

REPORT ON INFLATION (MAY 2021)

HIGHLIGHTS

- Headline inflation rate remained steady for the third straight month at 4.5 percent in May 2021, with year-to-date inflation at 4.4 percent. While this is still above the central bank's full-year target of 2 to 4 percent for 2021, they expect full-year inflation to fall back within the target range at 3.9 percent.
- Seasonally adjusted month-on-month (m-o-m) inflation likewise remained stable at 0.2 percent.
- Food and non-alcoholic beverages inflation moderated to 4.6 percent while non-food inflation picked up to 3.9 percent.
- Meat inflation remained at 22.1 percent with a 1.4 ppt contribution to overall inflation. Pork inflation reached 58.4 percent and was as high as 67.6 percent in NCR. Meanwhile, rice inflation further decelerated to -0.8 percent which helped temper food inflation. M-o-m meat inflation was also negative at -0.1 percent, suggesting price stabilization.
- With the issuance of Executive Orders (EO) 133 and 134, the impact on inflation of the temporary reduction of pork tariffs and the increase of the Minimum Access Volume (MAV) for imported pork implemented in mid-May is expected to materialize in the second half of the year. In addition, EO No. 135, which temporarily reduces the most favored nation (MFN) rate for rice, is also expected to keep rice prices stable for consumers. To help lower overall inflation, the government needs to continue its efforts to boost domestic production through hog repopulation programs and the effective conduct and monitoring of vaccine trials, fast-tracked financial assistance to affected producers, and the effective implementation of African Swine Fever (ASF) contingency plans.

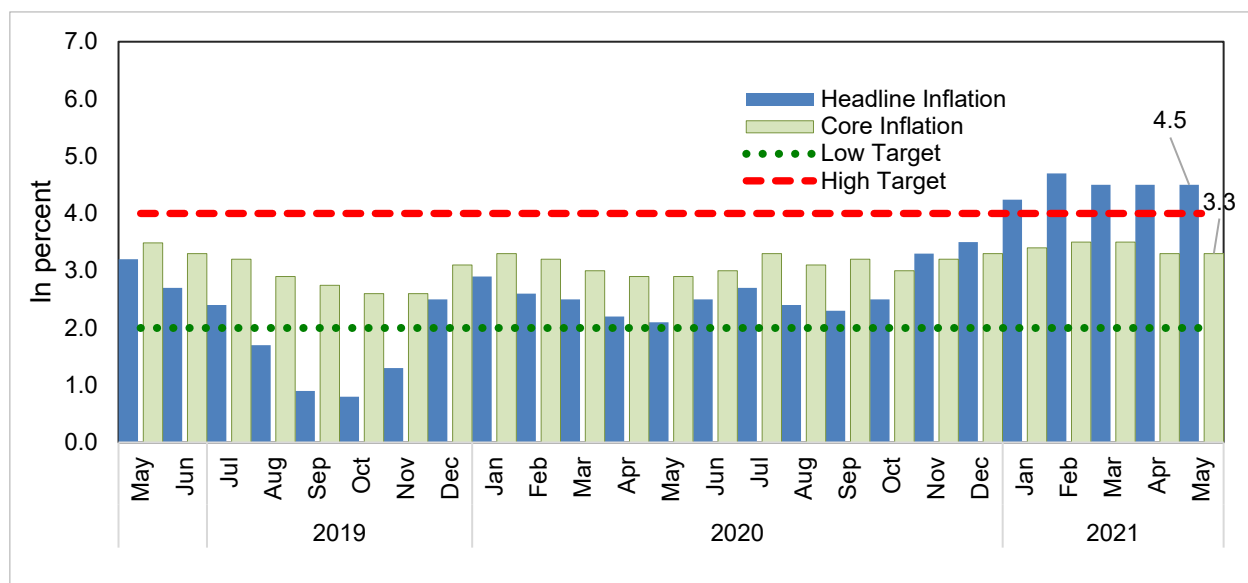
Year-on-year inflation rates (2012=100)

	May	Apr	YTD
	2021	2021	2021
Philippines			
Headline	4.5	4.5	4.4
Core	3.3	3.3	3.5
Bottom 30%	4.5	4.9	5.0
NCR			
Headline	3.6	3.7	3.8
AONCR			
Headline	4.7	4.7	4.6

1. Headline inflation rate remained steady for the third straight month at 4.5 percent in May 2021, while seasonally adjusted m-o-m inflation remained stable at 0.2 percent.

The Philippines' headline inflation rate remained stable for the third consecutive month at 4.5 percent in May 2021, albeit significantly higher than the 2.1 percent in May 2020. The latest inflation figure was within the *Bangko Sentral ng Pilipinas's* (BSP) forecast range of 4.0 to 4.8 percent,¹ and consistent with the private sector's median forecast of 4.5.² Year-to-date, headline inflation average is at 4.4 percent, which is still above the BSP's 2.0 to 4.0 percent target range.

Figure 1. Headline inflation rates: May 2019 to May 2021



¹ BSP Press Release. "Month-Ahead Inflation Forecast for May". Bsp.gov.ph.

