

REPORT ON INFLATION (SEPTEMBER 2022)

HIGHLIGHTS

- The Philippine Statistics Authority (PSA) reported that headline inflation accelerated to 6.9 percent in September 2022, significantly higher than the 4.2 percent inflation in September 2021. Seasonally adjusted month-on-month (m-o-m) inflation likewise increased to 0.6 percent from 0.4 percent in August 2022.
- The September 2022 inflation outturn is within the *Bangko Sentral ng Pilipinas*' (BSP) forecast range of 6.6 to 7.4 percent. Year-to-date (YTD) inflation is at 5.1 percent.
- Inflation of food and non-alcoholic beverages increased to 7.4 percent, up from 5.0 percent in September 2021, following an increase in the inflation of corn, rice, flour, fish, fruits, and sugar, but was partly offset by the lower inflation of meat, and vegetables.
- Non-food inflation increased to 6.4 percent, up from 3.5 percent in September 2021, as inflation in transport, and electricity, gas and other fuels remained elevated.
- We emphasize the need for the government to fast-track the distribution of targeted subsidies for low-income households, public utility drivers, and the agricultural and fishery sectors. Ensuring sufficient domestic supply and timely importation of key food items will help ease domestic price pressures. These are particularly important given the increased price pressures coming from the recently approved fare hikes, peso depreciation owing to a strong dollar, and the upcoming holiday season.

Year-on-year inflation rates*
(2018=100)

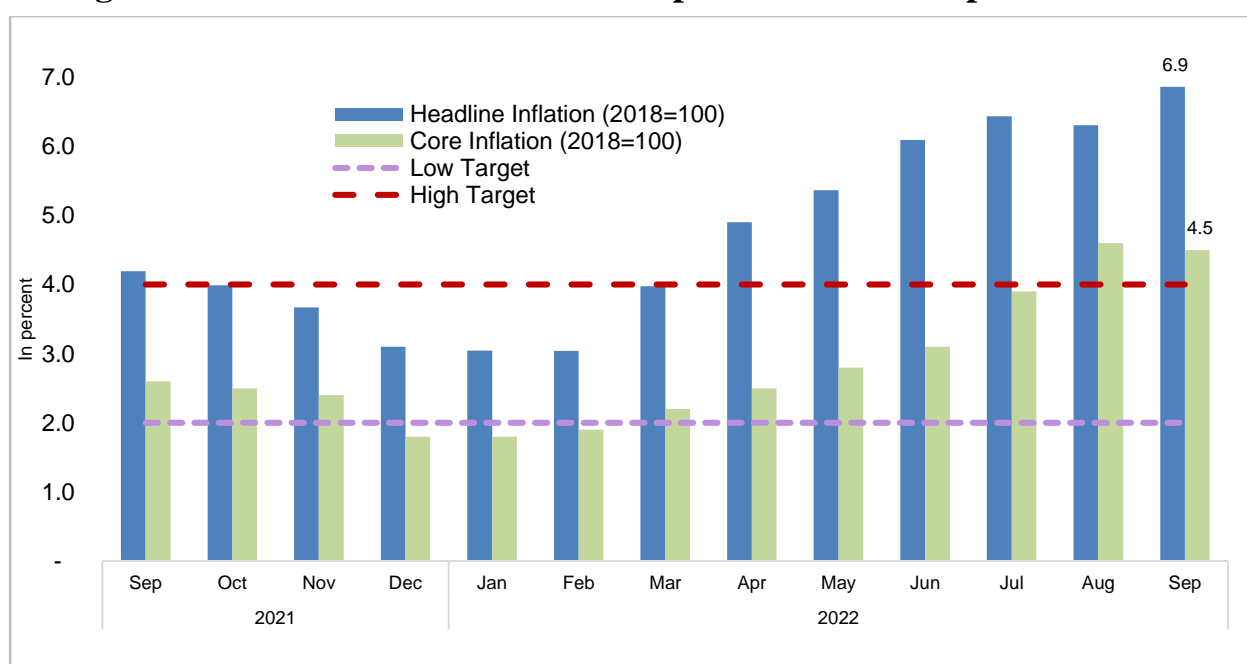
	Sep 2021	Aug 2022	Sep 2022	YTD 2022
Philippines				
Headline	4.2	6.3	6.9	5.1
Core	2.6	4.6	4.5	3.0
Bottom 30 percent*	5.0	5.9	6.7	4.6
NCR				
Headline	3.0	5.7	6.5	4.3
AONCR				
Headline	4.5	6.5	7.0	5.3

*Bottom 30 percent uses 2012 as base year

1. The headline inflation rate increased to 6.9 percent in September 2022; seasonally adjusted m-o-m inflation accelerated to 0.6 percent.

