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Philippine Inflation Trends and Effects: A Comparative Analysis across Four Recent Administrations and Regional Predictions

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Abstract— *Inflation is perceived as "the enemy of society," defined as the gradual increase in prices of goods and services within an economy. As inflation persists, the market value of the goods and services generated in the nation declines. To analyze the trends and effects of inflation in the Philippines further, the researchers conducted a comparative analysis across four (4) recent administrations and regional predictions. The study has three (3) objectives: first, to determine the trends of inflation in the Philippines from the four recent administrations; second, to explore the effects of inflation in the Philippines from the four recent administrations; lastly, to predict the trend of Philippine inflation in the succeeding years along with other about the future path of inflation in the Philippines in the upcoming years, with other countries in Southeast Asia. The study employed statistical analysis of secondary and the researchers conducted a qualitative approach to address the questions related to trends and effects of inflation, strategies, and policies implemented. The reduction in the overall inflation rate in October 2023 was primarily attributed to the increment in the heavily weighted food and non-alcoholic beverages at 7.0 percent. The implication is that policymakers should approach it as a dynamic process rather than rely on a static approach; an adaptive strategy adapts to the ever-evolving administration. To evaluate, it is crucial to remember that our economy is distinct, and decision-makers must consider a range of options depending on the particulars of their nation.*

Keywords— *Price instability; Gross domestic product; Economy; Fluctuations in global commodity: Purchasing power.*

I. INTRODUCTION

Inflation is perceived as "the enemy of society." Inflation is described as the rise of prices of goods and services in an economy over time—the continuous increase of inflation results in lower market value of goods and services produced in the country. Therefore, there are opportunities for the growth of the country [1]. The country's economic growth is at risk due to the continuous rise in inflation. The unpredictable inflation rate of a country leads to changing prices and market value. This issue affects the country's gross domestic product and may result in an inactive trading game and a slow growth rate of the economy [2].

Economic growth is when both total demand for spending could be in some form of imbalance with the expansion of output, which, in essence, is the level of supply. As long as that imbalance is not large, the process of growth and development is sustainable and within a range of relative price stability [3]. Supply, demand, and government spending are the leading causes of inflation in all markets. Prices rise due to "demand-pull" inflation, which occurs when an economy's total inflation rate rises faster than the rate at which demand grows for goods. The same is true when government expenditure exceeds economic growth, a situation known as "cost-push" inflation. Cost-push inflation often occurs when governments invest money in projects or programs to boost their economies but need more revenue from taxes or other sources to cover them. Similar to this, prices rise when there is an excessive amount of money in circulation (sometimes referred to as "monetary oversupply") because there is more competition among buyers for scarce resources [4]

The Philippines, a tropical country, tends to be impacted by erratic weather fluctuations; as a result, the Philippines' prices have risen to even higher levels. They are considering the lives of the hungry, who have been the most affected, as they struggle to acquire food to survive. Fuel inflation causes commuters' funds to go towards travel expenses rather than other purchases and also affects the transportation of goods, leading to delayed cash flow. Furthermore, climate change is a significant contributing factor. Due to its geographical location, the Philippines is susceptible to frequent extreme weather events [5].

Over time, the country has experienced variations in its inflation rate. The country's central bank, the Bangko Sentral ng Pilipinas (BSP), is dedicated to maintaining price stability and has set an inflation target range. According to the Philippines Statistics Authority, the Consumer Price Index (CPI) increased by 6.7% from 113.3% in August 2022. In August 2023, the National Capital Region's (NCR) CPI stood at 122.5%, representing a 1.3% increase from its July 2023 index of 121.2%. The demand for goods and services, fluctuations in global commodity prices, government policies, and other economic factors can all influence the inflation rate in the Philippines. To ensure economic stability and long-term growth, the government and central bank employ monetary and fiscal measures to control inflation within a specified range.

