

Philippines: Inflation ticks higher to 2.7% on transport costs

Price pressures in the Philippines remain relatively benign reflecting stalling domestic demand



Shoppers in a Philippines' supermarket

2.7% Philippines CPI inflation
July

Higher than expected

Inflation ticks higher to 2.7% in July

Headline inflation inched up to 2.7% in July from 2.5% in the previous month as transport prices and slightly higher utility costs nudged the index higher. Quarantine protocols implemented by the government pushed transport costs higher as riders are no longer allowed to share rides with fellow passengers while utility bills were also slightly more costly due to elevated costs for water services. Food inflation slowed somewhat to 2.4% but higher costs for certain meat items kept the overall hefty index from falling rapidly. Year-to-date inflation as of July settled at 2.5% and we expect a further pickup in headline inflation throughout the 3Q followed by a decline to close out

the year.

Goldilocks inflation report, should keep BSP on hold for now

The slight uptick in inflation for July may be enough to keep the central bank, Banko Sentral ng Pilipinas (BSP), to remain on hold at their next policy meeting but the still well-behaved dynamic of inflation will likely translate to a long pause from Governor Diokno. The BSP governor previously indicated he would keep his stance unchanged “for at least two quarters” and we believe he will refrain from cutting policy rates further to prevent real policy rates from falling too deep into negative territory. Currently, the BSP’s inflation-adjusted policy rate is at -0.45%. BSP, however, has also shared that it will take the 2Q GDP report into account for future policy decisions but we only expect BSP to alter its stance should growth fall well past the most pessimistic GDP forecast for 2Q.

Author

Nicholas Mapa

Senior Economist, Philippines

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 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 <http://www.ing.com>.