The Philippines' headline inflation accelerated to 6.9 percent in September 2022 from 4.2 percent in September 2021. This is within the BSP's 6.6 to 7.4 percent forecast for the month¹ and higher than the private sector's median forecast of 6.7 percent.² YTD inflation stood at 5.1 percent, which is well above the government's inflation target of 2.0 to 4.0 percent.

Figure 1. Headline Inflation Rates: September 2021 – September 2022



Most key commodity groups registered faster inflation, particularly for food and non-alcoholic beverages, transport, housing and utilities, and education services, among others. Core inflation accelerated to 4.5 percent in September 2022 from 2.6 percent in September 2021.

¹ "Month-Ahead Inflation Forecast for September 2022."

<https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=6464> (accessed on October 3, 2022)

² Ta-asan, Keisha B. Business World. "Faster inflation seen in Sept. — poll" [Bworldonline.com](https://www.bworldonline.com)

<https://www.bworldonline.com/top-stories/2022/10/03/477952/faster-inflation-seen-in-sept-poll/> (accessed on October 3, 2022)

Table 1. Top 10 Contributors to Inflation in September 2022 (in ppt)

Commodity group	September 2022
Electricity, Gas, and Other Fuels	1.1
Operation of Personal Transport Equipment	0.9
Meat and Other Parts of Slaughtered Land Animals	0.6
Fish and Other Seafood	0.5
Actual Rentals for Housing	0.5
Food and Beverage Serving Services	0.4
Passenger Transport Services	0.4
Sugar, Confectionery, and Desserts	0.3
Flour, Bread and Other Bakery Products, Pasta	0.3
Milk, Other Dairy Products, and Eggs	0.2
TOTAL CONTRIBUTION TO INFLATION	5.2
Others (e.g., education, clothing and footwear, furnishings, communications, recreation, etc.)	1.7
OVERALL INFLATION	6.9

Electricity, gas and other fuels, and the operation of personal transport equipment remained the top sources of inflation in September 2022, contributing a total of 2.0 percentage points (ppt). These are followed by meat and fish inflation, with a combined contribution of 1.1 ppt. Meanwhile, sugar, bread and other cereals, and milk and dairy products contributed a total of 0.8 ppt to total inflation (see Table 1).

Month-on-month seasonally-adjusted inflation increased to 0.6 percent (from 0.4% in the previous month), reflecting the faster adjustment in food and non-alcoholic beverages. All other major commodity groups recorded slower seasonally adjusted m-o-m inflation (See Table 2).

Table 2. Headline M-O-M Seasonally Adjusted Inflation Rates
(in percent, 2018=100)

Commodity Group	Year-on-Year		M-O-M Seasonally Adjusted	
	Sept 2021	Sept 2022	Aug 2022	Sept 2022
ALL ITEMS	4.2	6.9	0.4	0.6
Food and Non-Alcoholic Beverages	5.0	7.4	0.5	0.6
Alcoholic Beverages and Tobacco	9.5	9.8	1.1	0.8
Clothing and Footwear	1.9	2.9	0.4	0.3
Housing, Water, Electricity, Gas, and Other Fuels	3.8	7.3	1.4	0.9
Furnishing, Household Equipment, and Maintenance of the House	2.2	3.5	0.4	0.4
Health	3.8	2.4	0.3	0.2
Transport	5.6	14.5	-2.8*	0.0*
Information and Communication	0.7	0.5	0.0**	0.2**
Recreation, Sport, and Culture	1.6	2.7	0.4**	0.5**
Education Services	0.7	3.5	2.2	0.4
Restaurant and Accommodation	4.0	4.6	1.1	0.6
Financial Services	43.3	0.0	0.0**	0.0**
Personal Care, and Miscellaneous Goods and Services	2.2	3.4	0.5	0.4