Inflation in the industry is the rate at which prices for goods and services within a specific industry rise, reducing purchasing power over time. “Rising rice and energy prices in the Philippines fuel inflation concerns.” The Philippines, which has multiple industries in goods such as rice, transport, and power, is currently experiencing inflation [6]

Supply-side factors have played a large part in the Philippine's history of inflation. The local rice production cannot meet the demand, so the nation must import rice from neighboring countries. With 9.6% rice weight in the CPI basket, this could be affected due to crop losses caused by storms or unfavorable weather. It may become a concern if the rice supply conditions tighten further in the upcoming months. In addition to relying on imported rice, the Philippines also imports energy for power production and transportation. Higher global energy prices are also experienced in the Philippines due to the Ukraine and production cuts. With 13.5% of power generation coming from oil-based power plants, this development should eventually increase electricity bills and transport costs. The three key items in the CPI basket, Rice, Transport, and Power, comprise 23.41% of the basket's total. This shows that inflation in the industry directly influences inflation in the Philippines, especially with the 14-year high of 8.7% in January, which increases the price of all essentials [7].

Both domestic and external factors have driven inflation in the Philippines. One of the key domestic factors is the rising cost of food, particularly agricultural products. This has been attributed to a combination of factors, including the impact of climate change on crop yields, the rising cost of inputs such as fertilizers and pesticides, and the effects of government policies, such as implementing the Rice Tariffication Law in 2019 [8].

The country’s inflation rate for the bottom 30% of income households has increased from 5.6 percent in August 2023 to 6.9 percent in September 2023. The primary contributor to this rise is the food and non-alcoholic beverages, which increased to 10.4 percent in October 2023. Specifically, Food and non-alcoholic beverages have an 81.3 percent share, restaurants and services have 7.2 percent, and personal care and miscellaneous goods have a 3.9 percent share. Moreover, the increase in food inflation has resulted from rice, with an inflation rate of 19.8 percent [9].

This study aims to achieve the following objectives:

1. To determine the trends of inflation in the Philippines from the four recent administrations, according to headline, food, and core
2. To explore the effects of inflation in the Philippines from the four recent administrations, according to headline, food, and core
3. To predict the trend of Philippine Inflation in the succeeding years along with others about the future path of inflation in the Philippines in the upcoming years, with other countries in Southeast Asia.

II. Methodology

The methodology section of the study is vital to provide a systematic investigation process. This study will employ statistical analysis of secondary data to address the questions related to trends and effects of inflation, strategies, and policies implemented. This section will serve as a foundation of the study as it will inform policymakers and individuals to propose potential solutions for mitigating the adverse effects of inflation and promoting economic stability. To gain more knowledge and insights into the study, the researchers will conduct a qualitative method of approach. Literature Review will be utilized, which gives the researchers a way to understand the current state of events occurring in a certain pattern based on existing secondary data that would be gathered from the internet and websites such as Google Scholar, Philippine E-Journals, The University Library-University of the Philippines Diliman, and Philippine Statistics Authority. The researchers will then analyze the collected data to ensure that all related literature is valid and credible. 'Lengthy El Niño hit on inflation seen' (2023, August 25) and 'Summary Inflation Report Consumer Price Index' (2023, August 4) have been employed to bolster the analytical framework. The process of how inflationary patterns and impacts played out in the following year is the primary focus of this design.

In summary, the qualitative research methodology utilized in this study involves gathering data through a literature review of secondary sources drawn from various articles, including ADB. (2021, December 25). Address climate change to stabilize inflation, Mapa., C. S. (2023, September 5). Summary Inflation Report Consumer Price Index and Sicat, G. P. (2022, August 16). Philippines inflation and the economy. The significance of this methodology is its potential to open up the workings of inflations. However, the limitations are still present with the constrained scope of methods. While surveys, interviews, and statistical analysis are formidable tools, the absence of other analytical methods could limit the depth of the paper.

