

# REPORT ON INFLATION

## (JANUARY 2021)

### SUMMARY

- The country's overall inflation rate accelerated to its fastest rate in two years at 4.2 percent in January 2021, driven by food prices, particularly meat and vegetables.
- The central bank's inflation target this year is between 2 and 4 percent, and they expect inflation to average 3.2 percent for 2021.
- Seasonally adjusted month-on-month inflation increased by 0.9 percent.
- Food and non-alcoholic beverages inflation accelerated to 6.2 percent while non-food remained unchanged from the previous month at 2.3 percent.
- Inflation in NCR and AONCR increased to 4.3 percent and 4.2 percent, respectively. Cagayan Valley recorded the highest inflation rate at 8.0 percent in January 2021.
- In ASEAN-5 countries, Indonesia's headline inflation rate slightly eased to 1.6 percent. Others have yet to release inflation figures for January 2021, but Thailand and Malaysia have recorded slower deflation in December 2020 while Singapore posted zero growth in overall prices.
- The government needs to proactively manage the increase in food prices to protect the purchasing power of households, especially the poor. In the interim, allowing more importation of key agricultural products to help augment supply, while adhering to strict safety protocols to prevent entry of contaminated products, will help stabilize food prices.

#### Year-on-year inflation rates (2012=100)

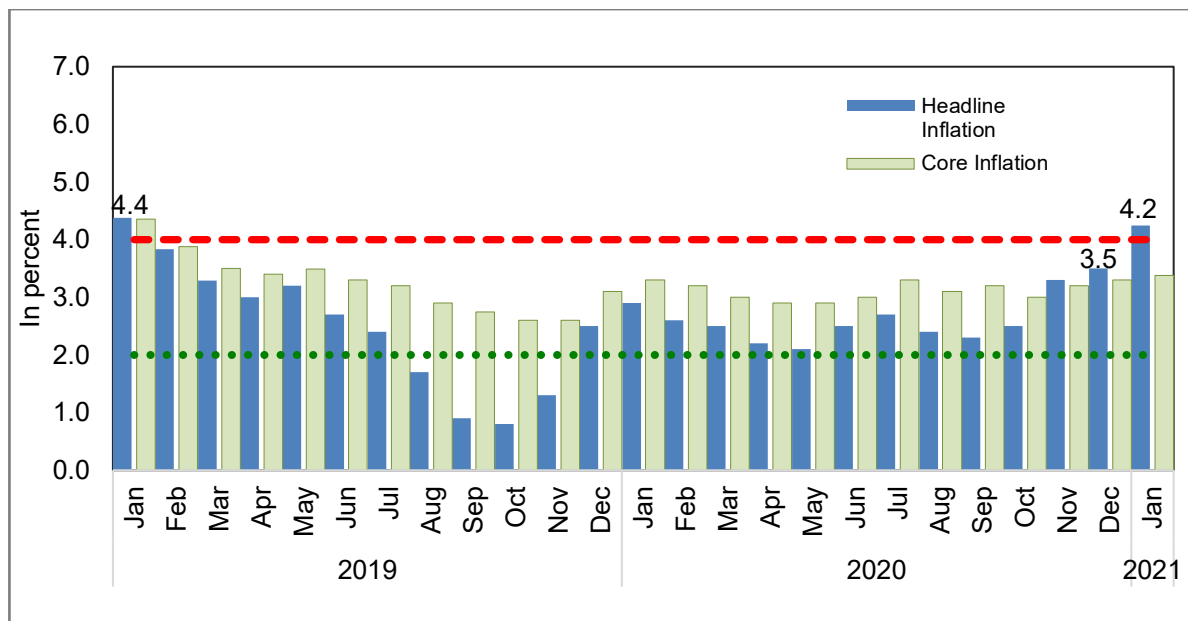
	Jan 2021	Dec 2020	FY 2020
<b>Philippines</b>			
Headline	4.2	3.5	2.6
Core	3.4	3.3	3.2
Bottom 30%	4.9	4.3	2.9
<b>NCR</b>			
Headline	4.3	3.2	2.2
<b>AONCR</b>			
Headline	4.2	3.7	2.7

*Source of data: Philippine Statistics Authority*

## 1. The country's overall inflation rate accelerated to 4.2 percent in January 2021, while seasonally adjusted month-on-month inflation increased to 0.9 percent.