<https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=5800> (accessed 2 June 2021)

² Noble, Luz Wendy T. Business World. "May inflation likely steady at 4.5% — poll" *Bworldonline.com* <https://www.bworldonline.com/may-inflation-likely-steady-at-4-5-poll/> (accessed on 2 June 2021)

Table 1. Headline inflation rates in the Philippines (in percent, 2012=100)

Commodity group	Apr 2021		May 2021	
	Y-O-Y	M-O-M ³	Y-O-Y	M-O-M ³
ALL ITEMS	4.5	-0.1	4.5	0.1
Food and Non-Alcoholic Beverages	4.8	-0.2	4.6	-0.4
Alcoholic Beverages and Tobacco	12.0	0.4	11.8	0.3
Clothing and Footwear	1.6	0.1	1.7	0.1
Housing, Water, Electricity, Gas, and Other Fuels	1.5	0.0	1.9	0.3
Furnishing, Household Equipment, and Routine Maintenance of the House	2.1	0.3	2.5	0.5
Health	3.1	0.2	3.2	0.2
Transport	17.9	0.2	16.5	0.3
Communication	0.3	0.0	0.3	0.0
Recreation and Culture	-0.6	0.1	-0.6	0.0
Education	1.1	0.0	1.1	0.0
Restaurant and Miscellaneous Goods and Services	3.4	0.3	3.8	0.5

Source: Philippine Statistics Authority

The inflation rate in May remained stable as the inflation of transport and food and non-alcoholic beverages decelerated, along with alcoholic beverages and tobacco. These partly offset the accelerated inflation in housing and utilities, furnishing and household equipment, and restaurants and miscellaneous goods and services (see Table 1).

Core inflation⁴ also remained unchanged at 3.3 percent in May, similar to the preceding month. Inflation for the bottom 30 percent of households continued to decelerate to 4.5 percent from the 4.9 percent in the previous month. Year-to-date,

³ The month-on-month (m-o-m) inflation figures cited in Table 1 are not seasonally-adjusted.

⁴ 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.

core inflation averaged at 3.5 percent, while inflation for the bottom 30 percent of households eased to 5.0 percent.

Among the top 10 contributors to inflation during the month, two items (meat and fish) belong to the food and non-alcoholic beverages commodity group. Together, these items contributed 1.96 percentage points (ppt) to total inflation (see Table 2). Meat remains to be the top contributor to inflation for this month.

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

Commodity group	May 2021
Meat	1.4
Transport Services	0.7
Fish	0.5
Operation of Personal Transport Equipment	0.4
Catering Services	0.3
Tobacco	0.3
Actual Rentals for Housing	0.2
Electricity, Gas and Other Fuels	0.2
Personal Care	0.1
Goods and Services for Routine Household Maintenance	0.1
TOTAL CONTRIBUTION TO INFLATION	4.3
Others (e.g., education, clothing and footwear, furnishings, communications, recreation, etc.)	0.2
OVERALL INFLATION	4.5

On a m-o-m seasonally adjusted basis, overall inflation posted a 0.2 percent growth in May, which is steady from the revised 0.2 percent growth in April. Faster m-o-m adjustments were observed in housing and utilities (0.6% from 0.0% in April), furnishing and household equipment (0.6% from 0.3%), education (0.4% from 0.2%), and restaurants (0.5% from 0.4%). Deflation continued for food and non-alcoholic beverages (-0.1% from -0.2%), while the rest of the sectors remained broadly stable.

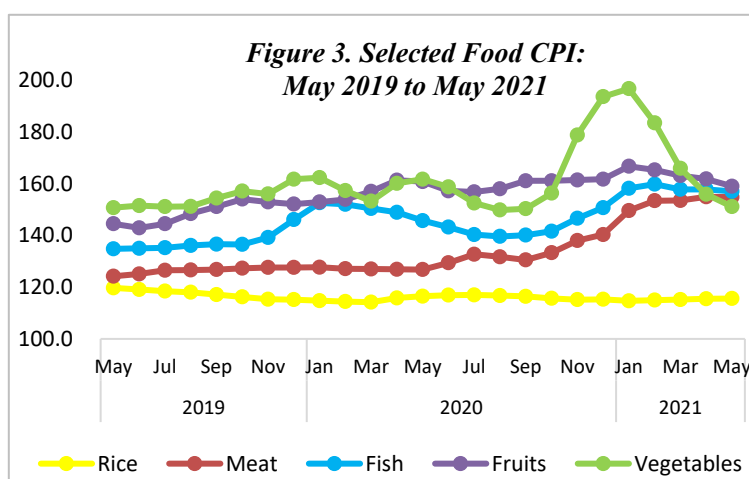
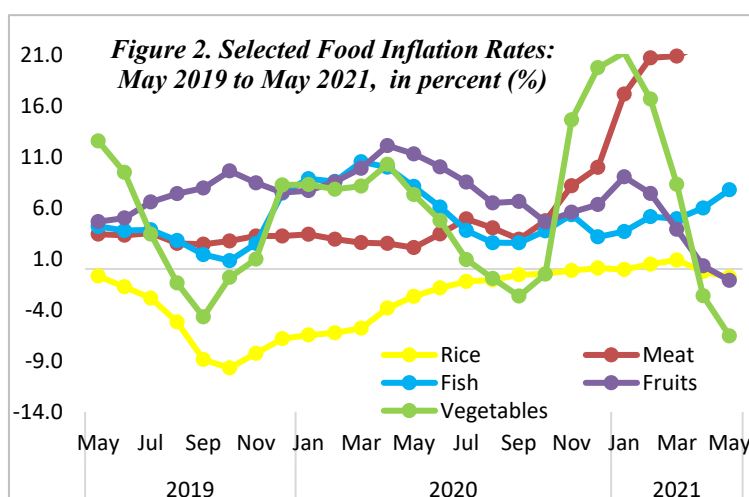
2. Food and non-alcoholic beverages inflation moderated to 4.6 percent; non-food inflation picked up to 3.9 percent.

