PH faces inflation, overheating risks

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The rate of increase in consumer prices would intensify this year as the Philippine economy is also at risk of overheating, a World Bank report showed yesterday.

Based on the World Bank's Philippines economic update report, inflationary pressure in the country is expected to intensify this year owing to higher costs of food — fish, meat and fruit products — that drove inflation by almost half last year.

Aside from food, energy cost in tandem with the global increase in crude oil prices and adjustments in local electricity prices were also factors to higher inflation, the World Bank said.

"Excluding the volatile food and energy items, core inflation also rose sharply, partly due to the pass-through effect of a weaker peso," the World Bank said.

The Washington-based lender expects inflation to settle at 3.3 percent this year, but within the government's target range of 3.0 percent to 4.0 percent.

For 2019, the bank is projecting an inflation rate of 3.0 percent.

"It [faster inflation] could also indicate increasing demand side pressure due to the economy operating at its potential, which could be an early sign of the economy overheating," the report said.

The World Bank estimates that the Philippine economy, as measured by its gross domestic product (GDP), may grow by 6.7 percent this year and next, slower than the government's goal of about 7.0 percent to 8.0 percent.

To support the economy, the World Bank said that the implementation of the Duterte administration's infrastructure program is vital to the country's growth outlook, as private investment is expected to weaken.

"Investments in infrastructure and education, skills, and health, are not only key to sustaining high growth but will also ensure that poor and vulnerable families have access to better job opportunities," the bank said.

Prudent fiscal management and the implementation of the government's tax reform agenda could help secure the country's fiscal sustainability, the report added.

"External risks remain present, especially a faster-thanexpected policy normal-

ization in advanced economies that could trigger financial volatility and increase capital outflows from the Philippines," the World Bank said.

"Renewed protectionist sentiments in several advanced economies will also elevate policy uncertainty, which may may disrupt trade and investments," it added.

Mara K. Warwick, World Bank country director for the Philippines, meanwhile, said that the main challenge facing the Philippines is not unemployment, but rather the poor quality of jobs in the labor market.

"High-quality jobs and faster growth of real wages are the missing links to higher shared prosperity in the Philippines," Warwick said.

More can be done to create highquality jobs in the Philippines, Warwick said the government needs to affirm its commitment to the promotion of competition, secure property rights, less regulatory complexities, and an improved investment climate.

"Investing in the future means prioritizing investment in both physical infrastructure and human capital, such as in education, skills, and health, as this will create better employment opportunities, especially among the poor," she said.