

Philippine inflation slips to 0.9%

Headline inflation dropped to 0.9% with benign inflation providing the BSP scope to cut policy rates further



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Food inflation now in deflation

Philippine inflation continued to fall as base effects hit home. Mirroring last year's inflation peak of 6.7%, the September print dropped to 0.9% with the index-heavy food basket weighing on headline inflation as it fell into deflation of 0.9%. Only alcoholic beverages saw higher price gains for the month - mainly due to legislation - while all other subcomponents posted lower or flat inflation prints. Last year's inflation spike was supply-slide oriented and, with bottlenecks addressed, inflation has decelerated quickly all the more after the BSP's 175bp in rate hikes.

Supply "slide" inflation affords BSP scope to ease further

Inflation to rebound but stay within target. Inflation will likely revert to target once base effects fade. Price pressures appear to be benign as food prices are expected to be more stable given new legislation and the government's openness to importing foodstuffs. With this environment the BSP has scope to ease policy rates further should other data points warrant it but for the most part the price objective remains well in hand.