III. Results

The trends of inflation in the Philippines from four recent administrations

A. Headline Inflation

The Philippines’ headline inflation rate is from October 2022 to October 2023. The headline inflation has reduced from 6.1 percent to 4.1 percent from the previous month, resulting in an average inflation of 6.4 percent from January to October 2023 [9]

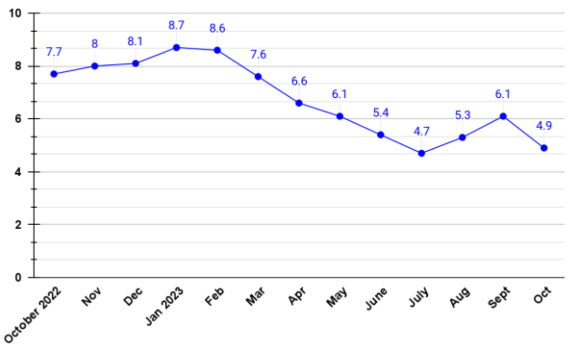

Figure 1. Headline Inflation Rates in the Philippines

The main drivers of the downtrend of headline inflation

The reduction in the overall inflation rate in October 2023 was primarily attributed to the sluggish increment in the heavily weighted food and non-alcoholic beverages at 7.0 percent. The food inflation rate in restaurants and accommodation services also contributed to the downtrend, dropping 6.3 percent from 7.1 percent in September 2023 [9].

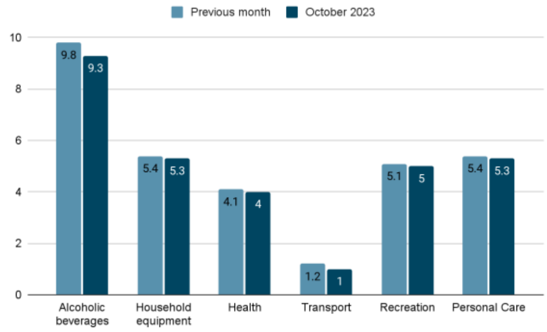

Figure 1.1 Commodity group rates contributing to headline inflation on October 2023

The commodity groups contributed to slower annual increments, influencing headline inflation. Alcoholic beverages and tobacco decreased by 0.5 percent, and household equipment, health, recreation, personal care, and miscellaneous goods, clothing, and footwear share decreased by 0.1 percent. Meanwhile, transport, housing, water, electricity and gas, information, and communication share a decrease of 0.2 percent, and accommodation services decreased by 0.3 percent. Education services retained the previous month's inflation rates, and finance services had a zero percent annual rate during the month [9].

Main Contributors to the Headline Inflation

The three commodity groups influenced the rate of headline inflation: Food and non-alcoholic beverages contributed the most with a share of 53.7 percent, then the restaurants and accommodation services contributed a share of 12.3 percent ranked as the second, and lastly, housing, water, electricity, and gas contributed a share of 11.3 percent [9].

B. Food Inflation

The food inflation rate decreased from 10 percent in September 2023 to 7.1 percent in October 2023 [9].

The main drivers of the downtrend of food inflation

In October 2023, the food inflation rate slowed due to a lower annual increase in vegetables, tubers, plantains, bananas, and pulses. The inflation rate for these food items decreased by 17.7 percent from the previous month, and the inflation rate for rice decreased by 4.7 percent [9].

The commodity groups contributed to slower annual increments, influencing food inflation. Flour, bread, and other bakery products decreased by 0.7 percent; meat, other parts of slaughtered land animals, and seafood shared a decrease of 0.5 percent; Sugar, confectionery, and desserts decreased by 4.1 percent; and Ready-made food products decreased by 1 percent. Additionally, from the annual growth rate of 1.6 percent from the previous month, the corn index fell by 2.4 percent in October 2023. On the contrary, dairy products are seen to have higher year-on-year growth at 7.5 percent. Fruits and nuts also increased from 11.6 percent to 13.5 percent in October 2023 [9].

