

Snap | 5 November 2021

PHILIPPINES

# Philippines: Inflation surprises on the downside

BSP remains dovish as slower than expected food inflation offset the pickup in transport costs



Source: Shutterstock

## 4.6% October CPI inflation

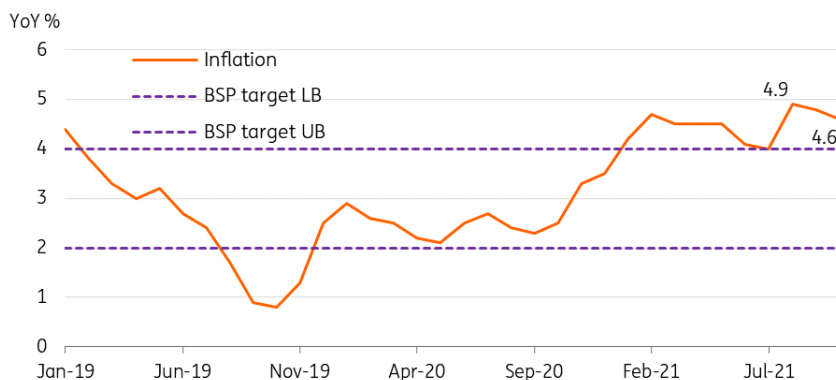
Lower than expected

### October headline inflation slides to 4.6%

Philippine headline inflation surprised on the downside, slipping to 4.6% YoY in October (4.8% in September) compared to the consensus forecast of 4.9%. Slower-than-expected food inflation helped the headline number edge down after meat inflation decelerated, offsetting higher vegetable and fruit prices. Meat prices stabilized after the government ramped up pork imports to augment supplies depleted by the proliferation of African Swine Fever. The expected spike in transport inflation due to pricey crude oil was contained after base effects from last year's public transport fare hikes faded. Despite today's downside surprise, year-to-

date inflation (4.5%) remains well-above above the central bank's 2-4% target.

### Philippine inflation and central bank inflation target



Source: Philippine Statistics Authority

### BSP expected to hold going into 2022

Despite elevated inflation, Bangko Sentral ng Pilipinas (BSP) continues to push back on rate hike calls, citing the need to support the economic recovery. BSP Governor, Diokno indicated his preference to look past supply-side-induced price spikes and that national government intervention (pork imports or fuel subsidies) would be more effective at addressing these types of price pressures. We expect BSP to maintain its current policy setting for the balance of 2021 and we retain our expectation for a possible rate adjustment from monetary authorities in 2q 2022.

### Author

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.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

## THINK economic and financial analysis

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](http://www.ing.com).