

Philippines: Inflation was lower than expected but stayed elevated due to rice

April inflation settled at 3.8%YoY as rice inflation surged by 23.9%



Bags of rice at a market in Manila, Philippines

23.9% YoY change in rice prices

Lower than expected

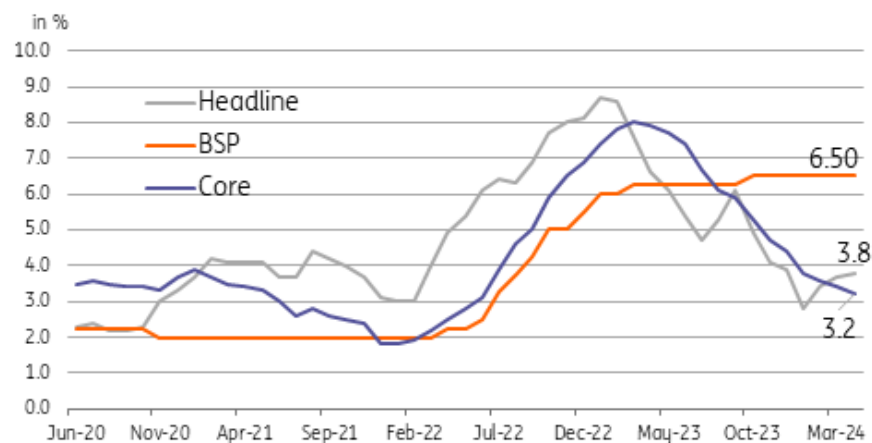
Inflation slips below consensus

April headline inflation rose to 3.8% year-over-year, below the market consensus of 4.1% YoY, but up from the March 3.7% rate. CPI surprisingly fell 0.1% from the previous month. Market participants were expecting a month-on-month CPI increase of 0.2%. Core inflation on the other hand headed lower, settling at 3.2%YoY from 3.4%YoY in March.

The main driver for inflation remained the food & beverage subsector. Inflation for this sector rose to 6.0%YoY, up from 5.6%YoY in March. Inflation for the main staple rice sustained the recent surge, clocking in at 23.9%YoY as rice supplies stayed at a 6-year low. Given its heft in the CPI

basket, rice inflation delivered 2.1 percentage points to April's 3.8% headline inflation. Meanwhile, transport inflation ticked higher to 2.6%YoY (from 2.1%YoY) due to faster inflation for diesel and gasoline prices, which tracked higher global crude oil prices. Most other sectors reported slightly slower inflation readings.

Inflation edges up due mainly to expensive rice



Source: PSA and BSP

BSP on hold next week

Bangko Sentral ng Pilipinas (BSP) Governor Remolona shared that the central bank's inflation forecasts still point to inflation accelerating “over the next 2 quarters”. Remolona however still expects average inflation to settle within the BSP’s 2-4% inflation target. Today’s inflation report lessens the pressure on the BSP to resort to additional tightening to fend off price pressures. Remolona believes monetary policy settings are appropriate and we expect BSP to retain all policy settings at their policy meeting on 16 May.