Source: Philippine Statistics Authority

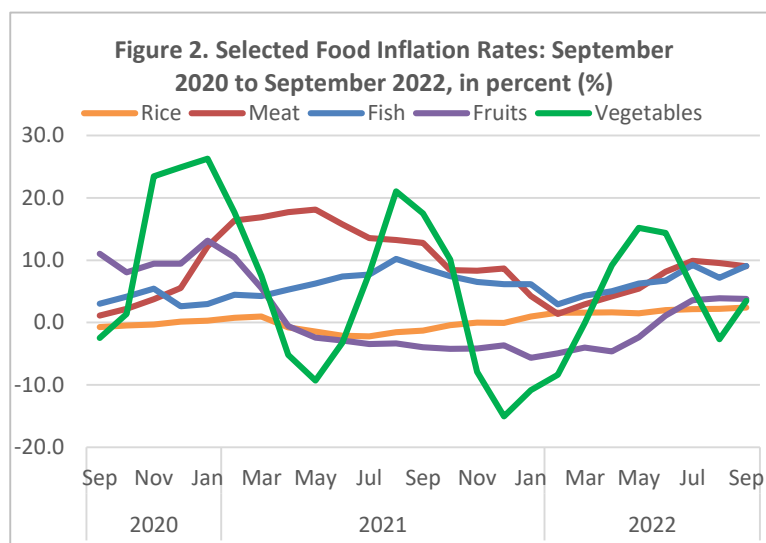
Note: *No seasonality for transport sector; **Not seasonally-adjusted; data was insufficient to establish seasonality at the time of evaluation of the models for seasonal adjustment

2. Inflation of food and non-alcoholic beverages accelerated to 7.4 percent; non-food inflation picked up to 6.4 percent.

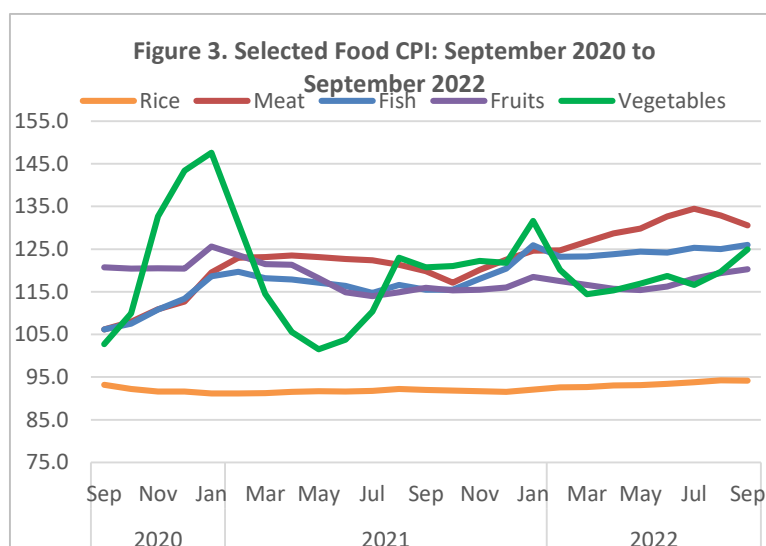
Food

Inflation of food and non-alcoholic beverages increased to 7.4 percent in September 2022 from 5.0 percent in September 2021. On a m-o-m seasonally adjusted basis, it marginally increased to 0.6 percent (from 0.5% in the previous month).

Faster food inflation was driven by rice (2.4% in September 2022 from -1.3% in September 2021), corn (26.2% from 11.4%), fish (9.1% from 8.8%), bread and cereals (9.0% from 1.9%), fruits (3.8% from -4.0%), and sugar (30.2% from 1.4%). Meanwhile, meat (9.0% from 12.8%), and vegetables (3.5% from 17.5%) recorded slower inflation.



Rice and corn accelerated as prices of fuel and fertilizer increased. Global supply constraints added further pressure on the prices of corn and wheat. Meanwhile, sugar inflation continued to accelerate amid limited domestic supply owing to reduced production, with Typhoon Odette damaging new plantings and standing crops, thereby disrupting the planting cycle.