Food

While food and non-alcoholic beverages inflation decelerated to 4.6 percent in May from 4.8 percent in April, this is significantly higher than the 2.9 percent in May 2020.

On a m-o-m seasonally adjusted basis, food and non-alcoholic beverages registered slower deflation in May 2021 at -0.1 percent from -0.2 percent in the previous month.

Food inflation slowed down to 4.9 percent mainly on account of the deflation in vegetables (-6.6% in May from -2.6% in April), rice (-0.8% from -0.3%), and fruits (-1.1% from 0.3%). Cheaper prices of vegetables and fruits were primarily due to the onset of the harvest season.



This was also complemented by the improved logistics conditions this year compared to last year.

Decelerating rice prices may be attributed to increased production and the arrival of more imported rice. *Palay* production improved due to the increased harvest area of 1.1 million hectares and planting intentions that recorded a total of 85 percent of the total area actually planted.⁵ Moreover, despite the damage to rice supply brought by Tropical Depression Crising,⁶ the timely arrival of imported rice was able to supplement domestic production. As of May 2021, an estimated 980,267 MT of imported rice arrived. This was equivalent to 51.4 percent of the volume issued with the Sanitary and Phytosanitary Import Clearance (SPSIC).⁷

On the other hand, meat inflation remained unchanged from its historic high of 22.1 percent as pork inflation accelerated (58.4% y-o-y). The continued infestation of the ASF resulted in a 25.8 percent contraction in hog production in Q1 2021. As of May 28, 2021, the total number of culled or depopulated pigs increased to 474,249, or an equivalent of 5.0 percent of total swine inventory as of April 2021 and 2.3 percent of total hog production in 2020.⁸ The lower imported pork prices with reduced tariffs under Executive Order No. 134 may arrive in the second half of the year and is expected to reduce prices for consumers.^{9,10}

Inflation for fish products accelerated (7.8% from 6.0% in April). Nevertheless, the price index declined m-o-m as supply picked up. Fish volume unloading increased to 50,894.7 metric tons (MT) or 7.2 percent higher compared to the same period in the previous month.¹¹ Supply remained sufficient as the closed fishing season ended in March which allowed for a higher catch during the current open fishing season.

Faster inflation of corn (5.1% from 3.1%) may be attributed to the lingering impact of the typhoon in April 2021, with the share of corn to total damage at 13.7 percent.¹²

⁵ DA Communications Group. DA News. "RTL on track, palay harvest and prices up, rice affordable, capped with another record harvest in 2021". <https://www.da.gov.ph/rtl-on-track-palay-harvest-and-prices-up-rice-affordable-capped-with-another-record-harvest-in-2021/>

⁶ DA-FPOPD updates

⁷ January to March 2021 import data are from BOC, while April 2021 data is from the Bureau of Plant and Industry (BPI)

⁸ PSA for the data on swine inventory and production; and DA-BAI on data on depopulated animals

⁹ According to the DA-BAI, shipments from Europe and the US average 45 to 60 days to arrive.

¹⁰ Executive Order No. 134, s. 2021 or the "Customs Modernization and Tariff Act" temporarily reduced the tariff on pork imports to 10 to 25 percent from 30 to 40 percent.

¹¹ Philippine Fisheries Development Authority (PFDA) Regional Fish Ports

¹² DA-FPOPD updates

Moreover, international prices of corn for May 2021 have increased amid growing Chinese demand.¹³ Meanwhile, other cereals (1.8%) and milk, cheese, and eggs (1.4%) were stable for the period.

Non-food

Inflation for non-food items inched up marginally to 3.9 percent in May from 3.8 percent in April and is significantly higher than the 0.7 percent for the same period last year. The transport price index continued to drive the acceleration in prices, albeit with a slower 16.5 percent growth (from 17.9% in April). Inflation of petroleum and fuels for personal transport equipment remained elevated (33.0% in May from 32.0% in April). The increase was generally broad-based across fuel types, with kerosene exhibiting the fastest uptick (47.9% from 49.6%), followed by diesel (28.9% from 24.7%) and unleaded gas (13.9% from 26.8%). Global oil prices have reached a two-year high with optimism building around the comeback of fuel demand in regions such as the United States.¹⁴ Notwithstanding, LPG prices fell (-5.1% from 9.3%) amid weak demand due to the impact of prolonged restrictions on the LPG consumption of industries and commercial establishments.¹⁵ Transport services decelerated (15.4% from 17.6%) due to slower movement in the price index for tricycle fares (38.8% from 48.4%), while jeepney (6.3%) and bus fares (4.9%) remained stable.

