

# Rice, oil, power bump up April inflation – BSP

The Philippine Star · 1 May 2018 · B1 · By LAWRENCE AGCAOILI

Inflation likely accelerated in April at a range of 3.9 to 4.7 percent due to higher rice prices, rising pump prices of petroleum products and more expensive electricity rates, the Bangko Sentral ng Pilipinas (BSP) said yesterday.

The central bank's Department of Economic Research said last month's inflation forecast was higher than the 3.8 to 4.6 percent range for the month of March.

"Geopolitical tensions in the Middle East caused a sharp increase in international oil prices, spilling over to higher domestic petroleum prices for the month. In addition, higher electricity rates in Meralcoserviced areas as well as higher rice prices due to supply conditions could contribute to additional price pressures," the central bank said.

Inflation averaged 3.8 percent in the first three months after rising to 4.3 percent in March.

Based on its assessment, the BSP sees inflation averaging 3.9 percent this year before easing to three percent next year primarily due to the transitory impact of the implementation of Republic Act 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law.

The central bank has been reluctant in raising benchmark rates as it sees the consumer price index (CPI) easing back to the two to four percent target next year.

Monetary authorities have not seen evidence of secondary effects from the tax reform law through higher wages and transport fares.

The BSP has maintained an accommodative policy stance over the past three years to support the growing economy through low interest rates. It last raised benchmark interest rates in September 2014.

"The BSP will continue to monitor closely evolving inflation dynamics over the policy horizon against any signs of incipient price pressures that may warrant a policy response," the central bank said.

BSP Governor Nestor Espenilla Jr. had said the sum of central bank actions remain appropriate for the situation.

Espenilla said monetary authorities are satisfied the yields of term deposits in the term deposit auction facility (TDF) have been moving in the right direction as guided and enabled by our open market operations.

"This is having the desired effect on other market rates that, in turn, help regulate the economy and control inflation. The signal can be further reinforced by other BSP actions as deemed necessary by developments," Espenilla said.

Meanwhile, inflation for the country's bottom 30 percent income households has risen to 5.3 percent in the first quarter of the year due to faster increases in the prices of food, beverages, and tobacco, the Philippine Statistics Authority (PSA) reported yesterday.

This was higher than the 2.8 percent inflation rate for the income group in the first quarter of 2017 and 3.4 percent in the fourth quarter of 2017.

In the National Capital Region (NCR) alone, inflation for the country's poorest households spiked to 5.9 percent in the first quarter of 2018, faster than 5.4 percent in the first quarter of 2017 and 4.7 percent in the fourth quarter of 2017.

In areas outside of NCR, inflation reached 5.3 percent in the first quarter of the year, also significantly faster than 2.7 percent growth in the same quarter of 2017 and 3.4 percent in the fourth quarter of 2017.

PSA said in the first quarter of 2018, the indices of all the commodity groups posted higher annual growths, except for the fuel, light, and water index which decelerated 6.1 percent.

The food, beverages, and tobacco index grew 5.9 percent during the reference period, clothing (1.9 percent), housing and repairs (3.7 percent), services (1.9 percent) and miscellaneous (1.5 percent). The food index alone grew 5.3 percent at the national level in the first quarter of 2018 from 2.7 percent in the same period in 2017 and 3.4 percent in the previous quarter. The sub-index for fish was up 11.5 percent in the first quarter of the year. Increases were also seen for rice, corn, fruits and vegetables.

The nationwide inflation rate continued to accelerate to 4.3 percent in March, raising the possibility of a continued increase in prices until the third quarter of the year amid the transitory effects of the implementation of the new tax law.