

MANILA OIL PRICE RISE SEEN NUDGING UP INFLATION.By **Chaitanya Kalbag**, Reuters

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MANILA, Aug 20 - Last week's 20 pct rise in the prices of petrol, diesel and fuel oil in the Philippines is likely to cause a small increase in inflation, analysts told Reuters.

Omar Cruz, a senior economist at the independent Center for Research and Communication, forecast the increases would mean a two pct rise in inflation. That would push inflation for the year up to seven or eight pct, instead of the government's original forecast of 5.2 pct.

The government raised prices because the fund it uses to stabilise oil prices had a 900 million dollar deficit.

"I expect inflation to average 10 pct in the third quarter," said businessman Raul Concepcion, a manufacturer.

"But since it was less than two pct in the first half, I don't think the annual average will go up dramatically. Things will stabilise in about three weeks," he said.

The inflation rate is the increase in prices of basic goods and services, as measured by the Consumer Price Index.

Inflation averaged 0.76 pct last year after touching 50.3 pct in 1984 and 23.1 pct in 1985.

The oil price increase has drawn strong protests across the country.

Manila and other cities have suffered strikes by jeepney drivers, who ferry thousands of commuters every day.

But Cruz said, "The price rise is absorbable."

"There will be some primary impact, but not at the secondary or tertiary levels. I think we have fairly reasonable fiscal and monetary policies and the government is controlling money supply," he said.

The government announced the increases on August 14, six months after it launched studies on the impact of rising world crude prices. In 1986, with crude prices plunging, the Philippines cut the retail price of oil four times.

President Corazon Aquino, who took power in February 1986, said yesterday she did not rule out government and private sector wage increases as a result of the oil price rise.

The rise could replenish the government's Oil Price Stabilisation Fund by November, Energy Regulatory Board Chairman Ponciano Mathay told reporters today.

Economic Planning Secretary, Solita Monsod, said inflation averaged 1.055 pct in the first half of 1987. It was negative in the first quarter, but inched up to 0.98 pct in April, 2.54 pct in May and 4.58 pct in June. July inflation was 5.8 pct, she said.

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