

NEDA sees inflation hitting low end of 2012 target

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ROSEMARIE EDILLON

MANILA — The National Economic and Development Authority (NEDA) expects that the full-year headline inflation rate for 2012 will be at the low end of the government's target of three to five percent.

Last Friday, the National Statistics Office (NSO) showed that headline inflation rate in September 2012 eased to 3.6 percent from 3.8 percent the previous month.

NEDA national planning and policy staff director Rosemarie Edillon said that the September data brought the headline inflation rate for the first three quarters of the year to only 3.2 percent, which is near the low end of the government's target of three to five percent.

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Full year 2011 inflation was recorded at 4.4 percent.

Headline inflation rate is the rate of change in the average prices of goods and services commonly purchased by households as measured by the Consumer Price Index (CPI).

Edillon said that lower prices of electricity, unleaded gasoline and kerosene dampened inflation in September 2012.

“We noted that Meralco’s (Manila Electric Co.) generation and transmission costs decreased in September 2012 due to the significant decline in the charges imposed by the Wholesale Electricity Spot Market (WESM). This, in effect, resulted in lower electricity bills for consumers during that month,” Edillon said.

Industry data showed that the generation charge in September was lower by P1.34 per kilowatt hour (kwh) compared to that in August 2012, and this was the lowest level since March 2012.

On the other hand, WESM charges declined to P8.74 per kwh in September from P14.70 per kwh in August.

The September 2012 inflation was dragged down further by cuts in the price of kerosene which declined by 5.4 percent compared to the price in September 2011.

On the other hand, there was only a 0.7-percent change in the price of unleaded gasoline for the same period, compared to the 1.7 percent change in the previous period from August 2011 to August 2012.

“While rising food prices exerted pressure on inflation, it was partially tempered by lower increases in the price of fish,” said Edillon.

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Edillon said that in selected Southeast Asian countries, inflation generally eased in September compared to the figure in August this year.

“Headline inflation in Indonesia declined in September 2012 and recorded the lowest rate for the same month since 2007. This was attributed to slower upticks in food inflation observed during the period. Other ASEAN countries where inflation declined were Singapore and Malaysia. On the other hand, Thailand’s headline inflation rose to its highest level since the first quarter of this year,” said Edillon.

According to their respective country data, the September 2012 inflation rate in Indonesia was at 4.31 percent, in Singapore at 3.9, Malaysia at 1.4 percent, and Thailand at 3.38 percent.

Global financial institution Citibank meanwhile expects core inflation to ease in the last three months of 2012 on lower electricity tariff rates and normalization of food prices.

It said that the Bangko Sentral ng Pilipinas (BSP) is anticipated to lower its key interest rates by another 25 basis points to keep inflation in check for the rest of the year.

“Low inflation expectations and strong remittances from overseas Filipinos combined with job creation from fiscal spending support will probably sustain consumption-driven growth,” it said in a recently-released report.