

Philippines: Inflation edges lower again in April

Headline inflation continues to moderate, falling to 6.6%YoY in April



Source: Shutterstock

6.6% Headline inflation YoY change

Lower than expected

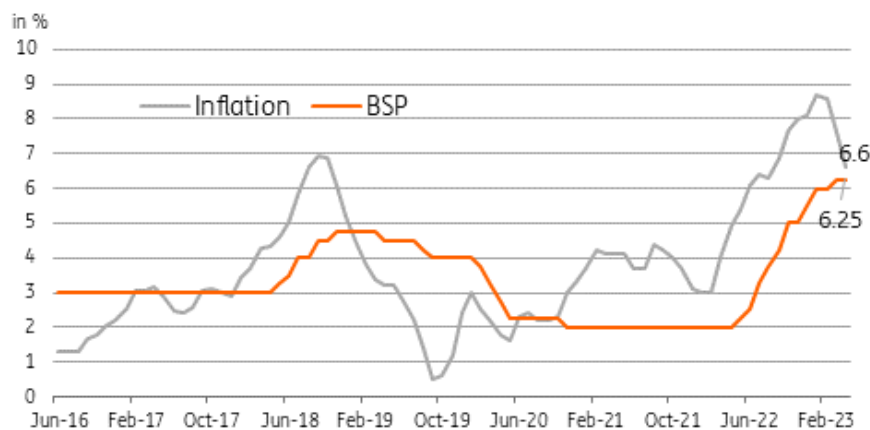
April headline inflation down to 6.6%

Price pressures continued to moderate with April headline inflation dipping to 6.6%YoY, well below the market consensus for a 7.0% increase. Inflation was slower for index-heavy items such as food (7.9%YoY), utilities (6.5%YoY) and transport (2.6%YoY) benefiting from lower energy prices and favourable base effects. Overall, prices were down 0.2% from the previous month and year-to-date inflation slipped to 7.9% from 8.3% previously.

Despite the slowdown, headline inflation remains well above Bangko Sentral ng Pilipinas' (BSP) target of 2-4%. Meanwhile, we note select subsectors that reported a pickup in inflation for the

month, namely personal care (5.7% vs 5.6%), restaurants and accommodation (8.6% vs 8.3%) and recreation (4.7% vs 4.6%), suggesting that robust domestic demand may be slowing the pace of moderation.

Headline inflation falls more than expected



Source: Philippine Statistics Authority

BSP likely to consider a pause

BSP Governor Medalla recently indicated that he would be open to a pause at the next policy meeting should inflation slow further or if prices fall. Today's report increases the chances of a pause from the BSP at the 18 May meeting after month-over-month inflation was negative for a second month. Slowing inflation and a relatively stable currency could be enough to convince Governor Medalla to bring his recent tightening cycle to an end.