

Philippines: April Inflation zooms past target

Philippine inflation moved well past the BSP's target in April



Rice for sale at a market in the Philippines

4.9%

April CPI inflation

Above target

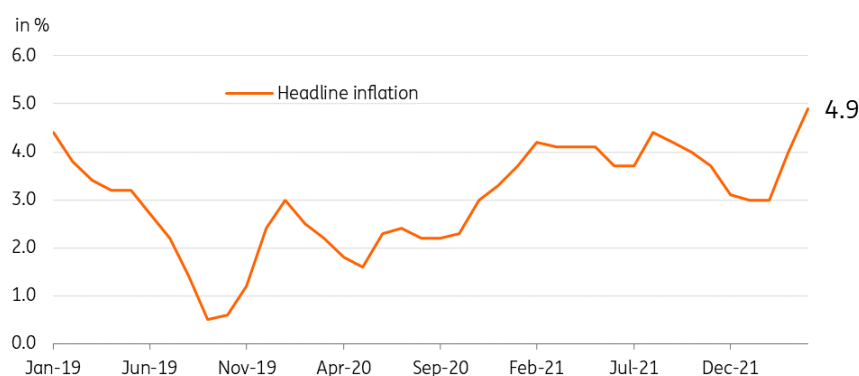
Higher than expected

April inflation at 4.9%

Inflation heated up further in April, blowing past the central bank's 2-4% inflation target to reach 4.9%YoY. The pickup in prices was broad-based with faster inflation noted for most major subcomponents of the CPI basket. The 4.9% headline inflation reading was driven by faster inflation for food, transport and utilities.

Negative spillovers from the ongoing conflict in Ukraine were evident in today's inflation reading with higher transport and energy costs. Meanwhile, food prices were also higher reflecting the country's dependence on imported fertilizers, edible oils and wheat.

Inflation breaches target in April



Source: Philippine Statistics Authority

Faster inflation + robust GDP = BSP hike?

With faster inflation expected to persist for at least the rest of the year, we expect BSP (Bangko Sentral NG Pilipinas) to join the rate hike club with an adjustment before the end of this quarter. BSP Governor, Benjamin Diokno, has been hesitant to increase policy rates in the past, expressing his preference to retain monetary support for the economic recovery.

However, with 1Q GDP growth expected to be robust and confirming that growth momentum is intact, we expect BSP to finally move rates higher. A GDP growth rate of over 6% on top of the above-target inflation rate should be enough to prod BSP to hike rates as early as the 19 May policy meeting.