The Philippines' headline inflation rate further accelerated to 4.2 percent in January 2021, from 3.5 percent in the previous month. This is the fastest rate in two years, since the 4.4 percent inflation in January 2019 (see Figure 1). The latest inflation figure exceeded the 3.6 percent median forecast of the private sector and the 3.3 to 4.1 percent forecast range of the *Bangko Sentral ng Pilipinas* (BSP).<sup>1</sup> For 2021, the central bank targets inflation to be between 2 and 4 percent.

**Figure 1. Headline inflation rates: January 2019 to January 2021**



The faster inflation in January 2021 was mainly driven by the increase in the price indices for food & non-alcoholic beverages, particularly meat. Faster price adjustments were also recorded in restaurant & miscellaneous goods & services and transport (see Table 1).

<sup>1</sup> <https://www.bworldonline.com/inflation-likely-picked-up-in-january/>

**Table 1. Year-on-year (y-o-y) headline inflation rates<sup>2</sup> in the Philippines (in percent, 2012=100)**

Commodity group	Jan 2021		Dec 2020	
	Y-O-Y	M-O-M	Y-O-Y	M-O-M
<b>ALL ITEMS</b>	<b>4.2</b>	<b>1.3</b>	<b>3.5</b>	<b>0.9</b>
Food and Non-Alcoholic Beverages	6.2	2.2	4.8	1.6
Alcoholic Beverages and Tobacco	11.7	1.6	12.2	1.3
Clothing and Footwear	1.6	0.2	1.6	0.2
Housing, Water, Electricity, Gas, and Other Fuels	0.4	0.6	0.4	0.1
Furnishing, Household Equipment and Routine Maintenance of the House	2.9	0.1	3.3	0.2
Health	2.6	0.4	2.6	0.3
Transport	8.6	0.3	8.3	1.3
Communication	0.2	0.0	0.2	0.0
Recreation and Culture	-0.7	0.1	-0.6	0.1
Education	1.1	0.0	1.1	0.0
Restaurant and Miscellaneous Goods and Services	3.0	0.7	2.5	0.4

Source: Philippine Statistics Authority

Among the top 10 contributors to inflation during the month, four items are under food & non-alcoholic beverages, which together contributed around 2.3 percentage points (ppt) to total inflation. These are meat, vegetables, fish, and fruit (see Table 2).

<sup>2</sup> The month-on-month (m-o-m) inflation figures cited in Table 1 are not seasonally-adjusted.

**Table 2. Top 10 contributors to inflation in January 2021  
(in percentage points)**

Commodity group	Jan 2021
Meat	1.1
Vegetables	0.7
Transport Services	0.7
Tobacco	0.3
Fish	0.3
Actual Rentals for Housing	0.3
Catering Services	0.2
Fruit	0.2
Personal Care	0.1
Goods and Services for Routine Household Maintenance	0.1
<b>TOTAL CONTRIBUTION TO INFLATION</b>	<b>4.0</b>
Others (e.g., education, clothing & footwear, furnishings, communications, recreation)	0.2
<b>OVERALL INFLATION</b>	<b>4.2</b>

On a month-on-month (m-o-m) seasonally-adjusted basis, overall inflation increased to 0.9 percent in January 2021, from 0.8 percent in December 2020. This was primarily driven by the faster m-o-m inflation in food & non-alcoholic beverages (1.4 percent in January 2021 from 1.3 percent in December 2020) and housing & utilities (0.5 percent from 0.2 percent).

Core inflation<sup>3</sup> accelerated only slightly to 3.4 percent in January 2021 from 3.3 percent in the preceding month, indicating that the increase in inflation is not broad-based. However, inflation for the bottom 30 percent of households was even higher at 4.9 percent, up from 4.3 percent in the previous month.

<sup>3</sup> The official core inflation measure is defined as the rate of change of headline Consumer Price Index (CPI) after excluding selected food and energy items whose underlying price movements are generally characterized by short-term volatile movements. It is a measure of the broad or underlying trend or movement in the average consumer prices. Source: BSP.

## 2. Food and non-alcoholic beverages inflation accelerated to 6.2 percent while non-food remained unchanged from the previous month at 2.3 percent.