Fish inflation accelerated due to the high cost of fuel and feeds. In addition, expanding the country's production remains challenging owing to the shortage of quality fish fry and propagules.

Lower meat inflation was driven by slower pork inflation (2.0% from 19.8%) and beef (9.5% from 12.2%). Lower tariffs resulted in higher import arrivals, while improvements in local pork production eased the pressure on pork prices.

Meanwhile, chicken inflation (17.7% from 9.4%) increased due to the Avian Influenza (AI) outbreak.³

Vegetable inflation slowed partly due to improved supply through government measures that ensure the availability of agri-related products in local markets such as KADIWA and other programs.⁴

Inflation of other food items also increased: milk and other dairy products (7.6% from 0.3%), oils and fats (20.1% from 6.2%), ready-made food products (6.7% from 0.8%), and non-alcoholic beverages (4.1% from 1.1%).

Non-food

Non-food inflation increased to 6.4 percent in September 2022 from 3.5 percent in September 2021. On a m-o-m seasonally adjusted basis, non-food inflation slightly increased to 0.5 percent from 0.4 percent in the previous month.

Housing and utilities inflation accelerated to 7.3 percent in September 2022 from 3.8 percent in September 2021. This was mainly due to the faster inflation in electricity, gas, and other fuels (16.7% from 10.1%) following higher Meralco generation charges (37.6% from 23.4%). Inflation of electricity, gas and other fuel also increased in areas outside of NCR (AONCR) (25.2% from 8.9%). Similarly, kerosene inflation (61.3% from 39.5%) edged higher.

Transport inflation accelerated to 14.5 percent in September 2022 from 5.6 percent in the same period last year. Private transport inflation climbed to 33.4 percent in September 2022 from 17.5 percent in September 2021, while public transport inflation increased (8.4% from 1.1%) following the nationwide fare increase for

³ As of September 29, 2022, the Bureau of Animal Industry (BAI) confirmed that Avian Influenza (AI) cases were reported in 68 municipalities and 135 barangays in 18 provinces. A total of 1,589,700 heads were culled as part of disease control measures.

⁴ In partnership with LGUs, agribusiness companies, private companies/institutions (e.g., electric cooperatives, commercial malls, villages), national agencies, and other entities, the DA pursues the KADIWA ni Ani at Kita in NCR and other areas. This initiative seeks to directly connect food producers to consumers, thereby reducing the cost of agriculture and fishery products. From January to September 15, 2022, the program has generated PHP331.5 million total sales from the 220 regular KADIWA outlets operating nationwide. These activities have benefited 26,294 farmer cooperatives, associations, and agri-fishery enterprises and served 935,977 households.

public utility jeepneys (PUJ) implemented in June and July.⁵ Year-on-year (y-o-y) inflation rates of unleaded gas (28.1% from 17.6%) and diesel (74.3% from 30.4%) are higher relative to the same period last year. Global oil prices are expected to ease, reflecting the weaker demand resulting from an uncertain global outlook and tightening of major economies.

Education services (3.5% in September 2022 from 0.7% in September 2021) also ticked higher amid the resumption of face-to-face classes this year.

3. Inflation is faster at 6.5 percent in NCR and 7.0 percent in AONCR. The Zamboanga Peninsula and Davao Region recorded the highest inflation rates at 9.6 percent.

The headline inflation in NCR accelerated to 6.5 percent in September 2022 from 3.0 percent in September 2021, while inflation in AONCR increased to 7.0 percent from 4.5 percent in September 2021.

In AONCR, all regions except Cagayan Valley recorded faster inflation relative to the same period last year (see Table 4).

The Zamboanga Peninsula and Davao Region recorded the highest inflation rates at 9.6 percent, up from September 2021's 2.8 percent for Zamboanga and 4.0 percent for Davao.

⁵ Effective July 1, 2022, the LTFRB implemented a provisional PUJ fare hike of PHP1 in Metro Manila and Regions III and IV (from the previous PHP10), and a PHP2 hike to the base fare in all other regions (from PHP 9).

