Philippines inflation prints at 6.7% in September

Philippines inflation hit 6.7% year on year in September as base effects helped limit the rise. Prices accelerated by 0.93% versus August. Meanwhile, core inflation moderated to 4.7% from 4.8% in the previous month

Source: Shutterstock

6.7%

September inflation rate

slips below consensus

Lower than expected

Inflation slips below consensus as base effects limit the year-ago rise

The major contributor to inflation remains food, which saw inflation pick up to 9.7% from 8.5% with all items seeing faster inflation except for utilities which showed a 4.6% growth compared with 5.5% in the previous month.

The 6.7% print supports our assessment that inflation is close to or has peaked for the year and is expected to taper off going into the year-end. The Philippine peso will benefit from favourable base effects going into December. Rice imports have arrived in ports and are presently being distributed with up to 750,000 MT expected to arrive in the coming weeks to help alleviate further pressures. We hope further non-monetary policy measures begin to take root ahead of the Christmas season. On risks to the upside, oil prices remain elevated, which has been reflected in the recent price increases at the pump.

That being said, the central bank (BSP) remains vigilant against any signs of second-round effects and will look to anchor inflation expectations going forward. This diminishes to some extent the likelihood of a 25 basis point rate hike in November, as the BSP is likely to keep its powder dry for further action if warranted, should the Peso continue to slide.