

# REPORT ON INFLATION (JANUARY 2022)

## HIGHLIGHTS

- The Philippines' headline inflation rate continued its downward trend as it further eased to 3.0 percent in January 2022 from 3.2 percent in December 2021.
- Non-food inflation slightly declined to 3.8 percent in January from 3.9 percent in December. Meanwhile, food inflation remained at 1.6 percent in January, as the slower inflation in meat was offset by the faster inflation in corn.
- Meat inflation fell to 4.3 percent in January from 8.7 percent in December 2021, as inflation for all meat products decreased. In particular, pork inflation decreased to 6.2 percent from 10.8 percent.
- On the other hand, corn inflation significantly increased to 27.7 percent in January from an already high 16.5 percent in December. This is an emerging issue and underscores the need to promote a more comprehensive reform program for the whole livestock value chain.
- To ensure a stable pork supply throughout this year, the National Economic and Development Authority recommends for the extension of Executive Order Nos. 133 and 134 to increase local supply and ensure regular unloading of stocks.
- The PSA rebases the inflation series around every 6 years. As scheduled, starting January 2022, the inflation series is rebased to 2018 from 2012. This ensures that inflation captures the most relevant basket of goods and services which better reflect the consumption pattern of the average Filipino household. Based on the 2018 inflation series, full-year 2021 inflation was 3.9 percent, which lies within the target range of the *Bangko Sentral ng Pilipinas* (BSP).

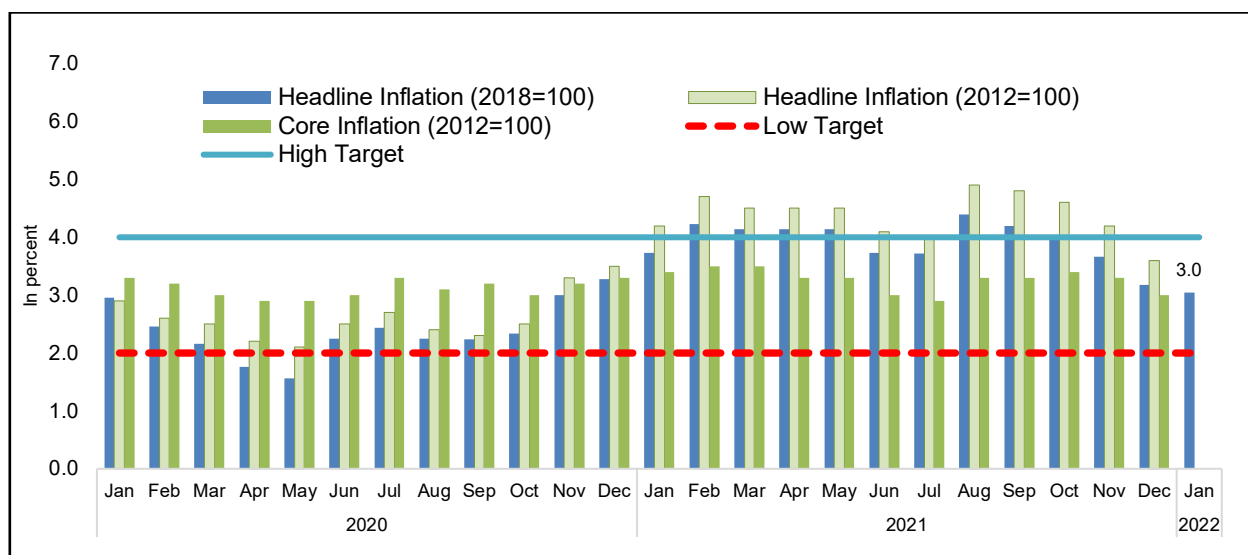
### Year-on-year inflation rates (2018=100)

	Dec 2021	Jan 2022	YTD 2022
<b>Philippines</b>			
<b>Headline</b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>
Core	n/a	n/a	n/a
Bottom 30 percent	3.3	3.2	3.2
<b>NCR</b>			
Headline	2.1	1.3	1.3
<b>AONCR</b>			
Headline	3.4	3.5	3.5

## 1. The headline inflation rate decelerated to 3.0 percent in January 2022 from 3.2 percent in December 2021; seasonally adjusted month-on-month inflation picked up to 0.4 percent.