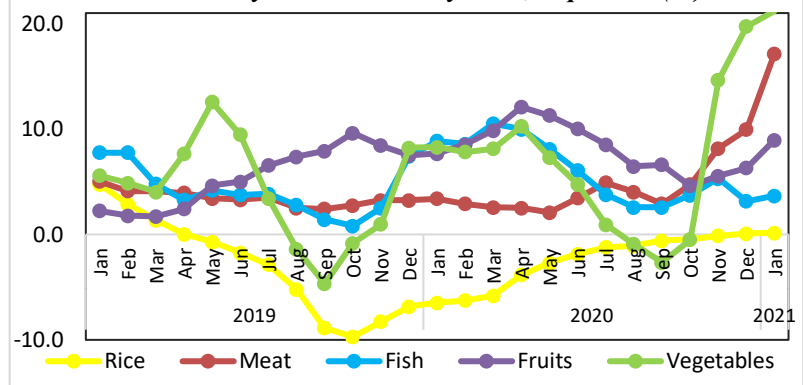
### Food

Food and non-alcoholic beverages inflation picked up to 6.2 percent in January 2021 from 4.8 percent in December 2020 and 2.2 percent in January 2020. On a m-o-m seasonally adjusted basis, inflation for food & non-alcoholic beverages slightly increased to 1.4 percent in January 2021 from the revised 1.3 percent in the previous month.

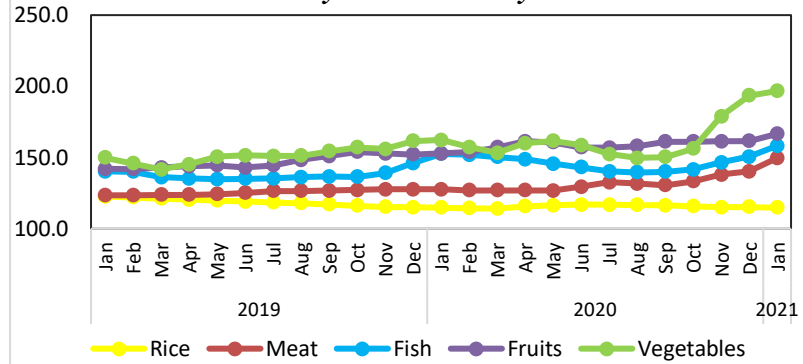
In particular, food inflation continued to accelerate for the fourth consecutive month to 6.6 percent in January 2021 from 4.9 percent in December 2020, the highest since November 2018's 7.7

percent. The uptick in food inflation was mainly driven by the significant increase in meat prices (17.1 percent in January 2021 from 10.0 percent in December 2020), as pork supply was hampered by the continued outbreaks of African Swine Fever (ASF) across the country. The additional logistics and transportation costs of sourcing pork from Visayas and Mindanao to augment supply in Luzon may have also pushed up meat prices. Meanwhile, higher inflation rates were also recorded for vegetables (21.2 percent from 19.7 percent), fruits (9.0 percent from 6.3 percent), and fish (3.7 percent from 3.1 percent) as a result of lower production

**Figure 2. Selected Food Inflation Rates: January 2019 to January 2021, in percent (%)**



**Figure 3. Selected Food CPI: January 2019 to January 2021**



due to the damage caused by typhoons last year.<sup>4</sup> In addition, the elevated fish prices can be attributed to the closed fishing season across several regions since November 2020.<sup>5</sup> Other food items that recorded faster inflation include corn (1.6 percent from 0.1 percent), other cereals, flour, cereal preparation, bread, pasta & other bakery products (2.1 percent from 2.0 percent), and oils & fats (2.9 percent from 2.7 percent).

Conversely, inflation for sugar, jam, honey, chocolate & confectionary (0.3 percent from 0.4 percent) and other food products (3.2 percent from 3.3 percent) decelerated, while milk, cheese, and eggs was steady at 1.7 percent during the reference month. In 2020, *palay* harvest was 3.3 percent higher than the 2019 output partly owing to the distribution of free certified inbred seeds under the Rice Competitive Enhancement Fund, enabled by the Rice Tariffication Law (RTL) and hybrid seeds and fertilizers under the Plant, Plant, Plant Program of the government.<sup>6</sup> As a result rice inflation was relatively stable and close to zero at 0.1 percent given sufficient supply.