Table 3. Y-O-Y Regional Inflation Rates
(in percent, 2018=100)

Regions	Sept 2021	Sept 2022	YTD 2022
NCR	3.0	6.5	4.3
AONCR	4.5	7.0	5.3
CAR	5.4	6.6	6.1
I - Ilocos Region	4.6	6.6	5.3
II - Cagayan Valley	6.8	5.9	4.3
III - Central Luzon	5.4	7.1	5.8
IV-A - CALABARZON	5.1	5.9	4.6
IV-B - MIMAROPA	3.3	7.6	5.2
V - Bicol Region	5.9	6.6	4.7
VI - Western Visayas	3.5	7.5	5.7
VII - Central Visayas	2.2	8.1	6.0
VIII - Eastern Visayas	4.6	6.9	6.3
IX - Zamboanga Peninsula	2.8	9.6	6.3
X - Northern Mindanao	3.4	7.0	5.3
XI - Davao Region	4.0	9.6	6.7
XII - SOCCSKSARGEN	5.2	7.0	5.2
XIII - Caraga	3.3	8.2	5.6
BARMM	2.2	6.0	3.0

4. Indonesia's inflation increased to 6.0 percent; in other ASEAN countries, inflation has been on the uptrend.

In Indonesia, faster inflation was recorded in transportation (16.0% in September 2022 from 0.7% in September 2021); personal care and other services (5.2% from 0.4%); food, beverages, and tobacco (7.9% from 3.2%); household equipment and maintenance (5.0% from 2.0%);



and housing and utilities (3.2% from 0.4%).⁶ On September 22, 2022, the Bank Indonesia raised its key policy rate by 50 bps to 4.25 percent.⁷

Malaysia, Singapore, and Thailand have yet to report inflation figures for September 2022. In August 2022, the three countries each recorded faster y-o-y inflation.

5. Inflation outlook and policy implications

On September 22, 2022,⁸ the BSP revised its inflation forecast to 5.6 percent in 2022 from its August forecast of 5.4 percent. This upward adjustment is driven by the potential impact of higher global non-oil prices, pending petitions for further transport fare hikes, impact of weather disturbances on prices of food items, and the sharp increase in the price of sugar. Meanwhile, a weaker-than-expected global economic recovery remains the main downside risk to the outlook. The BSP raised its key policy interest rate by a total of 225 basis points since May 2022, bringing the key policy rate to 4.25 percent. The BSP is prepared to take further actions to steer inflation toward its target.

Food supply

A sufficient supply of rice, chicken, highland vegetables, yellow corn, and white corn is expected throughout 2022. Rice inventories are estimated at 2.2 million metric tons (MMT), or about 60-day stocks, while chicken inventories will be at 179.4 thousand MT (TMT), equivalent to 40-day stocks.^{9,10} Highland vegetables will also remain more than adequate, with local production at about 1.0 MMT or 146 percent of local demand.¹¹ Lastly, a surplus in yellow and white corn supply is

⁶ BI. "The inflation in September 2022 was 1.17 percent. The highest inflation saw in Bukittinggi at 1.87 percent." https://www.bps.go.id/pressrelease.html?katsubjek=3andBrs%5Btgl_rilis_ind%5D=andBrs%5Btahun%5D=andyt0=Search (accessed October 3, 2022)

⁷ BI. "BI 7-Day Reverse Repo Rate Raised 50 BPS to 4.25%: Synergy Maintaining Stability and Recovery Momentum" https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2425322.aspx (accessed October 3, 2022)

⁸ BSP Monetary Board Meeting –September 22, 2022

⁹ Bejarin, Celes Gumamela. "Phl rice production remains high despite big challenges" [DA.gov.ph https://www.da.gov.ph/phl-rice-production-remains-high-despite-big-challenges/](https://www.da.gov.ph/phl-rice-production-remains-high-despite-big-challenges/) (accessed on October 3, 2022)

¹⁰ Source: DA – National Livestock Program (NLP) as of July 11, 2022

¹¹ DA-High Value Crops Development Program's estimates as of August 5, 2022.

expected for the marketing year (MY)¹² 2021/22.¹³ On the other hand, the local production outlook for lowland vegetables is estimated at 1.6 MMT for 2022, or only 92 percent of local demand.¹⁴ The pork and fish supply deficit is estimated at 96.8 TMT¹⁵ and 319.8 TMT, respectively.