The Philippines’ headline inflation rate slid anew to 3.0 percent in January 2022 from 3.2 percent in December 2021. This is in line with the private sector’s median forecast of 3.0 percent.<sup>1</sup> For full-year 2022, the BSP targets inflation between 2.0-4.0 percent.

**Figure 1. Headline Inflation Rates: January 2020 – January 2022**



The January inflation decelerated due to slower price adjustments in housing and utilities, alcoholic beverages and tobacco, restaurants and accommodation, health, recreation, and education services. These more than offset the inflation uptick in transport, furnishings, clothing and footwear, information and communication, and personal care. Food and financial services inflation were stable in January relative to the previous month (see Table 1).

<sup>1</sup> Ibanez, Jenina P. Business World. “Inflation seen easing to 3.7% in 2022 as food prices stabilize” *Bworldonline.com* <https://www.bworldonline.com/inflation-seen-easing-to-3-7-in-2022-as-food-prices-stabilize/> (accessed on February 3, 2022)

Month-on-month (m-o-m) seasonally-adjusted inflation edged higher to 0.4 percent in January from 0.2 percent in December.

Meanwhile, inflation for the bottom 30 percent of households (2012=100) decelerated to 3.2 percent from 3.3 percent in the preceding month.

**Table 1. Headline Inflation Rates in the Philippines (in percent, 2018=100)**

Commodity Group	December 2021		January 2022	
	Y-O-Y	M-O-M <sup>2</sup>	Y-O-Y	M-O-M <sup>2</sup>
<b>ALL ITEMS</b>	<b>3.2</b>	<b>0.4</b>	<b>3.0</b>	<b>1.0</b>
Food and Non-Alcoholic Beverages	1.6	0.7	1.6	2.2
Alcoholic Beverages and Tobacco	6.2	0.3	5.6	0.7
Clothing and Footwear	1.9	0.1	2.0	0.3
Housing, Water, Electricity, Gas, and Other Fuels	5.1	0.5	4.5	0.2
Furnishing, Household Equipment, and Routine Maintenance of the House	2.1	0.1	2.4	0.5
Health	3.2	0.1	3.1	0.4
Transport	6.6	-1.5	7.0	1.2
Information and Communication	0.6	0.1	0.7	0.1
Recreation, Sport and Culture	1.6	0.1	1.5	0.2
Education Services	0.7	0.0	0.6	0.0
Restaurant and Accommodation	3.2	0.1	3.0	0.3
Financial Services	43.3	0.0	43.3	0.0
Personal Care, and Miscellaneous Goods and Services	2.1	0.1	2.2	0.5

Source: Philippine Statistics Authority

Four items under the food and non-alcoholic beverages commodity group are among the top contributors to inflation for this month. In particular, fish, meat, corn, and flour, bread, and other cereals contributed a total of 0.9 percentage points (ppt) to

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

total inflation. Meanwhile, electricity, gas, and other fuels and the operation of personal transport equipment contributed 1.4 percentage points (see Table 2).

**Table 2. Top 10 Contributors to Inflation in January 2021  
(in percentage points)**

<b>Commodity group</b>	<b>January 2021</b>
Electricity, Gas and Other Fuels	0.7
Operation of Personal Transport Equipment	0.6
Fish and Other Seafood	0.4
Meat and Other Parts of Slaughtered Land Animals	0.3
Food and Beverage Serving Services	0.3
Actual Rentals for Housing	0.2
Corn	0.1
Tobacco	0.1
Personal Care	0.1
Flour, Bread, and Other Bakery Products, Pasta Products, and other Cereals	0.1
<b>TOTAL CONTRIBUTION TO INFLATION</b>	<b>2.9</b>
Others (e.g., education, clothing and footwear, furnishings, communications, recreation, etc.)	0.1
<b>OVERALL INFLATION</b>	<b>3.0</b>

**2. Non-food inflation slightly declined to 3.8 percent in January from 3.9 percent in December. Meanwhile, food inflation remained at 1.6 percent in January, as the slower inflation in meat was offset by the faster inflation in corn.**

