

# PHILEQUITY CORNER

By Wilson Sy

## Easing staple prices offer Filipino consumers respite

Philippine food inflation remained high in recent months. Soaring prices for staples such as rice and sugar fueled the rise. But there may be relief on the horizon for Filipino consumers as global commodity prices start to retreat.

## Factors contributing to high food inflation

Food inflation in the Philippines has outpaced the country's headline CPI over the last two years. Soaring energy costs, supply chain disruptions from the Russia-Ukraine war, severe weather conditions, and protectionist measures by major food exporters have all contributed to this trend. India's ongoing restrictions on the export of rice, sugar, and other essential commodities have further disrupted the market, leading to soaring food inflation in import-dependent nations like the Philippines.

## Philippine Headline & Food Inflation



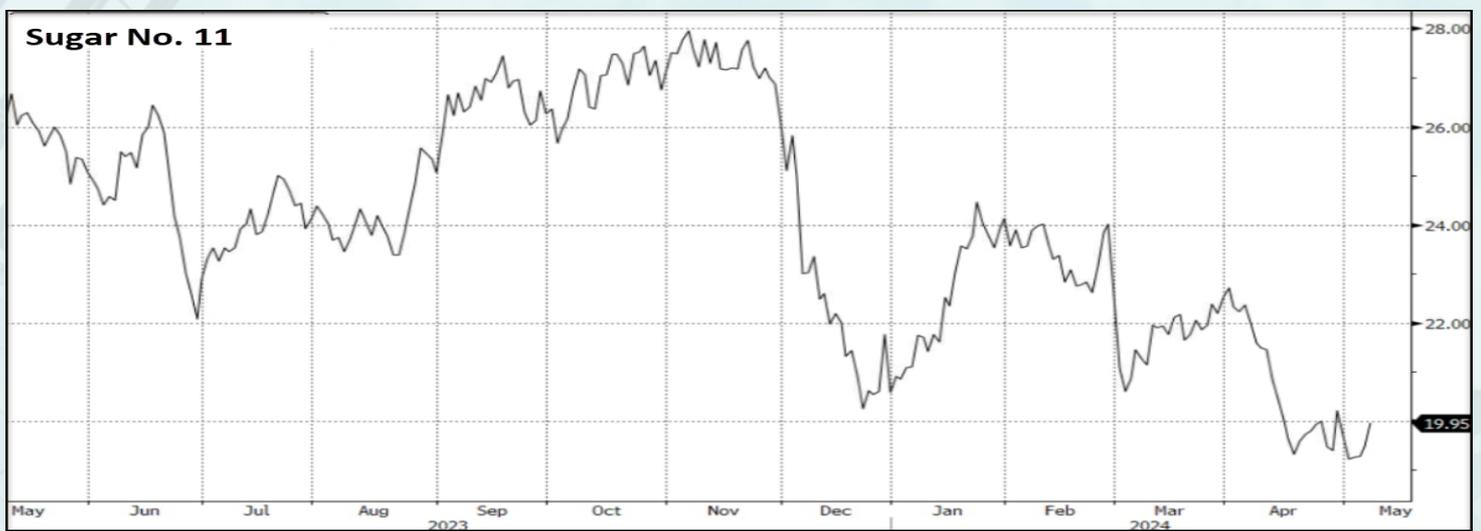
Source: PSA, Tradingeconomics.com

## Rice prices drive April inflation figures

In April, Philippine food inflation accelerated to 6.0%, outpacing the 3.8% headline inflation rate. Rice prices, which surged 23.9% year-on-year, remain a key driver of inflation. Given its substantial weight in the CPI basket, rice alone added 2.1 percentage points to the headline figure.

## Sugar prices decline from 12-year highs

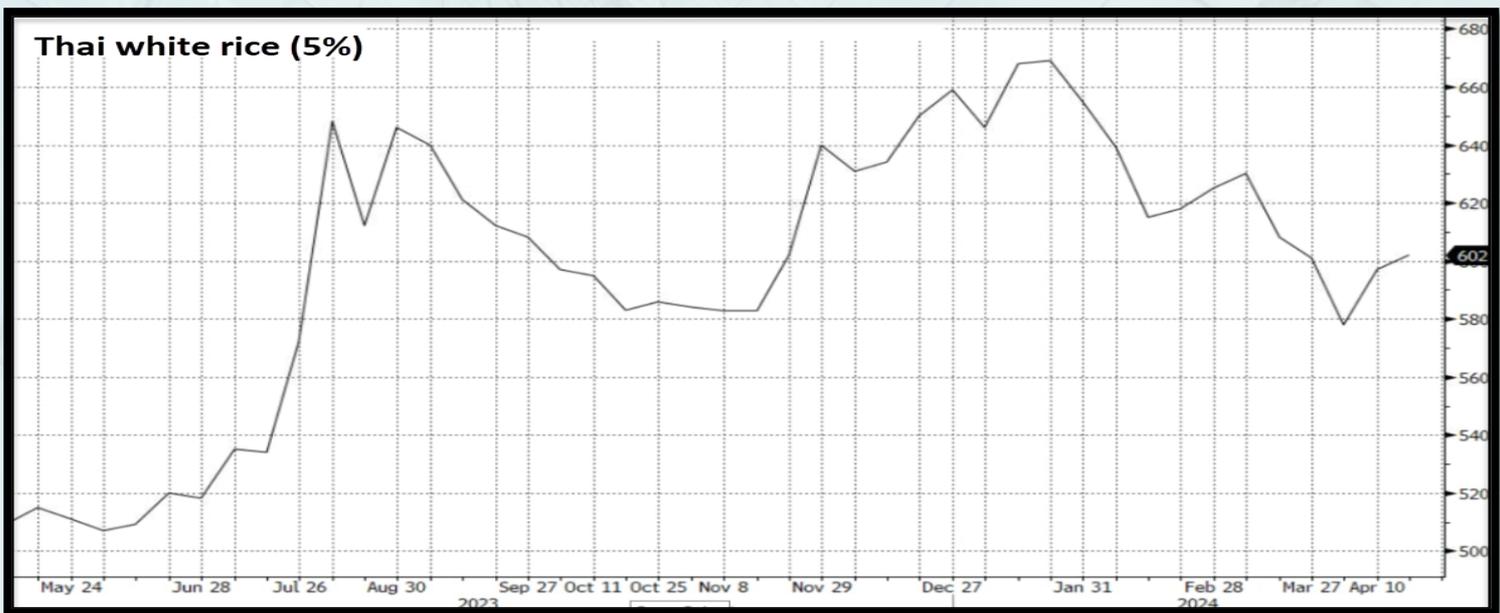
However, the prices of key staples are showing signs of easing in recent months. Global sugar prices have declined 32% from 12-year highs. This decline was driven by improved weather conditions and record harvests in major sugar-producing nations. Brazil's sugar exports surged 78.1% in Q1 2024, while India and Thailand also increased output, reversing previous supply tightness.



Source: Bloomberg

**Rice prices fall as global exports increase**

Rice prices have also fallen 10% from their December 2023 peak due to increased rice exports in Q1 2024 from Thailand, Vietnam, Pakistan, and the United States. These exports have compensated for the reduced exports from India after it restricted non-Basmati rice exports in 2023.



Source: Bloomberg

**Potential relief for Filipino consumers**

While food inflation remains elevated, the falling prices of rice and sugar offer a glimmer of hope for Filipino consumers. The impact on grocery prices may be delayed due to a lag effect, but a sustained decline in these key staples could eventually ease household food expenses and alleviate broader inflationary pressures.