To prevent further increases in inflation and protect the purchasing power of consumers, the government is prioritizing food security. In this regard, the government issued Executive Order No. 171, s. 2022 on May 21, 2022¹⁶, which extends and modifies tariffs on rice, pork, corn, and coal until December 2022. The timely unloading of pork stocks from cold storages will complement this measure.¹⁷ Moreover, Sugar Orders (SO) Nos. 1 and 2 were issued on September 13, 2022 to enhance the supply of sugar in the country.¹⁸

To boost domestic supply, the government will support the agriculture sector through lower input costs, development of new farming technologies, continued extension of financial assistance to farmers, and the strengthening of the agricultural value chain.

The Department of Agriculture-Bureau of Animal Industry (DA-BAI) will strengthen containment and monitoring of emerging animal diseases, such as the timely updating of African Swine Fever (ASF) zoning and fast-tracking the implementation of hog repopulation, subsidy, and credit programs. Likewise, the government is conducting ASF vaccine research and trials. Also, the DA-BAI and relevant stakeholders plan to tackle the imbalance of poultry supply and demand by improving supply forecasts, intensifying the early reporting of farmers affected by

¹² Marketing year starts from July to June of the succeeding year.

¹³ *DA National Corn Program (sent through email on September 1, 2022)*

¹⁴ As of September 30, 2022, the DA has recorded a total of PHP3.0 billion in damages due to continuous rains (25.3% of which are HVC, meanwhile 89.6% of which is from Region 3).

¹⁵ DA-National Livestock Program (NLP) as of September 5, 2022

¹⁶ Effective June 15, 2022

¹⁷ A continuous build-up of frozen pork stocks in cold storages was observed. The inventory of frozen pork as of September 19, 2022 was at 85.6 TMT, which is 13.8 percent higher than the 75.2 TMT inventory on August 22, 2022

¹⁸ SO No. 1 has classified 100 percent of our raw sugar production for crop year 2022-2023 (i.e., September 1, 2022 to August 31, 2023) as “B” sugar for sale in the domestic market. Meanwhile, SO No. 2 or the Sugar Import Program for crop year 2022-2023 allowed the importation of 150,000 MT of refined sugar broken down as follows: (a) 75,000 MT allocated to industrial users, and (b) 75,000 MT allocated to consumers.

the AI outbreak, surveillance in the 1-kilometer quarantine zone around infected farms, streamlining the indemnification process, and harmonizing and unifying guidelines on the logistics of live birds, poultry products, and by-products during the AI outbreak.¹⁹ Lastly, private-public partnerships will be undertaken to uplift the backyard poultry sector affected by AI.²⁰ Challenges in the limited capacity of regional laboratories and general non-compliance of farmers and/or local government units (LGU) with national policies, guidelines, and control measures need to be addressed to improve the efficacy and efficiency of the current and related future countermeasures against AI.

The Livestock Development and Competitiveness (LDC) Bill will modernize the livestock, poultry, and corn sectors in the country. Among the major provisions of the LDC Bill are the updating of the corn industry roadmap and the establishment of competitiveness enhancement funds for the livestock value chain.

In the long-term, the Department of Agriculture (DA) intends to improve the production of various agricultural commodities through an enhanced value chain system. The DA will oversee and guide the research and development of planting systems and the improvement of the animal industry, as well as guarantee climate-smart farm products.²¹

Social protection

To help cushion the impact of higher fuel prices, each of the more than 158,000 farmers and fisherfolk are set to receive PHP3,000 worth of fuel discounts. As of September 26, 2022, a total of 148,183 accounts were already created nationwide. Out of the total accounts, 136,988 were loaded with fuel discounts, and 101,743

¹⁹ DA-AFID. "Poultry stakeholders unite to find solutions for chicken supply panic" *DA.gov.ph* <https://www.da.gov.ph/poultry-stakeholders-unite-to-find-solutions-for-chicken-supply-panic/> (accessed on August 3, 2022)

²⁰ DA BAI and UNAHCO Inc. entered into a Memorandum of Understanding (MOU) to uplift the backyard poultry sector in areas affected by AI. The MOU specifically covers the joint undertaking of BAI and UNAHCO in conducting the Bird Flu Free Nation, One Health, One Nation Program to help strengthen Bird Flu awareness (e.g., conduct of seminars/webinars and fora) and biosecurity protocols (e.g., products demos and sampling).

