

Philippine inflation reverts to downward trend, June inflation at 2.7%

Inflation resumes downward trend as rice prices remain in deflation.



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2.7% June CPI inflation y-o-y growth

Lower than expected

Food prices weigh on overall inflation

The index-heavy food subcomponent helped push headline inflation back into a downward path with the June inflation print at 2.7%, slightly lower than market consensus for a 2.8% acceleration. The June print helps year-to-date inflation settle at 3.4% and remains another indication that inflation remains well behaved with BSP's forecast for 2.7% 2019 inflation now looking more probable. Almost all subsectors showed slower inflation in June compared to the previous month as base effects also kicked in. Core inflation also ground lower, hitting 3.3% from the previous month's 3.5% gain signaling that pervasive price pressures have begun to abate.

BSP watching as inflation slows

With inflation showing it may revert to a downward path in line with Bangko Sentral ng Pilipinas' forecast, the BSP will likely be parsing other data points ahead of its policy decision in August. BSP Governor Diokno has raised the possibility of cutting policy rates within the year and the slower inflation print should provide him scope to ease monetary policy further. With inflation well within its target, BSP will likely look to tap on the accelerator once more after having slammed so hard on the brakes the previous year. ING is penciling in a policy rate cut by BSP at its August meeting should inflation continue to show it will remain within target and 2Q growth is projected to be soft.