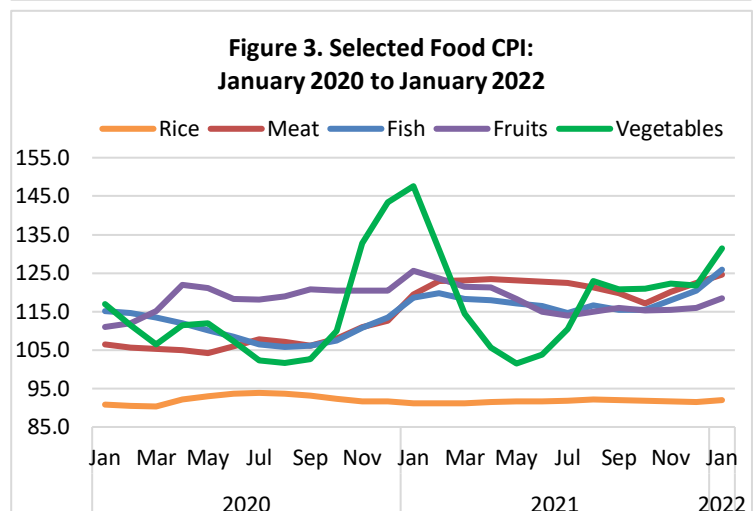
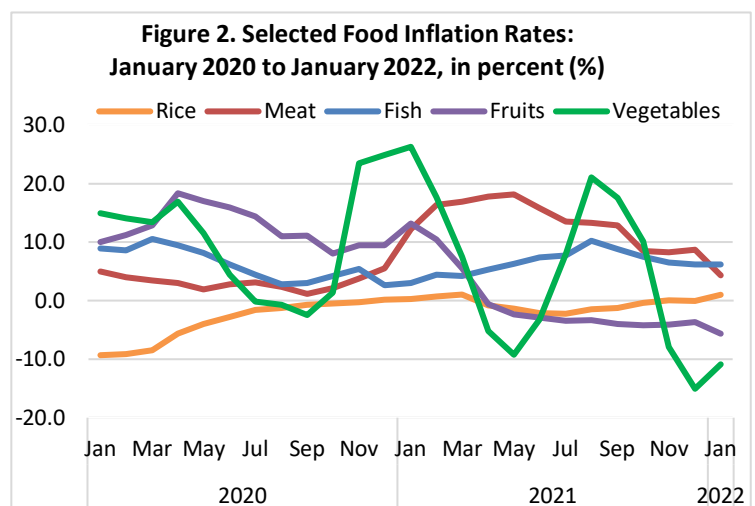
## Food

The inflation of food and non-alcoholic beverages remained at 1.6 percent in January. On a m-o-m seasonally-adjusted basis, food and non-alcoholic beverages inflation increased to 0.7 percent from 0.2 percent.

The continued contraction in vegetables (-10.9% from -15.1% percent) and fruits (-5.7% from -3.7%), and deceleration in meat (4.3% from 8.7%) were partly offset by the accelerated inflation of rice (1.0% from -0.1%) and corn (27.7% from 16.5%). Meanwhile, fish inflation was stable (6.2%).

Vegetable inflation recorded lower deflation amid the lower supply and seasonality of selected vegetable products. Rice's accelerated inflation follows the impact of Typhoon Odette in mid-December 2021, with rice comprising 16 percent of total recorded damage. Higher fertilizer prices also partly contributed to the higher prices of vegetables, rice, and corn. The higher prices of fertilizers were driven by elevated oil prices, export supply restrictions,<sup>3</sup> and recovering global demand.

Fish inflation was stable at 6.2 percent owing to base effects.<sup>4</sup> The fisheries sector accounts for about 9 percent of total damage by Typhoon Odette.



<sup>3</sup> Agricultural Market Information System (AMIS) Market Monitor (December 2021) which can be accessed through [http://www.amis-outlook.org/fileadmin/user\\_upload/amis/docs/Market\\_monitor/AMIS\\_Market\\_Monitor\\_current.pdf](http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/Market_monitor/AMIS_Market_Monitor_current.pdf)

<sup>4</sup> Fish CPI in January was higher than in the previous year.