²¹ Rodriguez, Adora D. "Marcos relays food production agenda in 1st SONA" *DA.gov.ph* <https://www.da.gov.ph/marcos-relays-food-production-agenda-in-1st-sona/> (accessed on August 3, 2022).

cards have been distributed to corn farmers and fisherfolk nationwide. The DA is also coordinating with relevant government agencies to ensure that at least two fuel stations are put up in every municipality with target beneficiaries under the program. Moreover, under the Fiscal Year (FY) 2023 National Expenditures Program (NEP), the DA is proposing an additional PHP1 billion to fund fuel assistance to corn farmers and fisherfolk.²²

The government must also fast-track the distribution of the second tranche of subsidies for PUJ drivers and operators, as well as fuel cash subsidies for tricycle drivers. In August, the Department of Budget and Management (DBM) approved the release of PHP1.4 billion additional funds²³ to extend the *Libreng Sakay* Program²⁴ of the EDSA Bus Carousel until December 2022.

The DA has likewise announced over PHP709 million worth of assistance and interventions in the wake of Super Typhoon Karding. A quick response fund that can be used for the immediate repair or rehabilitation of damaged production facilities represents 71 percent of the fund while seed distribution (i.e., corn, rice, and vegetables) represents 29 percent of this fund.²⁵

Weather conditions

According to the Philippine Atmospheric, Geophysical, and Astronomical Services Administration (PAGASA),²⁶ La Niña is expected to persist until February 2023, followed by El Niño-Southern Oscillation (ENSO) neutral conditions. PAGASA generally expects normal to above-normal rainfall conditions over most parts of the country in the coming months, and these may trigger flash floods and rain-induced landslides. Meanwhile, five to nine tropical cyclones may enter or develop in the Philippines from October 2022 to March 2023.

²² DA presentation to the House of Representatives dated September 5, 2022.

²³ DBM. <https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/2323-dbm-releases-p1-4b-funding-for-the-extended-dotr-ltfrb-libreng-sakay-at-the-edsa-busway> (accessed October 3, 2022)

²⁴ The Service Contracting Program is already in Phase III

²⁵ Bejarin, Celes Gumamela. "DA earmarks P709-M assistance for Karding-affected farmers, fishers" [DA.gov.ph](https://www.da.gov.ph/da-earmarks-p709-m-assistance-for-karding-affected-farmers-fishers/) <https://www.da.gov.ph/da-earmarks-p709-m-assistance-for-karding-affected-farmers-fishers/> (accessed on October 3, 2022)

²⁶ PAGASA. "152ND CLIMATE FORUM CLIMATE REVIEW OCTOBER 2022 – MARCH 2023" [DOST.gov.ph](https://pubfiles.pagasa.dost.gov.ph/climps/climateforum/climateoutlook.pdf) <https://pubfiles.pagasa.dost.gov.ph/climps/climateforum/climateoutlook.pdf> (accessed on October 2, 2022).

Damage from the recent super typhoons (Karding in September 2022 and Odette in December 2021) highlights the need to streamline response and rehabilitation efforts while considering the disparity in available resources across LGUs. Long-term interventions are needed to boost disaster resilience and climate adaptation measures, such as reforestation and coordinated flood or water management systems across LGUs.

Global oil prices

The Organization of Petroleum Exporting Countries+’ (OPEC+) is considering an output cut by more than one million barrels per day (bpd) in the coming months amid the slowdown of the global economy and tighter global financial conditions.^{27,28} The global oil outlook remains uncertain, shaped by the downturn in major economies, protracted Russia-Ukraine conflict, zero-COVID policy in China, supply constraints, monetary policy dynamics, high sovereign debt levels, and other geopolitical risks. Based on futures markets, as of September 30, 2022, Dubai crude oil prices are expected to decline from USD86.2/bbl in October to USD83.2/bbl in November and USD80.9/bbl in December 2022.

²⁷ <https://www.bloomberg.com/news/articles/2022-10-02/opec-will-consider-output-cut-of-more-than-1-million-barrels>

²⁸ The OPEC+ will conduct its 33rd ministerial meeting on October 5, 2022.