Similarly, housing and utilities inflation edged higher (1.9% from 1.5%) driven by a faster uptick in actual rentals paid by tenants (1.7% from 1.5%), coupled with slower deflation in the electricity price index (-0.6% from -4.6%). M-o-m, Meralco electricity generation charges inched upward by 0.2 percent. This may be attributed to the completion of the refund for over-recoveries for pass-through charges as earlier directed by the Energy Regulatory Commission (ERC).¹⁶

¹³ Thukral, Naveen. "GRAINS-Corn rises, set for second weekly gain on strong Chinese demand" *Reuters.com* <https://www.reuters.com/article/global-grains-idAFL2N2NF02D> (accessed on 03 June 2021)

¹⁴ Luz, Andres Guerra. Bloomberg. "Oil Rises to Two-Year High With Investors Eying Demand Comeback" Bloomberg.com <https://www.bloomberg.com/news/articles/2021-05-16/oil-edges-higher-as-demand-optimism-offsets-asia-virus-flare-up>; Kelly, Stephanie. "Oil hits over 1-year high on OPEC+ supply discipline, demand prospects" *Reuters.com* <https://www.reuters.com/world/middle-east/oil-prices-rise-opec-discipline-strong-demand-outlook-2021-06-02/> (accessed 6 June 2021)

¹⁵ DOE. "LPG Monitor" *DOE.gov.ph* <https://www.doe.gov.ph/lpg-monitor> (accessed on 03 June 2021)

¹⁶ Flores, Alena Mae S. "Meralco announces P0.1853-per-kWh rise in monthly billing of residential customers" *ManilaStandard.net* <https://manilastandard.net/business/power-technology/353822/meralco-announces-p0-1853-per-kwh-rise-in-monthly-billing-of-residential-customers.html> (accessed 1 June 2021)

On a m-o-m seasonally adjusted basis, non-food inflation accelerated to 0.3 percent from 0.1 percent in the previous month, owing to higher inflation in housing and utilities, furnishing and household equipment, education, and restaurant and miscellaneous goods and services.

3. Inflation in NCR decelerated marginally to 3.6 percent while it remained steady in areas outside NCR (AONCR) at 4.7 percent. The Bicol region recorded the highest inflation rate for the third time this year at 7.5 percent, although lower than the previous month.

Headline inflation in NCR slowed down to 3.6 percent in May, although still much higher than the 1.4 percent inflation rate for the same period last year. The recent inflation outturn resulted from slower price adjustments in transport (13.8% from 19.7% in April) and alcoholic beverages and tobacco (10.2% from 10.3%), as well as the faster deflation in recreation and culture (-0.5% from -0.4%). These offset the faster inflation of food and non-alcoholic beverages (5.1% from 4.9%); housing and utilities (0.7% from 0.2%); furnishing and household equipment (1.2% from 0.5%); restaurant and miscellaneous goods and services (2.4% from 1.8); and health (3.0% from 2.9%). Meanwhile, inflation of clothing and footwear (0.8%); education (0.5%); and communication (0.1%) were unchanged from the previous month.

On the other hand, inflation in AONCR was stable from the previous month at 4.7 percent in May 2021. Inflation upticks were recorded for transport (17.4% in May from 17.3% in April); housing and utilities (2.4% from 2.0%); restaurant and miscellaneous goods and services (4.3% from 4.2%); furnishing, household equipment, and routine maintenance of the house (2.9% from 2.7%); health (3.2% from 3.1%); and clothing and footwear (2.0% from 1.8%). These were partly mitigated by slower inflation in food and non-alcoholic beverages (4.4% from 4.8%) and alcoholic beverages and tobacco (12.1% from 12.3%). Slower deflation was observed in recreation and culture (-0.6% from -0.7%), while inflation for communication (0.4%) and education (1.4%) were stable from the previous month.

In AONCR, six regions posted slower inflation rates compared with the previous month while eight posted higher inflation (see Table 3). The Bicol Region recorded the highest inflation rate at 7.5 percent in May 2021, albeit slightly slower compared

with the 7.9 percent in April 2021. The moderation in Bicol's inflation was driven by slower inflation in transport (49.4% from 50.7%); food and alcoholic beverages (5.6% from 6.2%); and housing and utilities (2.2% from 3.0%). The elevated transport inflation compared with other regions primarily drove up the high inflation in the Bicol region.

