

Snap | 5 March 2026

PHILIPPINES

Philippines inflation inches up, with oil-driven risks building

February CPI rose to 2.4% YoY from 2.0%, in line with expectations, supported by modest food inflation and firmer services. The Philippines remains one of the most oil exposed economies in the region. While lower excise taxes could soften the inflation impact, the bigger drag is likely through the trade balance, putting additional pressure on the peso



Food inflation remained the main driving factor behind February's increase in the headline rate

Higher food prices behind the pick-up in inflation in February

Headline CPI inflation in the Philippines rose to 2.4% year-on-year in February, broadly in line with expectations, up from 2.0% YoY in January.

- Food inflation, which accounts for roughly 38% of the CPI basket, remained the key driver, with its contribution rising to 0.7ppt from 0.4ppt in the previous month. Still, overall food inflation stayed contained at 1.8% YoY, supported by falling vegetable prices despite higher rice prices.
- Several categories posted inflation readings above the Bangko Sentral ng Pilipinas' (BSP) 4% upper end target. Notably, services inflation was elevated, led by restaurants and

accommodation services at 4.3% YoY, and recreation and sports services at 4.1% YoY.

- Additional upward pressure came from housing, electricity and fuels, as well as health-related services, which rose 3.2% YoY.

Overall, while headline inflation remains within the BSP's 2-4% target band, the pickup in oil price inflation warrants monitoring, especially as the Philippines' retail fuel prices are market-linked.

Most exposed to higher oil prices, but the impact is manageable

The Philippines relies on the Middle East for almost 90% of its oil supply, making it one of the most vulnerable economies in the region to the ongoing supply disruption. Higher oil prices raise inflation both directly (fuel and transport) and indirectly (food and logistics).

Around a 20% increase in oil prices from February levels could add up to 0.8ppt to headline inflation if the increase is sustained and fully passed through to retail prices.

We think that if high oil prices persist, the government may revisit the TRAIN law provision that allows the automatic suspension of fuel excise taxes when global oil prices exceed USD 80/bbl – a mechanism previously used around 2018-2020.

Given this possibility that limits transmission to retail prices – and the higher oil prices likely seen as a temporary supply-side shock by the BSP – we do not expect the central bank to respond to sustained higher oil prices with rate hikes. Instead, the growth drag from higher energy costs would increase the likelihood of another rate cut over the year.

PHP to remain weak

A 20% rise in oil prices could worsen the current account deficit by roughly 80bp. Even short-lived oil price spikes can have an outsized impact on FX markets. For example, the brief oil surge in June 2025 was enough to weaken the Philippine peso, Korean won, Thai baht, and Japanese yen by 1.5-3%, despite the short duration of the conflict.

Given these dynamics, we maintain our forecast of around 59.0 for PHP/USD in 1Q26, with risks tilted toward modest further weakness should oil prices remain elevated.

Author

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.