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# TRAIN's effect on inflation 'very minimal, manageable' – DOF

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The inflation level in the Philippine economy as a result of the enactment of the Tax Reform for Acceleration and

Inclusion (TRAIN) law is "very minimal and manageable," the Department of Finance (DOF) said Monday.

In a position paper submitted during the public hearing by the ▶5

Gatchalian asked economic and finance officials to return in the next few months to his committee for their views on the effects of the tax reform measure.

He then urged the NEDA and DOF to implement the conditional cash transfer (CCT) program to cushion the effects of high prices on the very poor.

This means giving P200 per month to the very poor sector of the society on top of the P3,000 that each poor family receives every month. The P200 will be increased to P500 next year.

There are 10 million very poor families bracketed as CCT beneficiaries by the Department of Social Welfare and Development (DSWD).

Gatchalian said one measure to help the very poor to ride out the inflation factor is for Congress to pass a "national ID system" that will help the government identify the very poor to be given discounts on fare and reduced rice prices.

He pointed out the need for government to come up with P13 billion to be added to the existing P2 billion for the national ID system to cover the 110 million Filipinos of which 60 million are considered adults.

Another immediate measure is for Congress to remove the global "quantitative restrictions" (QR) so that traders could be allowed to import cheaper rice

and sell the rice at a reduced P20 per kilo price, he said.

Gatchalian said reduced prices of rice have a very strong impact on Filipino families since 20 percent of their budgets go to rice.

He added that the interests of Filipino farmers on the rice issue must be safeguarded.

Gatchalian said he would ask the Department of Trade and Industry to attend the next committee hearing and expound on reports that abusive merchants have increased their prices even before the TRAIN was signed into law late last year.

These merchants should be punished for "unfair trade practices," he added.

"As the inflation target is set by the BSP for the whole year, one month of

## PNoy: I would've...

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Senate Economic Affairs Committee chaired by Sen. Sherwin T. Gatchalian, the DOF stressed that its estimate on inflation is supported by the Bangko Sentral ng Pilipinas (BSP) and the National Economic and Development Authority (NEDA) at around 0.05 to 0.7 percentage points.

DOF's analysis of the January, 2018 inflation and TRAIN showed that in January, 2018, year-on-year inflation was 3.95 percent, well within the 2 to 4 percent target of the BSP, though at the high end.

"At almost 4 percent, the January inflation rate is considered moderate," DOF pointed out.

After the public inquiry, Gatchalian told Senate reporters that the TRAIN is not the reason for rising prices.

The moderate inflation level, according to Gatchalian, is caused by fluctuations in the prices of global oil and depreciation of the peso.

The Duterte administration pressed Congress to pass the TRAIN measure because the revenues to be collected would be used to finance the government's "Build, Build, Build" infrastructure program.

"We will see the full effect of TRAIN from May to August, the timetable where the effects of the tax reform measure would be felt," Gatchalian said.

\* INFLATION  
\* TRAIN (TAX REFORM FOR ACCELERATION AND INCLUSION)

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higher inflation is not a concern," according to the DOF paper submitted by Gil Beltran, DOF undersecretary for domestic finance group.

"To compare, in January, 2017, inflation was only 2.7 percent, so there is some base effect," it stressed.

"In January, 2018, NCR (National Capital Region) inflation was higher at 5.45 percent while outside NCR, inflation was lower at 3.53 percent. This means that the poor, who are mostly outside NCR, are less affected," it added.

On its notes on the TRAIN inflation estimate, the DOF said that TRAIN can potentially increase inflation by up to 0.7 percentage points in 2018 "due to higher oil prices, of which food prices may increase by up to 0.3 percentage points and transportation by up to 0.1 percentage points."

Undersecretary Beltran said the fear that TRAIN would lead to an escalation of food prices is not supported because of the following reasons: overall food inflation was 4.52 percent (albeit at the high end and could suggest some profiteering as oil prices have not even increased due to TRAIN, recall month-on-month inflation was -0.8 percent); rice inflation was only 1.4 percent; fish inflation was only higher at 12 percent but this likely reflects the close-season of fishing (November to February) and recent typhoon in the Visayas.

"In truth, the reason for higher inflation is better compliance in tobacco tax. Tobacco inflation was 17.4 percent in January, 2018 when the expected increase is only eight percent due to scheduled tobacco tax increase," the DOF said.

NEDA Director-General Ernesto M. Pernia said the Philippines is expected to remain one of the fastest-growing economies in Asia.

This upbeat view on the Philippine economy, Pernia said, is shared by the private sector and international organizations such as the Asian Development Bank (ADB) and the World Bank.