### Non-food

Inflation for non-food items was generally stable at 2.3 percent in January 2021, but slower than the 2.7 percent in the same period last year. The uptick in transport (8.6 percent in January 2021 from 8.3 percent in December 2020), and restaurants & miscellaneous goods & services (3.0 percent from 2.5 percent) was outweighed by the deceleration in furnishings, household equipment & routine maintenance of the house (2.9 percent from 3.3 percent), as well as the continued decline in recreation & culture (-0.7 percent from -0.6 percent).

In particular, the accelerated transport inflation was mainly driven by the weaker contraction in the price indices of petroleum and other fuels for personal transport equipment (-9.3 percent from -10.6 percent). Based on the Department of Energy's (DOE) data, pump prices of diesel and kerosene increased by 7.1 percent and 4.8 percent, respectively, relative to the previous month. Meanwhile, transport services inflation sustained its double-digit growth (16.5 percent from 16.3 percent), despite

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<sup>4</sup> Department of Agriculture News, "DA assures continuous supply of agri produce to NCR", 22 January 2021. Accessed via <https://www.da.gov.ph/da-assures-continuous-supply-of-agri-produce-to-ncr/> on 4 February 2021

<sup>5</sup> DA Bureau of Fisheries and Aquatic Resources announced closed fishing seasons for provinces such as Palawan, Zamboanga, and Visayas Sea. News accessed via <https://www.bfar.da.gov.ph/> on 4 February 2021

<sup>6</sup> Department of Agriculture News, "DA eyes bigger rice production in 2021", 11 January 2021, Accessed from <https://www.da.gov.ph/da-eyes-bigger-rice-production-in-2021/> on 04 February 2021.

modest easing in tricycle fares (46.7 percent from 47.2 percent) and jeepney fares (6.4 percent from 6.6 percent).

Meanwhile, inflation for health (2.6 percent), clothing & footwear (1.6 percent), education (1.1 percent), and communication (0.2 percent) remained steady from the previous month's rates. On a m-o-m seasonally-adjusted basis, non-food inflation was at 0.3 percent, similar to the previous month's rate.

### **3. Inflation in the National Capital Region (NCR) accelerated to 4.3 percent in January 2021, while inflation in areas outside the NCR (AONCR) also increased to 4.2 percent. Cagayan Valley recorded the highest inflation rate at 8.0 percent.**

Headline inflation in NCR accelerated to 4.3 percent in January 2021, up from 3.2 percent in December 2020 and much higher than the 2.7 percent inflation in January 2020. The uptick in January 2021 inflation stemmed from faster price adjustments in food & non-alcoholic beverages (8.3 percent in January 2021 from 5.6 percent in December 2020), transport (11.3 percent from 10.9 percent), alcoholic beverages & tobacco (10.5 percent from 9.3 percent), and housing & utilities (0.4 percent from -0.6 percent). These outweighed the slower inflation in clothing & footwear (0.9 percent from 1.0 percent), health (2.7 percent from 2.9 percent), restaurant & miscellaneous goods & services (1.1 percent from 1.2 percent), and furnishing, household equipment & routine maintenance of the house (4.4 percent from 5.2 percent). Additionally, recreation & culture (-0.5 percent from -0.3 percent) posted steeper deflation. Meanwhile, inflation for communication (0.2 percent) and education (0.5 percent) remained unchanged from the previous month.

Similarly, inflation in AONCR edged up to 4.2 percent in January 2021 from 3.7 percent in December 2020 and 3.0 percent in January 2020. The increase in inflation during the reference month could be traced to the accelerated price adjustments in food & non-alcoholic beverages (5.8 percent from 4.5 percent), restaurant & miscellaneous goods & services (3.6 percent from 3.1 percent), and transport (7.8 percent from 7.5 percent). Softer deflation was also recorded in recreation & culture (-0.7 percent from -0.8 percent). On the other hand, inflation decelerated for furnishing, household equipment, & routine maintenance of the house (2.4 percent from 2.7 percent), alcoholic beverages & tobacco (12.0 percent

from 12.7 percent), and housing & utilities (0.5 percent from 0.9 percent). Meanwhile, inflation rates for communication (0.3 percent), education (1.4 percent), health (2.6 percent), and clothing & footwear (1.8 percent) remained steady from the previous month.

