

Philippines: Inflation steady at 4.5% in April

Headline inflation stays at 4.5% in April as pork remains pricey and base effects supportive



Source: Shutterstock

4.5% April CPI inflation

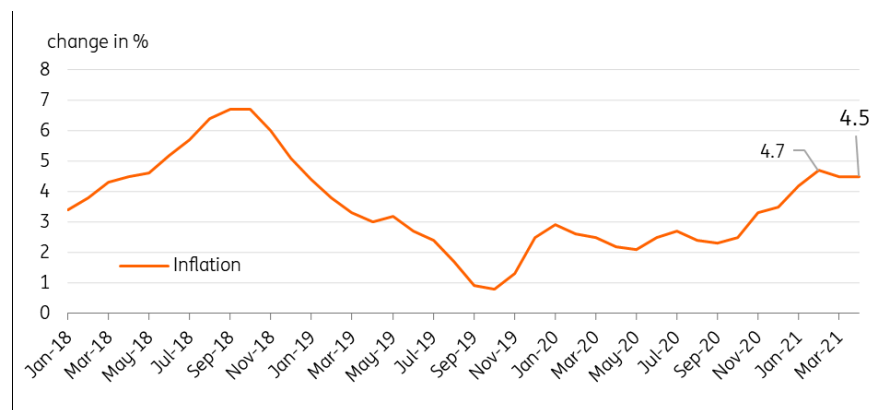
Lower than expected

April inflation at 4.5%

Philippine inflation remained above target for a fourth month in April with headline inflation staying at 4.5%, unchanged from March. Inflationary pressures emanated from the index-heavy food component and transport costs. Food and beverage inflation was 4.8%, down from 5.8% the previous month, as pork prices were still 22.1% above prices the same month in 2020 while fish prices were up 6%. Transport costs continued to edge higher with inflation for this sector accelerating to 17.9% (from 13.8%) driven by a 48.4% increase in tricycle fares and increases in

retail pump prices. Upside pressure on inflation remained confined to specific supply-side issues (African Swine Fever for pork and global crude oil prices) as well as pandemic-related health protocols (tricycle fares, restaurants and other services) while demand-side pressures stayed muted with inflation for recreation and culture still negative (-0.6%) for a 9th straight month. Should price pressures continue to dissipate, we can expect inflation to decelerate as early as next month with 4.5% possibly the peak for the year.

Philippine inflation four months above target



Source: Philippine Statistics Authority

BSP on sidelines as price pressures dissipate

Bangko Sentral ng Pilipinas (BSP) has largely looked through the 2021 inflation breach, opting to accommodate the 4 months that inflation has moved past the 2-4% inflation target. BSP Governor Diokno has reiterated that the current inflation spike is transitory and upward pressure on inflation appears to be dissipating as supply-side bottlenecks are addressed. The recent executive order related to pork imports should help bring down pork prices in the near term while one-off adjustments to transport fares carried out in 2020 will soon wash out. Meanwhile, economic activity remains subdued with the capital region in partial lockdown. We expect BSP to remain on hold for the whole of 2021 to provide support to the economy and we believe inflation will begin to decelerate further in May as supply-side issues are addressed by supply-side remedies.