Fish supply was also limited due to the ongoing closed fishing season in some areas. Additionally, the disposal rate of fish imports to wholesale markets was relatively low at only 19,100 metric tons (MT) or 47.3 percent of the total Philippine Fisheries Development Authority (PFDA)-Navotas arrival.<sup>5</sup>

Meat inflation decelerated amid broad-based price adjustments led by pork (6.2% from 10.8% in the previous month), beef (9.9% from 11.0%), and chicken (1.4% from 8.9%). The slower pork inflation was mainly due to base effects. The repopulation efforts are continually hampered by African Swine Fever (ASF) infection, while the slow arrival of imports and the build-up of stocks in cold storages likewise contributed to limited supply. As of January 2022, the pork minimum access volume (MAV) utilization rate only averaged 51.9 percent, the volume of imported pork prime cuts went down by 31.6 percent, while the stocks of frozen pork rose by 4.9 percent from 64,364 MT in the third week of January to 67,517 MT in the fourth week.

Other food items recorded an inflation uptick, specifically bread products (2.7% from 2.4%); ready-made food and other products (1.9% from 1.3%); sugar and other sweetened items (2.8% from 2.1%); and oils and fats (8.5% from 8.0%).

### Non-food

Non-food inflation decelerated to 3.8 percent in January 2022 from 3.9 percent in December 2021. On a m-o-m seasonally adjusted basis, non-food inflation increased to 0.3 percent from -0.1 percent in the previous period.

Housing and utilities inflation eased to 4.5 percent from 5.1 percent as Meralco's generation charges increased at a slower pace of 21.7 percent (y-o-y) from 33.3 percent in the previous month following lower suppliers' costs. Meanwhile, the increase in liquefied natural gas prices slowed to 21.7 percent (y-o-y), from 33.2 percent in the previous month.

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<sup>5</sup> As of 25 January 2022, based on PFDA-Navotas data.

Transport inflation accelerated to 7.0 percent from 6.6 percent as inflation for the operation of personal transport equipment increased to 26.4 percent from 24.1 percent in the previous month, following higher domestic petroleum prices. In particular, this covers unleaded gas (41.0% from 29.5%) and diesel (39.7% from 36.0%). This reflects the higher international crude oil prices driven by global demand recovery and Organization of the Petroleum Exporting Countries (OPEC) supply constraints.

Financial services inflation remains elevated at 43.3 percent since April 2021 following increases in transaction fees for ATM withdrawal and money transfers.

Inflation decelerated in restaurants and accommodation (3.0% from 3.2%), health (3.1% from 3.2%), recreation (1.5% from 1.6%) and education services (0.6% from 0.7%). Meanwhile, faster inflation was recorded among furnishings (2.4% from 2.1%), clothing and footwear (2.0% from 1.9%), information and communication (0.7% from 0.6%), and personal care (2.2% from 2.1%).

### **3. Inflation in the National Capital Region (NCR) fell to 1.3 percent while inflation in areas outside the NCR (AONCR) picked up marginally at 3.5 percent. The Zamboanga Peninsula recorded the highest inflation rate at 6.0 percent.**

Headline inflation in NCR slowed down to 1.3 percent in January 2022 from 2.1 percent in December 2021. This is due to slower price adjustments in food and non-alcoholic beverages (-3.0% from -1.1%), and decelerating inflation in housing and utilities (3.7% from 4.7%), alcoholic beverages and tobacco (4.7% from 5.7%), personal care and other services (1.2% from 1.8%), health (1.9% from 2.2%), education (-0.1% from 0.2%), and recreation activities (0.3% from 0.4%). These offset the faster inflation in transport (6.5% from 5.6%), furnishing and household equipment (2.1% from 1.2%), restaurant and accommodation services (3.4% from

2.8%), clothing and footwear (0.8% from 0.6%), and information and communication (0.5% from 0.4%).