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

Regions	Apr 2021	May 2021	YTD 2021
NCR - National Capital Region	3.7	3.6	3.8
AONCR - Areas outside the NCR	4.7	4.7	4.6
CAR - Cordillera Administrative Region	3.2	3.5	3.7
I - Ilocos Region	4.5	4.4	4.4
II - Cagayan Valley	6.9	6.5	7.3
III - Central Luzon	4.8	4.9	5.1
IV-A - CALABARZON	5.8	5.8	5.7
IV-B - MIMAROPA Region	5.8	5.1	5.3
V - Bicol Region	7.9	7.5	7.6
VI - Western Visayas	4.6	4.9	4.7
VII - Central Visayas	1.9	2.1	1.4
VIII - Eastern Visayas	2.8	3.1	2.7
IX - Zamboanga Peninsula	3.6	3.2	2.4
X - Northern Mindanao	4.7	4.7	3.9
XI - Davao Region	3.7	4.1	3.2
XII - SOCCSKSARGEN	4.6	4.8	4.8
XIII - Caraga	4.4	4.5	4.2
BARMM – Bangsamoro Autonomous Region in Muslim Mindanao	3.2	2.5	3.2

4. Indonesia's headline inflation rate accelerated to 1.7 percent. Others have yet to release inflation figures for May 2021, but Singapore, Malaysia, and Thailand recorded an uptick in overall prices in April 2021.

In May 2021, Indonesia's overall inflation increased to 1.7 percent from 1.4 percent in April 2021. This is attributed to the faster inflation in food, beverages, and tobacco (3.0% in May 2021 from 2.3% in April 2021); clothing and footwear (1.3% from 0.9%); food services and restaurant (2.7% from 2.4%); household equipment,

tools, and routine maintenance (1.6% from 1.4%); and recreation, sports, and culture (0.9% from 0.8%).¹⁷ On May 25, 2021, the Bank Indonesia maintained its key policy rate at 3.5 percent in support of the country's economic recovery.¹⁸

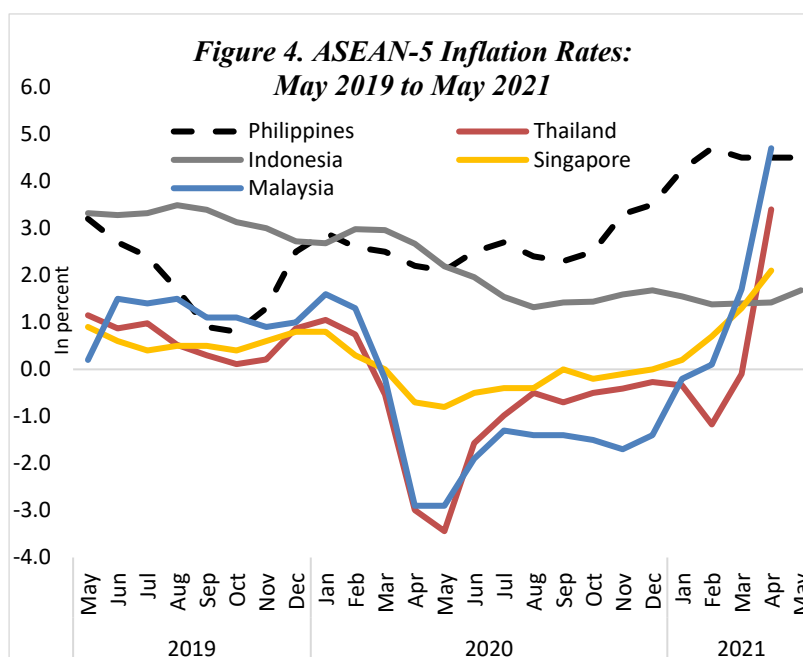


Table 4. Y-O-Y ASEAN-5 inflation rates (in percent)

Malaysia, Singapore, and Thailand have yet to report inflation figures for May 2021. But for April 2021, these three countries recorded upticks in overall consumer prices.

Malaysia's headline inflation reached 4.7 percent in April 2021 from 1.7 percent in the previous month. This

	Apr	May
	2021	2021
Philippines	4.5	4.5
Indonesia	1.4	1.7
Thailand	3.4	Not yet available
Malaysia	4.7	Not yet available
Singapore	2.1	Not yet available

¹⁷ <https://www.bps.go.id/pressrelease/2021/06/02/1764/inflasi-terjadi-pada-mei-2021-sebesar-0-32-persen--inflasi-tertinggi-terjadi-di-manokwari-sebesar-1-82-persen-.html> and <https://www.bps.go.id/pressrelease/2021/05/03/1763/inflasi-terjadi-pada-april-2021-sebesar-0-13-persen--inflasi-tertinggi-terjadi-di-kotamobagu-sebesar-1-31-persen-.html>

¹⁸ https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2312921.aspx

was driven by the spike in transport inflation (27.0% in April 2021 from 9.8% in March 2021); housing, water, electricity, gas, and other fuels (3.1% from -0.8%); food and non-alcoholic beverages (1.9% from 1.5%); and furnishings, household equipment, and routine maintenance of the house (1.6% from 0.9%).¹⁹

In Singapore, overall consumer prices accelerated to 2.1 percent in April 2021 from 1.3 percent in March 2021. This was mainly due to the faster inflation in private transport (12.9% in April 2021 from 7.2% in March 2021), and accommodation cost (0.7% from 0.5%), along with the slower deflation in retail and other goods (-1.1% from -1.5%) and electricity and gas (-2.4% from -9.7%).²⁰ The government of Singapore maintained its forecast range for 2021 headline inflation at 0.5 percent to 1.5 percent.²¹

After 14 consecutive months of deflation, Thailand's overall consumer prices climbed to 3.4 percent from -0.1 percent in March 2021. Food and transport prices went up as consumption started to recover in the aftermath of the COVID-19 disruption.²²

5. Inflation outlook and policy implications

Monetary policy remains accommodative in support of continued economic recovery. On May 12, 2021, the Monetary Board kept the key policy interest rate steady at 2.0 percent. The interest rates on the overnight deposit and lending facilities were also maintained at 1.5 percent and 2.5 percent, respectively.