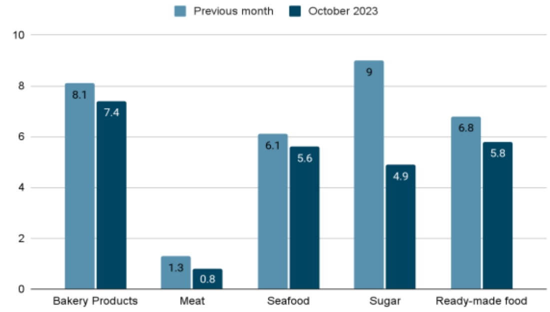

Figure 2. Commodity group rates contributing to food inflation from September 2023 to October 2023

Main Contributors to the Food Inflation

In the overall inflation rate in October 2023, 50.6 percent share or 2.5 percentage points is attributed to food inflation. Cereal and grain products are the primary contributors, with 3.7 percentage points or 51.6 percent share. Vegetables, tubers, plantains, bananas, and pulses contributed 0.9 percentage points or 12.9 percent share and ranked second. Lastly, fish and other seafood contributed 0.9 percentage points or 12.3 percent share [9].

C. Core

The average core inflation from January to October 2023 is 7.0 percent. The rate decreased from 5.9 percent from the previous month to 5.3 percent in October 2023 [9].

TABLE 1. Year-on-year inflation rates in the Philippines, All Items January 2018 to October 2023

Month	Year					
	2018	2019	2020	2021	2022	2023
January	3.4	4.4	3.0	3.7	3.0	8.7
February	3.7	3.8	2.5	4.2	3.0	8.6
March	4.3	3.4	2.2	4.1	4.0	7.6
April	4.3	3.2	1.8	4.1	4.9	6.6
May	4.6	3.2	1.6	4.1	5.4	6.1
June	5.0	2.7	2.3	3.7	6.1	5.4
July	5.8	2.2	2.4	3.7	6.4	4.7
August	6.6	1.4	2.2	4.4	6.3	5.3
September	6.9	0.5	2.2	4.2	6.9	6.1
October	6.9	0.6	2.3	4.0	7.7	4.9
November	6.1	1.2	3.0	3.7	8.0	
December	5.2	2.4	3.3	3.1	8.1	
Average	**5.2**	**2.4**	**2.4**	**3.9**	**5.8**	**6.4**

The average core inflation is 7.0 percent in January to October 2023. It has slowed down further to 5.3 percent in October 2023 from 5.9 percent in the previous month [9].

Effects of Inflation in the Philippines from the four recent Administrations

Inflation, as experienced in the Philippines during the past four administrations, has affected various sectors of the economy, including headline, food, and core inflation. Here is a summary of the effects:

Headline inflation: Headline inflation refers to the overall increase in an economy's average prices of goods and services. In recent administrations, the impact of headline inflation has been mixed. During some periods, inflation rates were relatively low and stable; in others, inflation surged to higher levels, causing a strain on the economy.

Food inflation: Food is a crucial component of the consumer price index, and fluctuations in food prices have significant implications for households, especially those with lower incomes. Weather-related disruptions, supply chain issues, and policy decisions have influenced food inflation in the Philippines. Rising food prices can affect the purchasing power of consumers and lead to higher living costs for many Filipinos.

Core inflation: Core inflation measures the price increase excluding volatile items like food and energy. It provides a better understanding of underlying inflation trends. Over the past administrations, core inflation in the Philippines has been relatively stable, indicating a certain level of price stability in non-food and non-energy goods/services. However, it is important to note that external factors affecting the country's economy can still impact core inflation.

Overall, the effects of inflation can vary depending on the specific administration and external factors. High and volatile inflation rates can erode the purchasing power of consumers, affecting their overall standard of living. Inflation rates are crucial because they affect the purchasing power of money, interest rates, savings, business decisions, and government policies. Inflation can impact people’s standard of living, business growth, employment, and the economy. Furthermore, carefully monitoring and managing inflation rates is important to ensure economic stability and growth.