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

Regions	Dec 2021	Jan 2021	YTD 2021
NCR- National Capital Region	2.1	1.3	1.3
AONCR - Areas outside the NCR	3.4	3.5	3.5
CAR - Cordillera Administrative Region	4.4	4.2	4.2
I - Ilocos Region	3.1	3.4	3.4
II - Cagayan Valley	2.9	1.7	1.7
III - Central Luzon	3.2	2.5	2.5
IV-A - CALABARZON	3.0	2.4	2.4
IV-B - MIMAROPA Region	2.5	2.8	2.8
V - Bicol Region	3.1	2.7	2.7
VI - Western Visayas	3.6	4.5	4.5
VII - Central Visayas	2.2	5.0	5.0
VIII - Eastern Visayas	4.2	5.2	5.2
IX - Zamboanga Peninsula	4.5	6.0	6.0
X - Northern Mindanao	3.9	4.5	4.5
XI - Davao Region	4.4	5.1	5.1
XII - SOCCSKSARGEN	5.6	5.0	5.0
XIII - Caraga	4.5	4.3	4.3
BARMM	1.9	1.9	1.9

Inflation in AONCR inched up to 3.5 percent from 3.4 percent. This was driven by faster inflation in food and non-alcoholic beverages (2.5% from 2.1%), transport (7.0% from 6.7%), personal care and other services (2.3% from 2.2%), clothing and footwear (2.3% from 2.2%), and information and communication (0.8% from 0.7%). These offset the slower price adjustments in restaurant and accommodation services (2.9% from 3.4%), alcoholic beverages and tobacco (5.7% from 6.3%), and housing and utilities (4.9% from 5.2%). Meanwhile, financial services (42.7%),

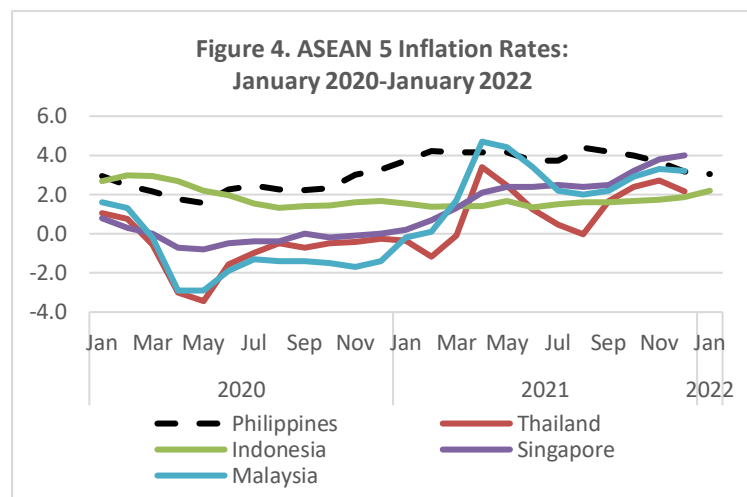


health (3.3%), furnishing and household equipment (2.4%), recreation, sport and culture activities (1.8%), and education services (0.8%) remain unchanged.

In AONCR, seven regions posted slower overall price movements, eight recorded an uptick, while one remained stable (see Table 3). The Zamboanga Peninsula region recorded the highest inflation rate at 6.0 percent in January 2022, faster than the 4.5 percent recorded in December. This was driven by the quicker inflation in majority of commodities, especially for food and non-alcoholic beverages (8.2% from 5.1%), housing and utilities (5.3% from 4.7%), and transport (6.3% from 5.7%), among others.

#### 4. Indonesia’s headline inflation rate increased to 2.2 percent. Thailand, Malaysia, and Singapore have yet to release inflation figures for January 2022. In December 2021, inflation in Singapore accelerated while it decelerated in Thailand and Malaysia.

