

Inflation in the Philippines jumps as rice prices remain elevated

February inflation at 3.4% was much higher than expected



Bags of rice at a market in Manila, Philippines

3.4% YoY change in CPI

Higher than expected

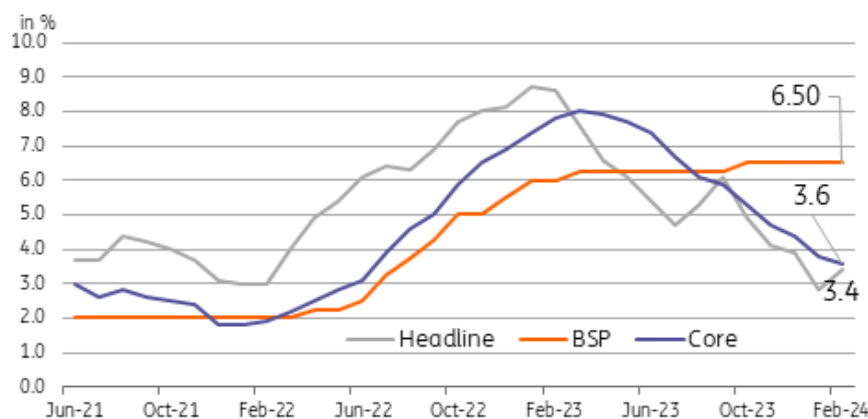
February inflation at 3.4%

Philippine February inflation jumped to 3.4%YoY from 2.8% in January, much higher than expectations for an increase to 3.0%. Prices were up 0.6% from the previous month driven once again by food inflation, in particular rice. Rice prices rose more than 20%YoY owing to tight supply conditions. Overall food inflation rose 4.6%YoY, a pickup from the 3.5%YoY increase recorded in January possibly due to the onset of the El Nino weather phenomenon. Meanwhile, transport inflation settled at 1.2%YoY compared to the -0.3%YoY recorded in January.

Inflation for non-food items stayed elevated but has shown signs of moderation with inflation for

recreation & culture, restaurants & accommodation and personal care also registering slower inflation than the previous month. Core inflation inched lower to 3.6%YoY, down from 3.8%YoY.

Philippine inflation rises as food inflation heats up due to El Nino



BSP on hold, but still likely to cut as soon as the Fed eases

The recent move higher for inflation means the Bangko Sentral ng Pilipinas (BSP) will extend its pause. BSP Governor Remolona has been telegraphing an eventual rate cut towards the latter half of the year, likely waiting for inflation to show “convincing” signs of staying well within target. Today's inflation brings year-to-date inflation to 3.3%YoY.

If inflation manages to stay relatively subdued and the Fed finally starts to ease, we expect the BSP to likewise begin its easing cycle to give economic growth added support in the face of challenging global headwinds.