Inflation in the Philippines can affect various individuals, sectors, and branches of the economy. The persons affected by inflation rates in the Philippines include consumers, particularly those with low incomes who may struggle to afford necessities as prices rise [10]. Small and medium-sized enterprises (SMEs) are also impacted as they face higher costs for raw materials and may need help to compete with larger companies that can absorb these costs [11]. In addition, workers may see their purchasing power eroded as inflation outpaces wage increases [12.]

Prediction of the trend and future path of Philippine Inflation in the succeeding years, along with other countries in Southeast Asia

From 1987 to 2021, the inflation rate in the Philippines has experienced periods of volatility, with peaks and troughs corresponding to changes in global economic conditions, domestic policies, and external factors such as oil prices and exchange rates. In the late 1980s and early 1990s, the Philippines experienced high inflation rates, reaching a peak of 17.3% in 1990. However, from the mid-1990s to the early 2000s, inflation rates stabilized, averaging around 6%. Subsequently, in the mid-2000s, inflation rates began to rise again due to high oil prices and global economic instability, peaking at 9.3% in 2008. From 2009 to 2016, inflation rates remained relatively stable, averaging around 3%.

In recent years, inflation rates in the Philippines have been more volatile. In 2018, inflation peaked at 6.7%, mainly due to supply-side factors such as higher oil prices and the impact of typhoons on agriculture. In 2019, inflation rates moderated, averaging around 2.5%, due to lower oil prices and stable food prices. The COVID-19 pandemic in 2020 caused disruptions in the Philippine economy, resulting in a decline in inflation rates to 2.6%. As for the future, it is important to note that inflation rates are subject to changes in economic conditions and policies, making it difficult to predict with certainty.

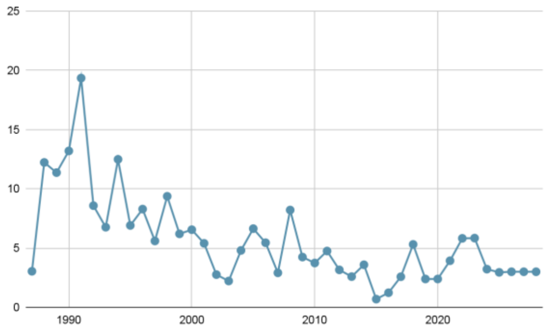

Figure 3. The inflation rate of the Philippines from 1987 to 2028

In 2022, The Philippine inflation rate climbed to 5.82 percent and heavily relies on the international remittance of other service sectors. Agriculture contributes 9.55 percent to the Gross Domestic Product, while Industry and Services contribute 29.23 percent and 61.22 percent, respectively. The inflation rate of the Philippines is predicted to be 3.22 in 2024 and 3 percent in 2025 to 2028 [13].