Of the 17 regions in the Philippines, majority posted higher inflation rates in January except for four regions: Central Visayas, Eastern Visayas, Zamboanga Peninsula, and Northern Mindanao (see Table 3).

Among the regions, Cagayan Valley posted the highest inflation rate at 8.0 percent, higher than the 6.6 percent recorded in the previous month. This was primarily driven by the faster inflation rates in food & non-alcoholic beverages (11.2 percent from 8.0 percent), restaurant & miscellaneous goods & services (4.4 percent from 2.7 percent), transport (24.0 percent from 23.8 percent), and alcoholic beverages & tobacco (13.3 percent from 13.0 percent).

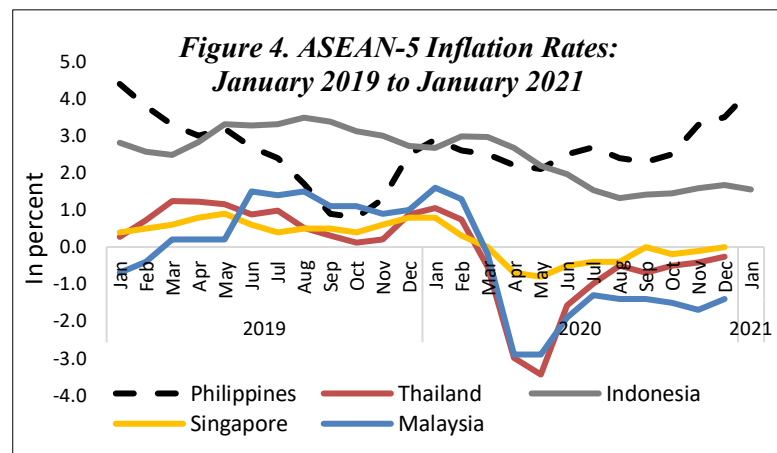


**Table 3. Y-O-Y regional inflation rates (in percent, 2012=100)**

Regions	Jan 2021	Dec 2020	FY 2020
NCR- National Capital Region	4.3	3.2	2.2
AONCR - Areas outside the NCR	4.2	3.7	2.7
CAR - Cordillera Administrative Region	4.0	3.2	2.5
I - Ilocos Region	3.7	3.6	2.8
II - Cagayan Valley	8.0	6.6	3.2
III - Central Luzon	5.4	4.5	3.0
IV-A - CALABARZON	5.6	4.4	2.8
IV-B - MIMAROPA Region	5.0	4.4	3.3
V - Bicol Region	7.4	6.6	4.2
VI - Western Visayas	3.8	3.7	3.1
VII - Central Visayas	0.6	0.9	1.9
VIII - Eastern Visayas	2.2	2.4	1.8
IX - Zamboanga Peninsula	0.2	1.0	2.4
X - Northern Mindanao	2.6	2.8	2.1
XI - Davao Region	1.9	1.3	1.7
XII - SOCCSKSARGEN	4.0	3.6	3.1
XIII - Caraga	3.1	2.2	2.8
BARMM – Bangsamoro Autonomous Region in Muslim Mindanao	3.0	2.8	2.4

#### 4. Indonesia's headline inflation rate slightly eased to 1.6 percent. Others have yet to release inflation figures for January 2021, but Thailand and Malaysia have recorded slower deflation in December 2020 while Singapore posted zero growth in overall prices.

Indonesia's overall inflation slightly eased to 1.6 percent in January 2021 from 1.7 percent in the previous month. This was mainly driven by the deceleration in food, drinks, & tobacco (2.8 percent in January 2021 from 3.6 percent in December 2020) and housing & utilities (0.3 percent from 0.4 percent).<sup>7</sup> On 21 January 2021, the Bank Indonesia kept its key policy rate steady at 3.75 percent to support the country's economic recovery.<sup>8</sup> For 2021, the government's inflation target is between 2 to 4 percent.