Meanwhile, the BSP revised its 2021 inflation forecast from 4.2 percent to 3.9 percent amidst easing food prices due to several factors: improved weather conditions, temporary modifications in import policies for pork and rice, slower than expected inflation outturn for March and April, lower Q1 gross domestic product (GDP) result, and the continued appreciation of the Philippine peso.^{23,24} The revised 2021 inflation projection falls back to within the 2.0 to 4.0 percent inflation target

¹⁹https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=106&bul_id=TIM3NDFuL0IrSEk1TEI4en hGNTRiQT09&menu_id=bThzTHQxNlZqMVf6a2I4RkZoNDFkQT09

²⁰<https://www.mas.gov.sg/-/media/MAS/EPG/CPD/2021/Inflation202104.pdf>

²¹<https://www.mas.gov.sg/-/media/MAS/EPG/CPD/2021/Inflation202104.pdf>

²²<https://tradingeconomics.com/thailand/inflation-cpi>

²³ BSP Monetary Board Meeting, 12 May 2021

²⁴ Banko Sentral ng Pilipinas (BSP) Press Release. "Monetary Board Keeps Policy Settings Steady". <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=5782> (accessed 1 June 2021)

range. For 2022, the inflation forecast was adjusted upward from 2.8 percent to 3.0 percent, driven by increases in global crude oil prices and prospects for faster domestic growth in 2022

Food supply

Sufficient food supply is generally expected in 2021. Rice production levels are projected to reach 20.1 million metric tons (MMT), with ending rice inventory for the year expected to last for 72 days.²⁵ Vegetable supply is also forecasted to reach 2.15 MMT or 107 percent of local demand.²⁶ A fish surplus of about 73,000 MT or equivalent to eight-day stocks is likewise expected in 2021.²⁷

Meanwhile, the temporary tariff cuts on imported pork (10% to 25% from 30% to 40%²⁸) and increase in the MAV quota (254,210 MT)²⁹ in EOs 133 and 134 are expected to augment the shortfall in pork supply during the second half of the year and bring down prices for consumers.

President Duterte proclaimed a one-year state of calamity due to ASF on May 10, 2021.³⁰ Public and private sectors may take advantage of this proclamation to realign resources towards boosting ASF response efforts (*e.g.*, LGUs' Local Risk Reduction and Management Fund) and harmonize contingency plans across stakeholders.³¹ Contingency plans must be anchored on the national government's overall agenda (*i.e.*, "Bantay ASF sa Barangay" and hog repopulation program), with a focus on biosecurity, monitoring, prevention, and protection measures. For the government, it will promote the exchange of best practices and resources across national and international entities to further bolster domestic pork production. For instance, the Thai food conglomerate, Charoen Pokphand Foods Philippines

²⁵ NEDA Estimates based on basic data from DA, BOC and PSA.

²⁶ Presented by DA during the Task Group on Food Security Meeting on 29 April 2021 (*no updated estimates yet*).

²⁷ *BFAR, as of 17 May 2021*

²⁸ Executive Order No. 134, s. 2021, "Customs Modernization and Tariff Act", Repealing EO No. 128, s. 2021. <https://www.officialgazette.gov.ph/downloads/2021/05may/20210515-EO-134-RRD.pdf> (accessed 31 May 2021)

²⁹ Executive Order No. 133, s. 2021, "Agricultural Tariffication Act", <https://www.officialgazette.gov.ph/downloads/2021/05may/20210510-EO-133-RRD.pdf> (accessed 31 May 2021)

³⁰ Proclamation No. 1143, "Declaring A State of Calamity Throughout the Philippines Due to the African Swine Fever Outbreak". <https://www.officialgazette.gov.ph/downloads/2021/05may/20210510-PROC-1143-RRD.pdf> (accessed 31 May 2021)

³¹ DA Communications Group. DA News. "PRRD's declaration of state of calamity due to ASF will boost biosecurity efforts". <https://www.da.gov.ph/prrds-declaration-of-state-of-calamity-due-to-asf-will-boost-biosecurity-efforts/> (accessed 19 May 2021)

Corporation (CPFPC) agreed to share its technological expertise on modern bio-secured farms under the Philippines' Swine R3 program.³²

In line with Department of Agriculture (DA) Memorandum Order 30, series 2021,³³ the government will strengthen and strictly implement “farm-to-fork” safety and regulatory systems. Government agencies may appraise and revise existing sanitary and phytosanitary measures, food safety standards, and other border inspection and control frameworks as needed.³⁴ This will help mitigate the risk of another disease outbreak, facilitate fair trade, and improve the standards of competitiveness for Philippine agri-fishery products.

