

Philippines: Typhoon Mangkhut to push inflation higher

Rice prices continue their upward trend, pointing to an elevated inflation reading for September



Source: Shutterstock

20.3%

YoY price increase for rice

Rice prices elevated ahead of typhoon damage

Rice prices trend higher in September

Rice is a staple food in the Philippines and fast-food restaurants have previously offered “unli-rice” or free refills of rice to attract customers. In terms of the CPI basket, rice constitutes roughly 9%, one of the heaviest single item contributors to overall inflation.

The latest report from the Philippine Statistics Authority shows retail prices for regular-milled rice have hit Php45.71, 20.26% higher than the same period in 2017. Meanwhile, month-on-month prices of the all-important staple have increased by 7.35%, ostensibly due to adverse weather conditions in the Philippines. The most recent reading from the PSA does not account for the

projected crop damage from the recent super typhoon Mangkhut.

Given this backdrop, we may continue to see accelerated price pressures on the overall September inflation print, with food and energy prices possibly lifting inflation past 6.5% growth. The market expects inflation to peak in the third quarter and although the September reading may remain elevated, we continue to believe that the path of inflation will eventually move towards target going into 2019.

This solidifies our view that the central bank (Bangko Sentral ng Pilipinas) will enact “substantial” monetary action at the upcoming Monetary Board meeting on 27 September 2018. Although the protracted inflation overshoot may be tied in large part to bad weather and rising oil prices, monetary authorities will look to anchor inflation expectations and remain vigilant against a possible de-anchoring. Thus, the BSP will need to maintain their current hawkish stance and continue to assure markets that they remain committed to bringing inflation back to target over the medium-term.

https://psa.gov.ph/sites/default/files/Updates%20on%20Palay%2C%20Rice%20and%20Corn%20Prices%2C%20August%202018%20%28Week%20%29_0.pdf