

Philippines: Inflation surges to 7.7% as storm damage forces up food prices

October inflation blew past expectations to hit 7.7% YoY



Price pressures continue to mount in the Philippines as supply chain constraints disrupt food supplies

7.7% YoY

October CPI inflation

Highest since 2008

Higher than expected

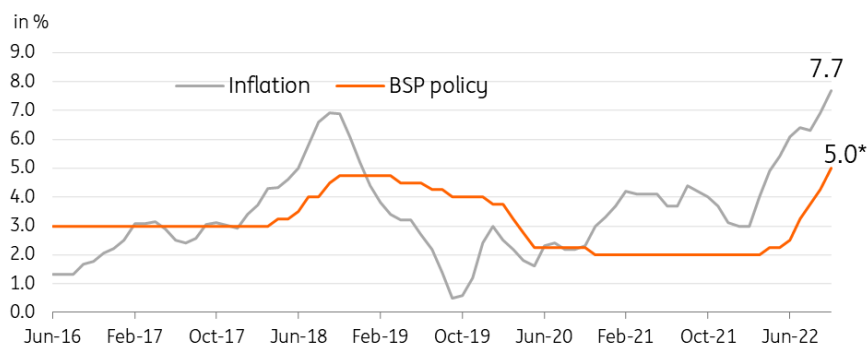
Storm damage pushes food prices even higher

October headline inflation jumped to 7.7%YoY (from 6.9% in September) as damage caused by a recent typhoon pushed food price inflation even higher (9.4% vs 7.4% previously). Prices rose 0.9% month-on-month and blew past market expectations for an increase in the inflation rate to only 7.1%.

On top of food prices, inflation was also driven by utility costs due to still expensive imported energy. Furthermore, transport inflation rose at a 12.5% pace, pushed higher by the 9% increase in public transport fares which took effect in October.

Meanwhile, demand-side price pressures were also evident. Robust demand helped inflation for both restaurants & accommodation services (5.7%) and personal care (3.7%) to move higher.

Inflation likely to head higher in coming months



* Incorporating BSP pre-announced 75bp rate hike for 17 Nov

Source: Philippine Statistics Authority and Bangko Sentral ng Pilipinas

Are we there yet? Not likely

Bangko Sentral ng Pilipinas (BSP) recently indicated that we may be close to a peak in inflation, but we expect price pressures to remain potent, especially after the country was hit by another storm last week. The confluence of supply and demand side pressures should push headline inflation close to 8% by December before drifting slowly lower in the first half of 2023, as second-round effects are likely to linger.

BSP should remain hawkish even after their recent pre-announced 75bp rate increase. We expect the central bank to hike again in December, likely matching any move from the Fed to close out the year.