The government will likewise continue to prioritize improving domestic production. On agricultural capacity, farm consolidation and land access will be further promoted. The supply chain and logistics organization will be enhanced further through improved linkages between producers and consumers (e.g. e-Kadiwa, DTI Grand Bagsakan, DTI-Shopee National Food Fair). Infrastructure and financial support will also be expanded and fast-tracked to meet stakeholder needs on time. Other credit assistance includes hog indemnity payments, Rice Competitiveness Enhancement Fund (RCEF), and the expanded SURE Aid and Recovery Project.³⁵ To ensure more resilient food products, the government will augment its investment in research for development (R4D) efforts, such as the ASF vaccine development and studies on transboundary crop pests.³⁶

The government also issued EO No. 135 to temporarily reduce the MFN rate for imported rice to 35 percent from 40 to 50 percent.³⁷ This is a proactive measure to

³² DA Communications Group. DA News. “Thai-based agri firm partners with DBP, DA to revive hog industry”. <https://www.da.gov.ph/thai-based-agri-firm-partners-with-dbp-da-to-revive-hog-industry/> (accessed 28 May 2021)

³³ DA MO No. 30, s. 2021, “Intensification of First Border Inspection and Control of Imported Food and Agri-Fisheries related products”. https://www.da.gov.ph/wp-content/uploads/2021/05/mo30_s2021.pdf (accessed 31 May 2021)

³⁴ DA Communications Group. DA News. “DA heightens border control to ensure food safety”. <https://www.da.gov.ph/da-heightens-border-control-to-ensure-food-safety/> (accessed 19 May 2021)

³⁵ Through the expanded SURE Aid and Recovery Project, DA-Agricultural Credit Policy Council has also granted a total of PHP809 million to marginalized small farmers, fisherfolk, and MSMEs. Through ACPC SURE COVID-19 Dashboard Report. Accessed through <https://datastudio.google.com/reporting/10cfae45-702c-4560-82a8-28d66605da0a/page/SLAgB?s=kNIFH6vpgK8>.

³⁶ DA Communications Group. DA News. “Agri chief backs research on transboundary crop pests and diseases”. <https://www.da.gov.ph/agri-chief-backs-research-on-transboundary-crop-pests-and-diseases/> (accessed 19 May 2021)

³⁷ Executive Order No. 135, s. 2021. “Customs Modernization and Tariff Act”. <https://www.officialgazette.gov.ph/downloads/2021/05may/20210515-EO-135-RRD.pdf> (3 June 2021)

help diversify the current sources of rice imports³⁸ and complements the issuance of EO No. 134 on pork tariffs to stabilize prices for consumers.

Finally, the government will continue engaging different stakeholders in family farming. The government is also expected to align the involvement of stakeholders with the OneDA Reform Agenda (consolidation, modernization, industrialization, and professionalization),³⁹ pursue expanded partnerships, and provide training opportunities. Existing programs include the *Agri-Negosyo Para sa OFWs*,⁴⁰ Philippine Action Plan for Family Farming (PAP4FF),⁴¹ and the Government Internship Program for ABE (agricultural and biosystems engineers) Youth.⁴²

Weather conditions

In general, favorable weather conditions are expected with the continued weakening of La Niña. The Philippine Atmospheric, Geophysical, and Astronomical Services Administration (PAGASA)⁴³ forecasts that the El Niño Southern Oscillation (ENSO)-neutral conditions in May is likely to continue through June to August 2021. Meanwhile, 11 to 15 tropical cyclones may enter or develop in the Philippines between June and November 2021.

Amid a favorable weather forecast over the near term, the government may focus on addressing fragmentation, capacity constraints, and coordination of disaster risk and management programs. Long-term solutions such as investments in research and development (e.g., climate-resilient crop production), developing agricultural risk financing and insurance products, and investing in resilient infrastructure development (e.g., to improve water management, and irrigation systems) may need to be pursued.⁴⁴ Improving logistics, productivity, and resilience in agriculture

³⁸ USDA projects world ending stock to be smaller in 2021/2022 at 168.0 MMT or a decline of 4.5 percent compared to 2020/2021 (USDA, May 2021).

³⁹ DA Communications Group. DA News. “DA leads stakeholders’ summit to boost food security efforts”. <https://www.da.gov.ph/da-leads-stakeholders-summit-to-boost-food-security-efforts/> (accessed 19 May 2021)

⁴⁰ DTI. DTI News. “DTI, DA encourage OFWs to invest in agribusiness”. <https://www.dti.gov.ph/news/ofws-invest-in-agribusiness/> (accessed 19 May 2021)

⁴¹ DA Communications Group. DA News. “Launching of family farming action plan caps 2021 Farmers’ and Fisherfolk’s Month”. <https://www.da.gov.ph/launching-of-family-farming-action-plan-caps-2021-farmers-and-fisherfolks-month/> (accessed 28 May 2021)

