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Paying a High Price for Living



When President Arroyo proclaimed to the country last January that the Philippine economy is on a roll, few believed the declaration. After all, people only need to look around to see that the lives of the average Filipino did not improve one bit and in fact worsened.

What the government claims as the reason behind continued escalation of prices of commodities is the general behavior of the “market” – uncontrollable and dependent on international players, thus priming the people that it does not have any hand in record high inflation rates.

Keeping Apace with Runaway Prices



The year 2005 has been hard on the average Filipino family so far. Although government claims that it has created “economic development”, this has not translated to genuine poverty alleviation. Prices of commodities and services have been rising rapidly in the last three and a half years. The average headline inflation rose to 8.4% in the first quarter of the year, higher than the 4.1% in the same period a year ago. Inflation is the rate of increase in prices of most goods and services.

Food

Increase in prices for food, beverage and tobacco accelerated to 7.4% in the first quarter of 2005 from a 4.3% inflation registered in the same quarter a year ago. Food inflation slowed in the second quarter but remained higher compared to the same quarter a year ago. Of the 8.2% average inflation for the second quarter of 2005, 3.2 percentage points were attributed to food alone. **Table 1** below shows the comparative prices of household commodities.

Inflation in the prices of meat, fruits and vegetables, fish and eggs — which together made up 42.6% of the food basket — eased in the second quarter of 2005. Deceleration of meat prices was attributed to increase in meat importation. In contrast, rice inflation rose sharply to 7.3% during the second quarter from 2.0% in the same period last year. Corn inflation fell from 10.1% in the first quarter to 9.1% in the



second quarter. However, local corn production continues to go down. Higher excise taxes on alcohol and tobacco products imposed through the Sin Tax Law pushed up beverage and tobacco inflation.

Non-Food Items and Utilities

Pick up in the inflation of oil and energy-related items has supposedly caused the increase to 9.3% for non-food items in the first quarter of 2005. This figure is much higher compared to the 3.9% inflation in the same quarter in 2004. Average non-food inflation for the second quarter is more than twice the rate recorded last year. All non-food commodity groups, except services, posted faster price increases during the second quarter, recording an increase from 4.1% in the same quarter last year to 9.4% this year. Inflation for fuel, light and water (FLW) is most alarming. It rose steeply from 3.8% in second quarter 2004 to double digits this year – 19.8 percent. **(See Table 2)**

WATER SERVICES



Water consumers are increasingly facing hard times as water rates are steadily going up through increases in additional charges, aside from the basic charge. In Metro Manila for example, the two water concessionaires controlling water service after MWSS was privatized, Manila Water and Maynilad, include additional fees like the CERA (Currency Exchange Rate Adjustment), AEP (Accelerated Extraordinary Price Adjustment) and

Table 1 . Average Prices of Selected Household Items in the New CPI Market Basket
National Capital Region (2000=100)

COMMODITY	AVERAGE				
	2000	2001	2002	2003	2004
Rice Ordinary, NFA, kg	14.79	14.14	15.41	15.61	16.51
Bread Pandesal, 20 gms, pc	1.00	1.00	1.03	1.09	1.14
Flour All Purpose, Gold Medal 400 gms, pack	20.41	21.41	22.26	23.57	25.48
Ready Mixed Noodles, Lucky Me 55 gms pack	3.91	4.10	4.20	4.46	4.78
Powdered, Bear Brand 180 gms box	25.92	28.80	29.18	30.89	34.20
Egg, White Leghorn, med, pc	2.84	3.23	3.26	3.21	3.48
Canned Sardines, LIGO, 155 gms	8.53	8.65	8.70	8.32	8.90
Tuyo, kg	115.33	119.29	120.66	121.66	125.33
Fresh Fish, Galunggong, kg	71.71	76.87	74.05	73.00	81.94
Tomatoes, kg	31.84	29.86	24.05	33.52	29.96
Onion, Bermuda White, med, kg	33.58	40.51	28.11	30.15	30.85
Garlic, kg	281.81	238.33	198.34	116.70	103.67
Fresh Beef, Lean Meat (RUMP), kg	143.94	161.33	169.72	170.70	189.68
Fresh Chicken, BREAST, kg	83.79	92.46	87.41	89.63	98.75
Fresh Pork, KASIM, kg	108.90	116.51	113.18	112.52	137.19
Instant Coffee, BLEND 45, 50 gms, pack	18.73	19.21	19.81	20.98	22.08
Cooking Oil, Baguio, 427 ml, can	17.61	17.75	18.52	21.20	27.75
Salt, SOLAR EVAPORATED, kg	9.74	9.72	9.73	9.70	9.80
Patis, Rufina, Green Label, 325 ml, bottle	8.13	8.53	8.86	9.11	9.66
Soy Sauce, Silver Swan, 340 ml, bottle	8.34	8.62	8.70	8.67	9.04
Sugar REFINED, kg	25.14	27.15	27.57	27.64	27.35
Vinegar, DATU PUTI, 350 ml, bottle	7.36	7.75	7.88	7.76	8.43
Soft Drink COCA-COLA, 12 oz bottle	8.26	8.96	9.14	9.39	9.70
HOPE, Long, pack	16.47	18.00	18.57	19.28	19.64
Detergent Bar, SURF	13.73	14.26	14.35	14.52	14.74
Detergent Powder, Tide, 200 gms, pack	23.15	24.87	24.76	24.90	27.32
Hair Shampoo, PALMOLIVE 7.5 ml, sachet	2.75	2.95	3.07	3.17	3.26
Toilet Soap, SAFEGUARD 90 gms cake	13.97	14.88	14.90	15.13	15.81
Toothpaste, CLOSE-UP 50 ml tube	23.27	23.71	24.24	25.23	26.30

Source: National Statistics Office

FCDA (Foreign Currency Adjustment Differential) in their all-in tariff. These automatic recovery mechanisms are questionable and are designed to let people shoulder the foreign exchange losses.

