



Republic of the Philippines
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DOF Economic Bulletin on February 2019 Inflation
05 March 2019

- The month-on-month (MOM) price inflation in February stabilized at 0.2% as food prices dropped 0.32% from last month's level compared with 0.4% rise in January. The MOM inflation for major food products such as rice, vegetables, meat and fish all recorded negative levels.
- However, the 4.4% rise in Dubai crude petroleum prices (from US\$56.5 in December 2018 to US\$59/barrel in January and further by 5.9% in February (US\$62 per barrel) pushed non-food inflation by 0.44% MOM from zero in January. The MOM inflation for operation of personal transport rose 5.13% and electricity and fuels by 2.14%
- Thus, February year-on-year (YOY) inflation eased to 3.8%, down from 4.4% the previous month and moved within the targeted 2-4% inflation range for the whole year.
- Sin products and non-alcoholic beverages continued to rise MOM and contributed a total of 0.6 percentage points to YOY inflation. Excluding these unhealthy products, YOY inflation would have risen by only 3.2%.
- Core inflation of 3.9% suggests that in the coming months, headline inflation may stay below 4%.
- For inflation to stay below 4% in March, month-on-month price change should be at the most 0.6% (see Table 2).

DOF View

The supply-boosting measures approved by the President last year continue to dampen inflationary pressures. The implementation of rice tariffication law will further trim down inflation. In addition, the interest rate adjustments implemented by the Bangko Sentral will further bring down aggregate demand and trim inflation to the lower end of the range.

Table 1 Inflation and Contribution to Inflation

Commodity Group	Year-on-Year (%)			Contribution to Inflation (ppts)			Month-on-Month (%)		
	Feb-18	Jan-19	Feb-19	Feb-18	Jan-19	Feb-19	Dec-18	Jan-19	Feb-19
All items	3.79	4.38	3.83	3.79	4.45	3.82	(0.59)	0.17	0.17
Food & non-alcoholic bev	4.79	5.59	4.73	1.90	2.25	1.90	(0.63)	0.40	(0.32)
Rice	2.77	4.69	2.84	0.28	0.46	0.28	(1.67)	(0.73)	(0.51)
Meat	6.56	4.93	4.13	0.41	0.32	0.27	-	(0.08)	-
Fish	11.22	7.76	7.78	0.68	0.51	0.50	0.15	3.09	(0.14)
Vegetables	2.58	5.34	4.96	0.08	0.17	0.16	(3.30)	0.33	(2.67)
Non-alcoholic beverages	3.94	11.88	10.73	0.11	0.33	0.30	0.33	0.25	0.33
Alcoholic bev & Tobacco	16.85	16.13	12.25	0.37	0.38	0.30	0.72	1.33	1.82
Alcoholic Beverages	5.06	5.17	4.51	0.04	0.04	0.03	0.29	0.14	0.36
Tobacco	22.94	21.31	15.69	0.33	0.34	0.27	0.86	1.78	2.42
NON-FOOD	2.66	3.21	2.92	2.48	1.84	1.67	(0.53)	-	0.44
Clothing and footwear	2.02	2.50	2.41	0.06	0.07	0.07	0.17	0.17	0.17
Housing, Utilities & Fuels	2.64	4.00	3.68	0.56	0.83	0.77	(0.27)	-	0.71
Housing Rent	2.16	3.10	3.00	0.28	0.40	0.38	0.17	0.43	0.34
Electricity & Fuels	3.64	5.34	5.22	0.24	0.34	0.34	(1.04)	(1.54)	2.14
Furnishings, household eqt	2.51	3.95	3.76	0.07	0.12	0.11	0.08	0.42	0.25
Health	2.15	4.30	4.20	0.08	0.17	0.16	0.25	0.42	0.17
Transport	5.65	2.47	1.17	0.40	0.18	0.08	(3.86)	(0.67)	0.10
Op. of Personal Transport	14.53	(0.88)	(0.32)	0.27	(0.02)	(0.01)	(9.42)	(1.75)	5.13
Transport Services	2.89	4.13	1.78	0.13	0.19	0.08	(1.94)	(0.27)	(1.98)
Communication	0.20	0.40	0.40	0.01	0.01	0.01	-	-	-
Recreation and Culture	1.37	3.15	3.15	0.02	0.04	0.04	0.09	0.09	0.09
Education	1.78	(3.75)	(3.83)	0.06	(0.13)	(0.13)	-	-	(0.09)
Restaurants & Misc. Services	2.49	4.33	4.04	0.31	0.53	0.49	0.09	0.35	0.17
Core	3.00	4.35	3.88						

Source of Basic Data: PSA

Table 2 Year-On-Year Inflation Given Month-On-Month Price Change Scenarios (%)

MOM (%)	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19
0.9	4.2	4.6	5.6	5.9	6.3	6.3
0.8	4.1	4.4	5.2	5.4	5.7	5.7
0.7	4.0	4.2	4.9	5.0	5.2	5.1
0.6	3.9	4.0	4.6	4.6	4.7	4.4
0.5	3.8	3.8	4.3	4.2	4.2	3.8
0.4	3.7	3.6	4.0	3.8	3.7	3.2
0.3	3.6	3.4	3.7	3.4	3.2	2.6
0.2	3.5	3.2	3.4	3.0	2.6	2.0
0.1	3.4	3.0	3.1	2.5	2.1	1.4
0.0	3.3	2.8	2.8	2.1	1.6	0.8
(0.1)	3.2	2.6	2.4	1.7	1.1	0.2
(0.2)	3.1	2.3	2.1	1.3	0.6	(0.4)
(0.3)	3.0	2.1	1.8	0.9	0.1	(1.0)
(0.4)	2.9	1.9	1.5	0.5	(0.4)	(1.6)
(0.5)	2.8	1.7	1.2	0.1	(0.9)	(2.2)

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