In January 2022, Indonesia’s overall inflation climbed to 2.2 percent from 1.9 percent in December 2021. Faster inflation was recorded in food, drinks and tobacco (3.5% in January 2022 from 3.1% in December 2021); household equipment and tools (3.3% from 2.7%); and housing and utilities (1.2% in from 0.8%). This offset the deflation in information, communication, and financial services (-0.2% from -0.1%).<sup>6</sup> On



<sup>6</sup> BI. “Inflation in January 2022 was 0.56 percent. The highest inflation occurred in Sibolga at 1.53 percent” [bps.go.id](https://www.bps.go.id/website/materi_eng/materiBrsEng-20220202112829.pdf) [https://www.bps.go.id/website/materi\\_eng/materiBrsEng-20220202112829.pdf](https://www.bps.go.id/website/materi_eng/materiBrsEng-20220202112829.pdf) (accessed on February 2, 2022)

January 20, 2022, the Bank Indonesia maintained its key policy rate at 3.5 percent to maintain the exchange rate and ensure financial system stability.<sup>7</sup>

## 5. Inflation outlook and policy implications

The BSP expects inflation at 3.4 percent in 2022 and 3.2 percent in 2023.<sup>8</sup> For 2022, risks lean to the upside, mainly from supply constraints among key food items, petitions for transport fare hikes, and strong global demand amid lingering supply-chain bottlenecks. On the downside, risks are hinged mainly on the potential emergence of new COVID-19 variants. For 2023, risks remain broadly balanced. The BSP remains accommodative, with a key policy rate at 2.0 percent,<sup>9</sup> and is ready to respond to potential second-round effects arising from supply-side pressures.<sup>10</sup>

### Food supply

Rice and chicken inventories for 2022 are estimated to be at 3.6 million MT (MMT) and 28.9 thousand MT (TMT) (equivalent to 96 and 7 days stock), respectively.<sup>11</sup> Highland vegetables are likewise expected to end the year in a surplus, with local production at 723.1 TMT or 171.3 percent of local demand.<sup>12</sup>

However, the supply of lowland vegetables will not be sufficient, with a local production outlook of 1.3 MMT or only 80.2 percent of local demand. Similarly, pork supplies will remain in deficit at 120.9 TMT,<sup>13</sup> despite the arrival of imports under Executive Order Nos. 133 and 134. The Pork MAV Plus remained

<sup>7</sup> BI. “BI 7-Day Reverse Repo Rate held at 3.50%: Bank Indonesia Policy Mix in 2022 Oriented Towards Maintaining Stability and Strengthening National Economic Recovery” [bi.go.id https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_241522.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_241522.aspx) (accessed on February 2, 2022)

<sup>8</sup> BSP Monetary Board Meeting – December 16, 2021 and Q4 2021 Inflation Report; inflation forecasts for 2012 base year.

<sup>9</sup> Overnight reverse repurchase facility at 2 percent, overnight deposit at 1.5 percent, and lending facilities 2.5 percent

<sup>10</sup> BSP Media and Research. “Monetary Board Holds Policy Settings Steady” <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=6071> (accessed on February 3, 2022)

<sup>11</sup> DA estimates, presented during the Task Group on Food Security (TGFS) Meeting on February 2, 2022.

<sup>12</sup> NFA Council Meeting on January 25, 2022.

<sup>13</sup> DA estimates, presented during the Task Group on Food Security (TGFS) Meeting on February 2, 2022.

underutilized during its implementation from July 2021 to January 2022. Out of 200,000 MT,<sup>14</sup> 70.6 percent or 141,250 MT applied for the MAV Plus Import Certificate (MAVPIC) as of January 24, 2022. Of the volume applied, only 73,296 (51.9%) were used. Meanwhile, for fish supply, the Department of Agriculture (DA) reported that the supply deficit may reach 119 TMT for the first quarter of 2022 due to the closed fishing season and damage brought by Typhoon Odette.

To further increase the utilization of MAV Plus, NEDA reiterates its recommendation to move for the extension of Executive Order Nos. 133 and 134 to increase local supply and ensure regular unloading of stocks, and to also distribute more imported meat to targeted areas outside of NCR.<sup>15</sup> Aside from this, the unloading of more pork stocks from cold storage to the markets may be fast-tracked. The average stock of frozen pork decreased to 63,953 MT in January 2022 from 70,796 MT in December 2021 but remains higher than the 2019 full-year average of 40,084 MT.<sup>16</sup> The timely release of pork stocks will help increase local supply and bring down pork prices.

Among the major provisions of the Livestock Development and Competitiveness (LDC) Bill is the updating of the corn industry roadmap, along with the establishment of “competitiveness enhancement funds” for the components of the livestock value chain. This can cover corn farmers. As corn is also used as animal feeds for livestock, poultry, and fish, this can also help address fish inflation, which remains elevated at 6.2 percent in January.

