Philippines: November inflation continues to decelerate

Price pressures continued to ease in November with headline inflation sliding to 4.2%

The central bank of the Philippines as seen from the CCP Grounds

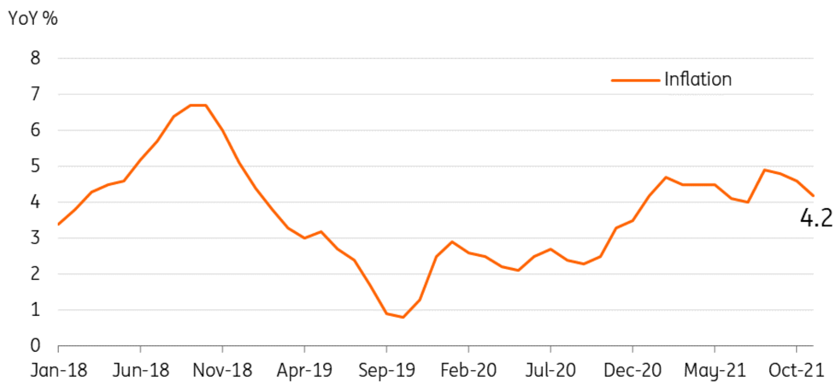
4.2% November CPI inflation

Higher than expected

Slower food inflation offset by higher utility and transport costs

November inflation settled at 4.2%YoY, decelerating from 4.6% in the previous month. However, this was still faster than market expectation for a 4.0% YoY rate of price inflation. Food inflation (3.9%) slowed in November as a result of the improved harvest thanks to favourable weather conditions. Meanwhile, higher electricity (4.6%) and transportation costs (8.8%) offset the deceleration in food prices. Elevated global crude oil prices filtered through to increased electricity bills and pricier diesel, keeping the headline inflation number above the target for another month. The latest reading brings year-to-date inflation to 4.5% with the central bank all but sure to miss its inflation target for the year.

Philippine inflation



Source: Philippine Statistics Authority

Central bank still expected to retain accommodation… for now

Bangko Sentral ng Pilipinas (BSP) Governor, Benjamin Diokno, has reiterated his preference for retaining an accommodative stance. As a result, despite the upside surprise for today's inflation report, we expect the central bank to keep rates unchanged at the last policy meeting for the year on 16 December. We do, however, expect the BSP to possibly adjust its stance by 2Q 2022 as growth dynamics will likely improve considerably. Governor Diokno, has indicated in the past that he would like to see more evidence of a "solid economic recovery" before considering a shift in policy stance. We expect the Philippines to post robust growth numbers over the next 2 quarters, which may be enough to convince Governor Diokno, to finally decide to adjust his current accommodative stance.