⁴² DA Communications Group. DA News. “Agri chief prompts to transform Philippine agri-fishery sector”. <https://www.da.gov.ph/agri-chief-prompts-to-transform-philippine-agri-fishery-sector/> (accessed 19 May 2021)

⁴³ PAGASA. “Climate Outlook June – November 2021” [DOST.gov.ph](https://dost.gov.ph) <https://pubfiles.pagasa.dost.gov.ph/climps/climateforum/climateoutlook.pdf> (accessed on 01 June 2021)

⁴⁴ World Bank. “Building a Resilient Recovery Philippines Economic Update December 2020 Edition” [WorldBank.org https://openknowledge.worldbank.org/bitstream/handle/10986/34899/Philippines-Economic-Update-Building-a-Resilient-Recovery.pdf](https://openknowledge.worldbank.org/bitstream/handle/10986/34899/Philippines-Economic-Update-Building-a-Resilient-Recovery.pdf) (accessed on 03 June 2021)

through digital technology and improved local and international partnerships can likewise contribute to mitigating adverse impacts of typhoons and drought.⁴⁵

Transport Services

Mobility in the Philippines has generally improved in May 2021 relative to the previous month.⁴⁶ However, the cost of transport services remains elevated since July 2020 primarily due to social distancing measures. This is expected to ease up with the vaccine rollout of the A4 priority group covering the essential economic sectors.

The Department of Transportation (DOTr) is also continuing to push for reliable and efficient public road transportation systems as the country transitions to a new normal. The DOTr's Public Utility Vehicle Modernization Program (PUVMP) aims to replace unsafe public utility vehicles (PUVs) with modern, safe, and environment-friendly PUVs while also providing convenience among commuters. Moreover, several bus rapid transit (BRT) lines are currently in various stages of implementation.⁴⁷ Furthermore, the Department of Trade and Industry (DTI) recently launched the artificial intelligence roadmap that may pave the way for more cost-efficient transportation and logistics sectors.⁴⁸

In the medium to long term, the transportation sector can be improved by streamlining regulatory requirements, separating the regulatory, operational, and commercial functions of some agencies, and amending anti-competitive regulations and legislations.⁴⁹

⁴⁵ DA Communications Group. "Phl, US to forge stronger agri, trade cooperation" *DA.gov.ph* <https://www.da.gov.ph/phl-us-to-forge-stronger-agri-trade-cooperation/>; PHCC. "THE NATIONAL COMPETITION POLICY OF THE PHILIPPINES" *PHCC.gov.ph* https://www.phcc.gov.ph/wp-content/uploads/2021/01/NCP_NEDA-PCC-JMC_Signed.pdf (accessed on 03 June 2021)

⁴⁶ Google. "Philippine Mobility Changes" *Gstatic.com* https://www.gstatic.com/covid19/mobility/2021-05-30_PH_Mobility_Report_en.pdf (accessed on 03 June 2021)

⁴⁷ DOTr. "DOTR PUSHES FOR EFFICIENT ROAD MASS TRANSPORT SYSTEMS AS PH ENTERS 'NEW NORMAL'" *DOTr.gov.ph* <https://dotr.gov.ph/2014-09-02-05-03-02/55-dotrnews/3526-dotr-pushes-for-efficient-road-mass-transport-systems-as-ph-enters-new-normal.html> (accessed on 03 June 2021)

⁴⁸ Crismundo, Kris. "DTI eyes PH as AI powerhouse in region" *DTI.gov.ph* <https://www.pna.gov.ph/articles/1139198> (accessed on 03 June 2021)

⁴⁹ OECD. "OECD Competition Assessment Reviews PHILIPPINES LOGISTICS SECTOR" *OECD.org* <https://www.oecd.org/daf/competition/oecd-competition-assessment-reviews-philippines-2020.pdf> (accessed on 1 June 2021)

Global oil prices

Global oil prices further increased as the outlook on global demand continues to recover. In April 2021, the OPEC+ decided to maintain production cuts by 6.20 mb/d, and by 5.76 mb/d in June and July 2021, respectively.⁵⁰ In May 2021, the compliance of OPEC+ members to their production cut agreement remains high at 122 percent.⁵¹ As demand gradually returns to pre-pandemic levels and OPEC+ raises production, global oil prices are expected to moderate in 2021 and 2022. Meanwhile, risks to the outlook include more prolonged restrictions and a breakdown of the OPEC+ agreement.⁵² As of May 28, 2021, Dubai Crude oil future prices for June increased to USD 67.1/bbl from USD 65.2/bbl in April. Futures prices for December climbed to USD 64.2/bbl.⁵³

⁵⁰ OPEC. "OPEC and non-OPEC Ministerial Meeting highlights importance of ongoing rebalancing efforts" OPEC.org https://www.opec.org/opec_web/en/press_room/6429.htm (accessed on 3 May 2021)

⁵¹ <https://www.reuters.com/world/middle-east/opec-oil-output-rise-may-limited-by-nigeria-iran-losses-survey-2021-05-31/>

⁵² <https://blogs.worldbank.org/opendata/oil-market-outlook-speedy-recovery>

⁵³ Bloomberg. "Dubai Crude Oil (Platts) Financial Futures Quotes (accessed on 1 June 2021)