8	131.3	151.5	157.4	176.0
Rice	121.5	121.7	131.3	151.8	157.7	176.6
Corn	130.3	130.3	130.3	130.3	130.3	130.3
Cereal Preparations	168	170.6	177	180.7	183.1	186.3
Dairy Products	168.9	172.2	174.4	176.2	177.3	178.4
Eggs	145.5	143.5	143.8	143.3	139.8	139.4
Fish	130.6	131.1	133.2	135.6	133.8	132.0
Fruits and Vegetables	127.4	119.4	113.5	111.3	120.2	121.9
Meat	140.2	139.6	144.4	148.1	149	150.2
Miscellaneous Foods	137.1	137.3	139.5	140.8	142.8	142.7
* BEVERAGES	129.7	130.8	131.8	132.4	132.9	133.4
* TOBACCO	138.2	138.3	138.9	139.5	140	140.7
NON-FOOD	155.5	155.2	156.3	159.2	160.4	162.8
II. CLOTHING	132.5	135.9	136.5	136.7	136.8	136.9
Footwear	142.2	147.3	148.7	149.1	149.3	149.5
Ready-made Apparel	127.5	130.1	130.3	130.4	130.4	130.5
Custom Clothes	137.3	137.7	137.8	137.8	137.8	137.8
III. HOUSING AND REPAIRS	133.9	134.2	134.4	136.4	136.4	137.0
Minor Repairs	131.1	132.3	133.1	135	136	136.6
Rentals	134	134.3	134.4	136.4	136.4	137.0
IV. FUEL, LIGHT & WATER	212.3	208.8	213.2	223.8	224.5	218.9
Fuel	262.7	258.1	254.8	254.4	260.8	278.9
Light	189.9	185.8	193.1	209.5	209	196.4
Water	256.4	256.4	256.4	253.7	253.7	253.7
V. SERVICES	176.2	175.7	177.1	179.2	182.7	191.3
Educational	188.2	188.4	188.5	188.5	188.6	199.8
Medical	177.1	177.5	177.5	178.1	178.7	178.8
Personal	147.2	148.8	150.9	151.1	152.8	154.4
Recreational	127.8	127.8	128.1	128.3	128.3	128.3
Transportation & Comm.	181.8	180.2	182.2	186.2	192.5	204.0
Other Services	144.9	147.9	148.2	150.8	150.9	151.1
VI. MISCELLANEOUS	122.2	122.5	122.8	123.5	123.7	123.9
Household Furnishing & Eqpt	109.6	109.6	109.8	110.1	110.1	110.1
Household Operations	127.9	128.3	128.5	129.2	129.5	129.6
Personal Care & Effects	129.3	130	130.4	131.4	131.8	132.1
Other Miscellaneous Items	113.1	113.1	113.1	113.1	113.1	113.1

Source: Economic Indices and Indicators Division (EIID), Industry and Trade Statistics Department (ITSD),NSO

Table 1.2 Consumer Price Index for All Income Households
NCR: January - June 2007
(2000=100)

COMMODITY GROUP	Jan	Feb	Mar	Apr	May	Jun
ALL ITEMS	142.8	142.2	142.1	142.3	142.7	143.8
I. FOOD, BEVERAGES AND TOBACCO	130.8	129.6	129.2	129.2	129.5	130.1
* FOOD	131.0	129.7	129.3	129.3	129.6	130.2
Cereal & Cereal Prep.	128.0	128.0	128.2	128.2	128.3	128.6
Cereals	110.1	110.0	109.8	109.7	109.8	110.0
Rice	110.1	110.0	109.8	109.7	109.8	110.0
Corn	110.9	110.9	110.9	110.9	110.9	110.9
Cereal Preparations	157.0	157.2	157.9	158.1	158.3	158.6
Dairy Products	156.3	156.5	157.5	158.3	158.6	159.0
Eggs	134.8	135.1	135.7	135.5	135.3	136.4
Fish	122.8	123.0	121.6	121.1	118.7	118.1
Fruits and Vegetables	116.9	110.3	108.1	107.5	108.8	112.2
Meat	135.1	132.7	132.4	132.8	134.8	134.8
Miscellaneous Foods	133.7	133.6	133.6	133.6	133.6	134.1
* BEVERAGES	126.0	126.1	126.2	126.2	126.4	126.7
* TOBACCO	133.1	134.0	134.6	134.7	135.0	135.4
NON-FOOD	150.9	150.7	150.8	151.2	151.6	153.0
II. CLOTHING	129.4	129.7	130.0	130.0	130.0	130.1
Footwear	137.4	137.7	138.0	138.0	138.0	138.2
Ready-made Apparel	125.3	125.6	125.9	125.9	125.9	125.9
Custom Clothes	134.1	134.1	134.1	134.1	134.1	134.1
III. HOUSING AND REPAIRS	132.9	133.0	133.0	133.1	133.3	133.5
Minor Repairs	128.8	129.1	129.6	129.7	129.9	130.0
Rentals	133.0	133.1	133.1	133.2	133.4	133.6
IV. FUEL, LIGHT & WATER	210.3	210.0	210.3	210.0	210.6	211.6
Fuel	215.0	213.0	210.7	211.2	214.0	218.6
Light	200.2	200.2	201.2	201.1	201.3	201.7
Water	249.1	249.1	249.1	247.4	247.4	247.4
V. SERVICES	164.7	164.0	164.2	165.2	166.2	169.6
Educational	170.5	170.5	170.5	170.5	170.5	180.2
Medical	166.7	167.0	167.1	167.2	167.4	167.9
Personal	143.5	143.5	143.5	143.8	143.8	143.8
Recreational	123.2	123.2	123.2	126.4	126.4	126.4
Transportation & Comm.	170.2	168.7	169.1	170.8	172.8	175.0
Other Services	144.0	144.3	144.6	144.6	144.6	144.6
VI. MISCELLANEOUS	121.3	121.4	121.5	121.5	121.6	121.6
Household Furnishing & Eqpt	109.3	109.3	109.3	109.3	109.4	109.4
Household Operations	126.8	126.8	126.9	127.0	127.0	127.0
Personal Care & Effects	128.0	128.1	128.3	128.4	128.4	128.5
Other Miscellaneous Items	113.1	113.1	113.1	113.1	113.1	113.1