**Table 4. Y-O-Y ASEAN-5 inflation rates (in percent)**

	Jan 2021	Dec 2020	FY 2020
Philippines	4.2	3.5	2.6
Indonesia	1.6	1.7	2.0
Thailand	Not yet available	-0.3	-0.8
Malaysia	Not yet available	-1.4	-1.1
Singapore	Not yet available	0.0	-0.2

Meanwhile, Thailand, Malaysia, and Singapore have yet to report inflation figures for January 2021. But for December 2020, both Thailand and Malaysia recorded slower deflation, while Singapore posted zero growth in overall prices. In particular, deflation in Thailand moderated for the third consecutive month to -0.3 percent in December 2020 from -0.4 percent in November 2020, mainly due to a

<sup>7</sup> <https://www.bps.go.id/pressrelease/2021/02/01/1760/inflasi-terjadi-pada-januari-2021-sebesar-0-26-persen--inflasi-tertinggi-terjadi-di-mamuju-sebesar-1-43-persen-.html>

<sup>8</sup> [https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_232021.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_232021.aspx)

softer reduction in transport prices (-3.1 percent in December 2020 from -4.2 percent in November 2020).<sup>9</sup>

Similarly, Malaysia's overall consumer prices fell at a slower rate, by -1.4 percent in December 2020 from -1.7 percent in the previous month. This was largely driven by the smaller drop in transport prices (-8.4 percent in December 2020 from -11.1 percent in November 2020) and clothing & footwear (-0.4 percent from -0.5 percent).<sup>10</sup> On 20 January 2021, the Bank Negara Malaysia maintained its key policy rate at 1.75 as the continued recovery of the global economy led to improvements in domestic manufacturing and export activities.<sup>11</sup>

Meanwhile, overall consumer prices in Singapore posted zero growth in December 2020 after declining by 0.1 percent in November 2020. The rebound in private transport cost (1.2 percent in December 2020 from -1.3 percent in November 2020) and slower deflation in retail & other goods (-1.2 percent from -2.0 percent) and electricity & gas (-6.7 percent from -6.8 percent) outweighed the slowdown in food prices (1.6 percent from 1.8 percent) and steeper drop in cost of services (-0.8 percent from -0.2 percent). For full-year 2020, Singapore's headline inflation averaged -0.2 percent, within the central bank's forecast range of -0.5 to 0 percent. For 2021, headline inflation is estimated to be between -0.5 and 0.5 percent.<sup>12</sup>

## 5. Inflation outlook and policy implications

The *Bangko Sentral ng Pilipinas* (BSP) expects headline inflation to settle at 3.2 percent in 2021 and 2.9 percent in 2022. The inflation rate target for the year is between 2 and 4 percent. To date, the BSP's key policy rate remains at a record-low of 2.0 percent, following a cumulative 200-basis point reduction in 2020 to support the country's economic recovery amid the COVID-19 pandemic.<sup>13</sup>

Despite the benign inflation projections, the government needs to urgently address the uptrend in the country's inflation, which is currently the highest among ASEAN-5 economies. In particular, addressing the increase in food prices is crucial as this affects the purchasing power of poor households the most. Maintaining low and stable inflation rate for basic goods and services is very

<sup>9</sup> <https://tradingeconomics.com/thailand/inflation-cpi>

<sup>10</sup> [https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=106&bul\\_id=Y3pKcGZweTJWeD.JqajNr anFmd0ZZZz09&menu\\_id=bThzTHOxN1ZqMVF6a2I4RkZoNDFkOT09](https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=106&bul_id=Y3pKcGZweTJWeD.JqajNr anFmd0ZZZz09&menu_id=bThzTHOxN1ZqMVF6a2I4RkZoNDFkOT09)

<sup>11</sup> <https://www.bnm.gov.my/-/monetary-policy-statement-20012021>

<sup>12</sup> <https://www.mas.gov.sg/-/media/MAS/EPG/CPD/2020/Inflation202012.pdf>

<sup>13</sup> [https://www.bsp.gov.ph/Lists/Inflation%20Report/Attachments/20/TR4qtr\\_2020.pdf](https://www.bsp.gov.ph/Lists/Inflation%20Report/Attachments/20/TR4qtr_2020.pdf)

important given that both households and firms are facing financial difficulties because of the pandemic. In this regard, the government needs to speed up its supply augmentation measures to address the shortage and stabilize the retail prices of key agricultural commodities affected by the continued presence of African Swine Fever (ASF), the ongoing La Niña phenomenon, and the lingering effects of the typhoons last year. On the external front, global oil prices remain volatile, as market optimism in the roll-out of COVID-19 vaccines continued to be weighed down by reimposition of lockdown restrictions in several major economies.