For example, the FCDA and AEPA comprise more than 50% of Maynilad's charges. Through pricing mechanisms instituted by the Concession Agreement, Maynilad and Manila Water are able to extort unjust charges from water consumers. **Graphs 1 and 2** show the increase of the average all-in tariff of the two



water concessionaires for non-sewered and sewered connections, respectively. From 2004-2005, charges for non-sewered water connections rose by 32.4% - 51.56% while those for sewered water connections increased by up to 32.4 percent.

Meanwhile, provincial areas are not spared from the spate of water rate increases. Water districts have increasingly been privatized and have also periodically increased their monthly minimum charge. This is amid charges of corruption, mismanagement and illegal

Table 2. Inflation Rates for Selected Non-Food Items
Quarterly averages 2000 = 100

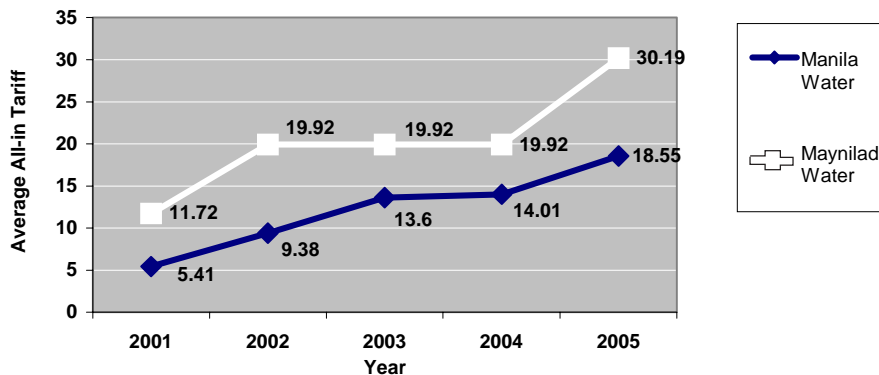
Commodity	2004				2005	
	Q1	Q2	Q3	Q4	Q1	Q2
Non-Food Items	3.9	4.1	6.7	8.3	9.3	9.4
Clothing	3.2	2.3	2.3	3	3.6	3.7
Housing and Repairs	4.4	3.6	3.3	3.5	4.5	4.7
Fuel, Light and Water	3.2	3.6	7.6	15	19	19.6
<i>Fuel</i>	4.5	7.6	17.5	24.4	18.6	18.2
<i>Light</i>	3	1.8	3	12.2	18.7	20
<i>Water</i>	1	1.3	2.3	2.7	21.5	21.9
Services	4.7	6.1	12.3	13.7	13.6	13.3
<i>Transpo and Communication</i>	2.9	6.2	19.2	22	21.5	21
Miscellaneous	2	1.8	2	2.7	3.1	3.3

Source: Bangko Sentral ng Pilipinas

retrenchments hounding many of the country's water districts. The Local Water Utilities Administration, the government agency formed to regulate and oversee the water districts, has been reduced to a mere credit agency with effectively no regulatory powers. As of March 2005, the country's water districts charge P92.9 - P139.38 per 10 cubic meters of water (minimum), excluding additional fees.

Graph 1.

Average All-in Tariff for Non-Sewered Water Connections
(Php/m³), 2001-2005



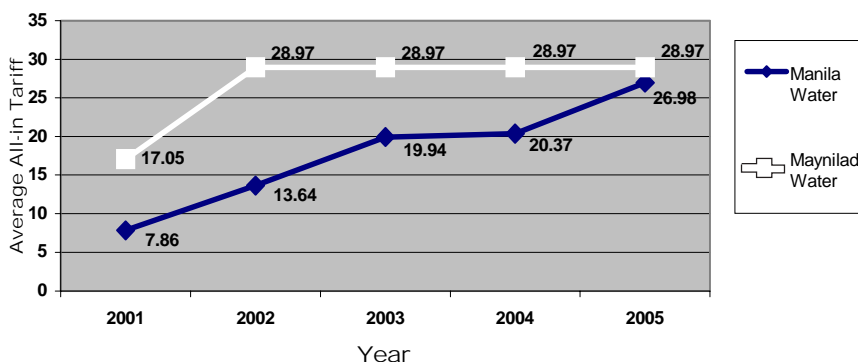
POWER RATES



On April 2005, the Energy regulatory commission approved the National Power Corporation's (NPC) petition for rate hike of P0.0556 per kWh, apart from the provisional increase granted last September 2004. It also approved increases in ICERA (Incremental Currency Exchange Rate Adjustment) and GRAM (Generation Rate Adjustment Mechanism) of P0.062 and P0.3615, respectively. **Table 3** shows the comparative effective rates of NPC across the country.

Graph 2.

Average All-in Tariff for Sewered Water Connections in
Php/m³, (2001-2005)



MERALCO, the power distributor servicing Metro Manila is proudly claiming that it is able to bring down electricity rates for MERALCO consumers as it is sourcing power from