

# 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

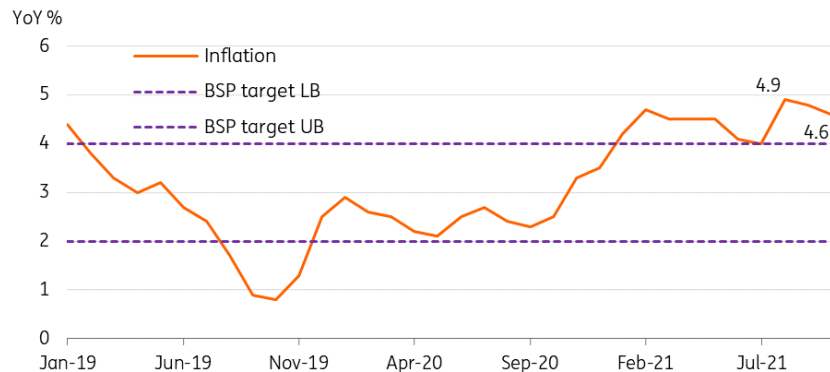
Lower than expected

## 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.