### Food supply

Based on recent estimates from the Department of Agriculture (DA), supply of rice by Q1 2021 is expected to last for 90 days while chicken has a projected surplus equivalent to 14-day stocks.<sup>14</sup> However, domestic supply of pork is projected to fall short by 290,487 metric tons (MT), equivalent to 66-day inventory, by the end of the year due to ASF.<sup>15</sup> In addition, available high-value crops in the market may also remain limited in the short term due to their seasonality and the effects of previous typhoons on production.<sup>16</sup>

In the interim, allowing more importation of key agricultural products will help augment supply and address rising food prices. For instance, the DA is already planning to increase the minimum access volume (MAV) allocation for pork imports to boost domestic supply.<sup>17</sup> This should be complemented, however, with strict adherence to biosecurity and food safety protocols to prevent the entry of contaminated products. In addition, the government can also provide shipping and/or transport support to help producers and traders bring their products in areas where there is a shortage in supply. In line with this, the DA is already coordinating with the logistics sector and other concerned agencies such as the Department of Interior and Local Government (DILG) to implement “special hog lanes” or food highways to ensure the unhampered delivery of agricultural products across the country. In the medium term, the government may need to explore the possibility of further liberalizing other sectors of the economy to lower domestic prices while at the same time promoting competitiveness of local producers. The DA and DTI will be looking into the concerns raised on fish imports restrictions. This needs a careful balancing act from the government.

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<sup>14</sup> DA Presentation during the meeting of the Task Group on Food Security (TGFS) held on 14 January 2021.

<sup>15</sup> DA Presentation during the meeting of the Task Group on Food Security (TGFS) held on 14 January 2021.

<sup>16</sup> Q4 2020 Value of Production in Agriculture and Fisheries, Philippine Statistics Authority

<sup>17</sup> [https://www.da.gov.ph/wp-content/uploads/2021/01/so76\\_s2021.pdf](https://www.da.gov.ph/wp-content/uploads/2021/01/so76_s2021.pdf)

The President has already signed the executive order imposing a 60-day price cap on pork and chicken products in the National Capital Region to help temper food prices.<sup>18</sup> Concerned government authorities and the local price coordinating councils (LPCC) are advised to proactively monitor prices and guard against profiteers and unscrupulous traders.

As of 22 January 2021, a total of 434,657 heads of swine have been culled in 38 provinces in the country<sup>19</sup>, with new cases detected in the Visayas region.<sup>20</sup> The DA is already fast-tracking the production of ASF test kits and setting up of integrated laboratories to expand its testing capacity.<sup>21</sup> The Department of Science and Technology (DOST) and state universities may also be tapped in the development of ASF vaccines considering that the Philippines has expressed intent to participate in the clinical trials for the new ASF vaccine currently being developed in Vietnam.<sup>22</sup> More importantly, both public and private stakeholders should work together in implementing strict border controls and phytosanitary measures to abate the further spread of the ASF in the country. This measure has been successful in containing ASF in Thailand.<sup>23</sup>

### Adverse weather conditions

Based on the latest climate monitoring of the Philippine Atmospheric, Geophysical, and Astronomical Services Administration (PAGASA)<sup>24</sup>, the ongoing La Niña will likely persist until March 2021, before tapering off to a neutral condition in the second quarter of the year. Three to six tropical cyclones may develop/enter the Philippines from February to July.<sup>25</sup>

The government needs to maximize the relatively favorable condition in the second quarter to implement infrastructure projects that would improve productivity and resiliency in the agriculture sector such as water management and irrigation systems, reforestation, climate-resilient production and processing facilities, among others. The continued provision of production inputs for crops, livestock, poultry, and fishery sectors, including the distribution of climate-resilient varieties

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<sup>18</sup> <https://www.da.gov.ph/da-implements-60-day-pork-chicken-price-cap-in-ncr/>

<sup>19</sup> DA Presentation on Pork Outlook and Situation 2021, 04 February 2021.