Source: EIID, ITSD, NSO

TECHNICAL NOTES ON THE CONSUMER PRICE INDEX (CPI)

I. INTRODUCTION

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. Prices are compared to a base year and weighted by the appropriate consumption pattern. 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.

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. There were no such 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 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 with 2000 as base year is part of the Office regular calendar of activities to update the present base year. 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.

III. COMPONENTS OF THE CPI

A. 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 2000 was chosen as the base year for two major reasons: (1) because it was perceived to be more politically, economically and socially stable and (2) it was the year when the Family Income and Expenditures Survey (FIES) which is the basis of weights was conducted.

B. MARKET BASKET

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 2000 CPI was drawn from the results of the updating activity of the 1994 market basket. Updating of the 1994 market basket was done through an interview of key informants in various outlets as to the availability and saleability of the items they sell. Provinces and selected cities had their own market baskets.

The number of items in the 2000 market basket is almost similar with the 1994 market basket. NCR has a total of 701 items in its current market basket from 705 previously.

C. WEIGHTING SYSTEM

Weights are assigned to commodity groups/sub-groups to reflect 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 2000-based CPI were derived from the expenditure data of the 2000 FIES, a nationwide survey that covered 41,000 households. Each province/city was considered a domain so much so that weights were generated for each of them. This was done to account for the differences in consumption patterns because of geographical location. 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 is equal to 100. Likewise, geographical weights were also determined where the weight of the region is equal to the sum of the weights of the provinces belonging to that region. The sum of the weights for the region is equal to the national weight.

Comparison of the 1994 and 2000 Weights in NCR

The overall weight for FBT slightly decreased from 12.74 percent in 1994 to 12.08 percent in 2000. Except for fruits and vegetables whose share slightly increased to 1.40 percent in 2000 from 1.26 percent in 1994, expenditure shares for all the other food groups declined. The expenditure share of tobacco also decreased to 0.19 percent in 2000 from 0.29 percent in 1994. The share of beverages in 2000 was almost similar to its 1994 weight of 0.61 percent.

The share of clothing decreased to 0.78 percent in 2000 from 0.85 percent in 1994 due to the decline in the The share of clothing decreased to 0.78 percent in 2000 from 0.85 percent in 1994 due to the decline in the shares of ready-made apparel and custom clothes.

The weight of H&R increased to 7.39 percent in 2000 from 6.27 percent in 1994 as expenditure shares for minor repairs and rentals correspondingly increased to 0.25 percent and 7.14 percent from their respective shares of 0.16 percent and 6.11 percent.

The share of FLW improved to 2.11 percent in 2000 from 1.84 percent in 1994 as the expenditures for fuel and light went up.

The share of services considerably increased to 5.79 percent in 2000 from 4.20 percent in 1994 as the weights of the following subgroups went up: educational services, 1.31 percent in 2000 from 1.04 percent in 1994; personal services, 0.89 percent from 0.67 percent; and transportation and communication, 2.93 percent from 1.74 percent.

The expenditure share of miscellaneous items dropped to 1.87 percent in 2000 from 2.09 percent in 1994 due to the decline of the shares of household furnishing and equipment, 0.43 percent from 0.78 percent and household operations, 0.26 percent from 0.32 percent.

IV. DATA COLLECTION

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 459,000 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.

V. 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

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

where:

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

VI. ECONOMIC INDICATORS DERIVED FROM THE CPI

1. Inflation Rate

Inflation rate is defined as the annual rate of change or the year-on-year change in the CPI. That 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

2. 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,

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

D. INDEX FORMULA

The construction of the CPI basically uses a Laspeyres Formula (fixed base year weights).

The formula is modified as the weighted arithmetic mean of price relatives. That is,

$$\text{Index} = \frac{\text{Sum}((P_n / P_o) * (P_o * Q_o))}{\text{Sum}(P_o * Q_o)} * 100$$

P_n = current price

P_o = base year price or base price

$P_o * Q_o$ = base year weight