To augment fish supply amid the ongoing closed fishing season, the DA has issued another Certificate of Necessity to Import (CNI) with a Maximum Importable Volume (MIV) of 60 TMT on January 18, 2022.<sup>17</sup> This brings the total MIV for Q4 2021 to Q1 2022 at 120 TMT, which is four times higher than the 30 TMT CNI

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<sup>14</sup> Total of 1<sup>st</sup> and 2<sup>nd</sup> Tranche

<sup>15</sup> DA’s Memorandum Circular No. 23 Series of 2021, dated October 25, 2021, expanded the market coverage under MAV Plus. It allowed the distribution outside of the NCR Plus (composed of Metro Manila, Bulacan, Rizal, Laguna, and Cavite) to areas with relatively high prices of pork meat.

<sup>16</sup> Based on NMIS stock inventory data as of December 2021.

<sup>17</sup> DA-Administrative Order 01-2022. Available from [ao01\\_s2022.pdf \(da.gov.ph\)](#)

issued during the previous period (*i.e.*, Q4 2020-Q1 2021). The new CNI also includes an additional provision that requires imported fish to be immediately disposed of within 20 days upon arrival to address the low disposal rate under the previous CNI.<sup>18</sup> As of January 25, 2022, only 42.7 TMT (74.7%) have been issued the Sanitary and Phytosanitary Import Clearance (SPSIC) and entry permit, and 40.4 TMT (70.8%) have arrived at the Navotas Fish Port.

### Weather conditions

According to the Philippine Atmospheric, Geophysical, and Astronomical Services Administration (PAGASA),<sup>19</sup> La Niña is present in the tropical Pacific and is likely to persist between February and April 2022 before returning to ENSO-neutral conditions by April to June 2022. Meanwhile, two to five tropical cyclones may enter or develop in the Philippines between February to July 2022. PAGASA expects below-normal to normal rainfall conditions over some parts of the country in the coming months.

Farmers and fisherfolk can take advantage of the favorable weather forecast over the near term. Likewise, the government needs to maximize the period to implement key infrastructure projects that would improve productivity and resiliency in the agriculture sector and ensure sufficient water and energy supply. On the other hand, the damage from climate-related events (*e.g.*, Typhoon Odette) highlights the need for long-term interventions to boost disaster resilience and climate adaptation measures such as reforestation and coordinated flood or water management systems across different local government units.

### Transport Services

Passenger capacity among public utility vehicles and train lines is maintained at 70 percent as NCR and nearby provinces revert to Alert Level 2. The “no vaccination,

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<sup>18</sup> Section 2 of the DA-Administrative Order 01-2022

<sup>19</sup> PAGASA. “Climate Outlook February 2022 – July 2022” [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 February 3, 2022)

no ride policy” was also lifted in these areas to better balance risks and resume economic activities.

### [Global oil prices](#)

The OPEC+ maintained its current pace of production increase at 0.4 mb/d for March 2022 amid the sharp recovery in demand and a surplus outlook of 1.4mb/d for 2022.<sup>20,21</sup> Based on futures markets as of February 2, 2022, Dubai crude oil prices are expected to ease from USD 87.5/b in February 2022 to 85.7/b in March 2022.

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<sup>20</sup> OPEC. “Global oil demand expected to remain robust at 4.2mb/d”. OPEC Monthly Oil Market Report. [opec.org](https://www.opec.org/opec_web/en/publications/338.htm) [https://www.opec.org/opec\\_web/en/publications/338.htm](https://www.opec.org/opec_web/en/publications/338.htm) (accessed on February 3, 2022)

<sup>21</sup> Bloomberg. “OPEC+ Agrees on Another Gradual Oil-Output Hike for March”. [Bloomberg.com](https://www.bloomberg.com/news/articles/2022-02-02/opec-agrees-on-another-gradual-oil-production-hike-for-march). <https://www.bloomberg.com/news/articles/2022-02-02/opec-agrees-on-another-gradual-oil-production-hike-for-march> (accessed on February 3, 2022)