<sup>20</sup> DA checks more pigs in Leyte to stop ASF outbreak, <https://www.pna.gov.ph/articles/1128794>

<sup>21</sup> <https://www.da.gov.ph/da-sets-up-integrated-laboratories-vs-animal-plant-diseases/>

<sup>22</sup> <https://www.da.gov.ph/da-invests-p80m-to-mass-produce-asf-test-kits/>

<sup>23</sup> <https://asia.nikkei.com/Business/Business-trends/Thai-food-companies-fund-police-on-national-border-to-stop-swine-fever>

<sup>24</sup> <https://pubfiles.pagasa.dost.gov.ph/climps/climateforum/climateoutlook.pdf>

<sup>25</sup> <https://pubfiles.pagasa.dost.gov.ph/climps/climateforum/climateoutlook.pdf>

of seeds and technologies is also advised to help farmers recuperate their losses from last year's typhoons. Meanwhile, the DA will also review the country's planting calendar to ensure that the agriculture sector is adaptive to changing weather conditions.

### Transport Services

The increased economic activities brought by the easing of community quarantine restrictions entail that more Filipinos would need access to public transportation. Based on latest data from Google COVID-19 Community Mobility Trends<sup>26</sup>, 70 percent of workers are reporting to their workplaces compared to a year ago, but the number of people visiting public transport stations is still down by 50 percent. In this regard, concerned government agencies are advised to regularly assess the supply-demand situation for transport services in their area and guard against unwarranted fare hikes and ensure that prevailing rates are fair both for commuters and operators, especially for passenger transport by road and water which have recorded double-digit inflation rates since July 2020. The Land Transportation Franchising and Regulatory Board is also expected to accelerate its implementation of the service contracting program under Bayanihan 2 to improve the quality of transport services and ensure continuous service for commuters.

### Global oil prices

High compliance to oil production cuts by members of the Organization of the Petroleum Exporting Countries (OPEC) and its allies buoyed oil prices in January 2021. Since April 2020, OPEC+ reduced its oil production by a cumulative of 2.1 billion barrels<sup>27</sup> to stabilize the oil market. In the first quarter of 2021, OPEC+ remains committed to cutting production by 7.2 mb/d in January, 7.125 mb/d in February, and 7.05 mb/d in March, with Saudi Arabia further reducing its output by an additional 1 mb/d in February and March.<sup>28</sup>

Global demand for oil is expected to recover in 2021<sup>29</sup> despite renewed lockdowns and restrictions in several countries which can weigh on demand for transportation

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<sup>26</sup> <https://ourworldindata.org/covid-mobility-trends>

<sup>27</sup> Press release on the 26<sup>th</sup> Meeting of the Joint Ministerial Monitoring Committee. February 3, 2021.  
[https://www.opec.org/opec\\_web/en/press\\_room/6350.htm](https://www.opec.org/opec_web/en/press_room/6350.htm)

<sup>28</sup> Press release on the 13<sup>th</sup> OPEC and non-OPEC Ministerial Meeting. January 5, 2021.  
[https://www.opec.org/opec\\_web/en/press\\_room/6310.htm](https://www.opec.org/opec_web/en/press_room/6310.htm)

<sup>29</sup> The International Energy Agency expects global oil demand to recover by 5.5 mb/d to 96.6 mb/d in 2021, following an unprecedented collapse of 8.8 mb/d in 2020. Accessed on January 3, 2021 via <https://www.iea.org/reports/oil-market-report-january-2021>

fuels. Addressing the challenges to global vaccination will likely set the pace of the rebound in oil demand. Dubai crude oil futures prices increased to USD 56.7/bbl for February 2021 (from the previous month's USD51.15/bbl quote for February 2021<sup>30</sup>), although it is expected to settle at USD53.05 /bbl by December 2021.<sup>31</sup>

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<sup>30</sup> Dubai Crude Oil (Platts) Financial Futures Quotes, retrieved as of January 4, 2021 from Bloomberg Anywhere, <https://bba.bloomberg.net>

<sup>31</sup> Dubai Crude Oil (Platts) Financial Futures Quotes, retrieved as of February 3, 2021 from Bloomberg Anywhere, <https://bba.bloomberg.net>