

Philippines: Headline inflation slides to six-month low

March inflation fell to 7.6% from 8.6% previously



Increases in food prices are slowing in the Philippines

7.6%

Year-on-year change in CPI

Six-month low

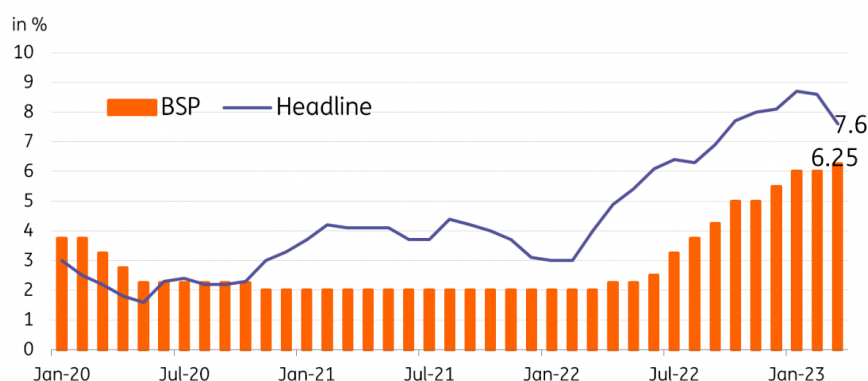
Lower than expected

Headline inflation slows considerably to 7.6%

March inflation settled at 7.6% year-over-year, much lower than the 8.6% reported in the previous month. On a month-on-month basis, CPI was lower by 0.2%. Slower inflation was reported in the index-heavy food subsector, with inflation moderating to 9.3% from 10.8% in February. Slower inflation was also recorded in energy-related subsectors such as utilities (7.6% from 8.6%) and transport (5.3% from 9.0%).

Receding supply-side pressures helped bring down headline inflation however second-round effects have resulted in faster inflation for restaurants (8.3%) and personal services (5.6%), which pushed core inflation to 8.0%.

Headline inflation slows due to slowdown in food price gains



Source: Philippine Statistics Authority

One down, one more to go for a BSP pause

Bangko Sentral ng Pilipinas (BSP) BSP Governor Felipe Medalla previously mentioned that he could consider a pause at the next policy meeting should prices begin to fall (negative month-on-month inflation) and should headline inflation show signs of heading back towards to target convincingly. Today's inflation reading could be one additional data point that could convince Governor Medalla that inflation is finally moderating.

We expect inflation to moderate further in April which could open the door for a BSP pause at the May meeting.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com