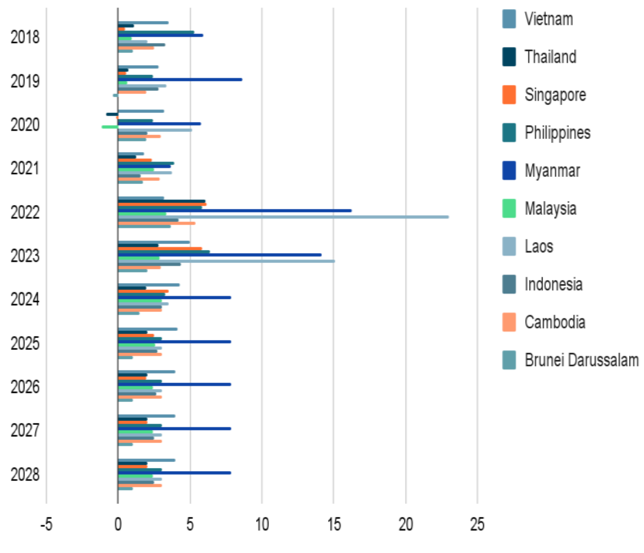

Figure 4. ASEAN Inflation rate from 2018 to 2028

According to the World Bank, the inflation rate in ASEAN countries for 2018 is as follows: Vietnam at 3.13 percent, the Philippines at 5.2 percent, Singapore at 0.6 percent, and Thailand at 1.1 percent. Subsequently, the inflation rate 2019 in the same countries is as follows: Vietnam at 2.72 percent, Philippines at 2.5 percent, Singapore at 0.6 percent, and Thailand at 0.7%. For 2020, the inflation rate in ASEAN countries was affected by the COVID-19 pandemic and varied widely. For example, the inflation rate in Vietnam was 1.68%, while in the Philippines, it was 2.6%. It is worth noting that various factors, such as supply and demand, government policies, and global economic conditions, can influence the inflation rate in ASEAN countries. Therefore, the inflation rate can fluctuate yearly [14].

IV. DISCUSSION

The researchers' results suggest that policymakers can formulate adaptive financial stability and resilience strategies by understanding the impacts of economic policies, global influences, and regional dynamics. Each administration took its path in dealing with the Philippines' economic challenges. These approaches contribute to how the Philippine economy evolves. Predicting external factors involves monitoring global economic indicators, geopolitical events, industry trends, financial markets, and government policies and utilizing predictive analytics, recognizing the inherent uncertainties in foreseeing complex global dynamics. External factors, including global economic conditions and crises, played a significant role in all administrations as they influence inflation trends.

Moreover, the research accentuates the enduring significance of external factors, notably global economic conditions and crises, as influential drivers of inflation trends across administrations. Acknowledging this influence underscores the interdependence between the Philippine economy and the broader global economic landscape, especially the ASEAN countries, emphasizing the need for adaptable policies that consider both domestic imperatives and external forces. In sum, synthesizing these insights offers a robust foundation for policymakers to craft nuanced, forward-thinking strategies that foster economic resilience and stability amid a dynamic and interconnected world.

V. IMPLICATIONS

The research presented the threat of inflation to the Philippines' economy and its possible effects on trade and GDP. Policymakers can implement plans that include adjusting interest rates, managing supply-demand, and approving policies promoting economic growth. With that, the research brought up the erratic weather in the Philippines and the economic effects of it; implications of climate resilience and socioeconomic factors are also present. With the importance of implementing climate resilience measures highlighted, policymakers can prioritize making climate resilience strategies like preparing people for natural disasters, etc. Building on these measures, the research also showed the impact of inflation on lower-income households, especially essential goods. Policymakers and social welfare advocates could help establish social safety nets for necessities to alleviate the financial burden on low-income households. It was also shown in the research that economic policies, global influences, and regional dynamics are factors in the Philippines' economy. Policymakers must know about these factors and the possible ripple effects on inflation; they should have an adaptive strategy as it is essential for changing economic conditions. The implication is that the policymakers should approach it as a dynamic process. Rather than relying on a static approach, an adaptive strategy adapts to the ever-evolving administration.

VI. RECOMMENDATIONS

To evaluate, It is crucial to remember that our economy is distinct, and decision-makers must consider a range of options depending on the particulars of their nation. Seeking advice and valuable insights from economists, central banks, and experts in the field can be beneficial when tackling high inflation. This can be accomplished with the assistance and guidance of laws governing the monetary system, exchange rates, wages and prices, communication, and education.

Raising interest rates is one way a prudent government can impose a tight monetary policy, limiting the money supply and rein in inflation—imposing price controls and a temporary wage to restrain price increases. These actions, however, frequently have unforeseen consequences and are not viable in the long term. Lowering import costs can be achieved by pursuing a stronger exchange rate. This may lessen the inflationary pressure brought on by imports.

Lastly, encouraging financial literacy and knowledge of inflation will aid people and companies in comprehending its effects. This can help with decision-making and expectations management, which can help stabilize prices.

It is crucial to remember that inflation impacts every facet of the economy, including rates of interest, initiatives by the government, corporate investment, consumer spending, and employment rates. Given that inflation can lower the value of making investment returns, understanding inflation is essential to successful investing.

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