

# Headline inflation drops again in the Philippines

Inflation fell sharply to 4.1% YoY in the Philippines as food inflation moderated



Bags of rice at a market in Manila, Philippines

## 4.1% YoY November inflation

Lower than expected

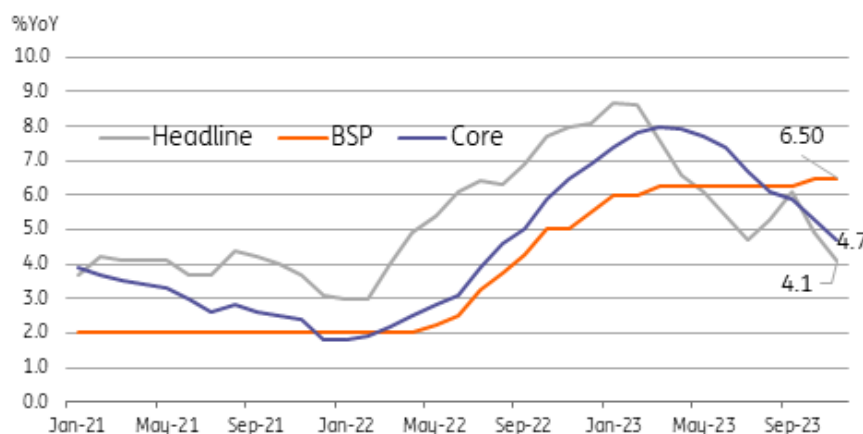
### From 6.1% to 4.1% in two months

Headline inflation stalled to 4.1% year-on-year, down sharply from 4.9% YoY in October. From the previous month, prices were up only 0.2%. Food inflation, which was the main culprit for the recent spike to 6.1% in September, slid to 5.7% YoY (from 7% previously).

Inflation slowed across all major subsectors from the previous month, with transport costs actually posting a 0.8% YoY contraction as domestic fuel prices fell due to lower global crude oil prices.

Tracking the declining trend, core inflation also slowed, down to 4.7% YoY from 5.3% in October. Inflation moderated sharply as supply-side remedies, better weather, and cheaper oil prices helped address supply-side bottlenecks, dragging inflation to 4.1% from 6.1% in a span of only two months.

## 6.1% to 4.1% in 60 days



Source: Philippine Statistics Authority

## BSP still signaling hawkish bias

Despite the quickstep lower for inflation, the Bangko Sentral ng Pilipinas (BSP) reiterated that policy settings would need to be retained “sufficiently tight” until inflation moves convincingly back to the target band of 2-4%.

BSP indicated that the balance of risks remains tilted “substantially to the upside”, signalling that they would likely retain their hawkish bias for some time. Rice inflation, which is the main staple in the Philippines, actually rose 15.8% YoY from 13.2% in the previous month, highlighting vulnerability to supply-side shocks.

We expect the BSP to maintain its hawkish leaning, possibly extending its pause well into 2024, although the likelihood for additional rate hikes has diminished significantly.

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