WFP
World Food Programme

SAVING LIVES
CHANGING LIVES

Impacts of the Ongoing Energy Crisis and the Forecasted El Niño to the Philippines

May 2026

Contents

Introduction **3**

Context **3**

Socio-economic impacts of the energy crisis **5**

Inflation 5
Fuel prices 6
Retail prices of key commodities 6
Foreign exchange rate 8
Gross international reserves 9
Remittances 10
Fertilizers 11

Compounding impact of the El Niño **12**

Government responses to the crises **12**

Additional considerations **14**

References **15**

Acronyms **16**

Photo credits **16**

Introduction

This brief presents an analysis of the interlinked increases in fuel and food prices in the Philippines resulting from the Middle East crisis and its knock-on effects. Following the onset of conflict, the Strait of Hormuz, a vital maritime passage through which nearly one-fifth of the world's oil and liquefied natural gas supply normally flows, was effectively closed. This closure, combined with damage to regional energy infrastructure, has resulted in the largest disruption to global energy markets in modern history. Oil prices surged sharply as supply chains were destabilized, disrupting fertilizer transit and prices, affecting many countries and forcing governments worldwide to adopt emergency measures to cushion the impact (Brown, et.al., 11 March 2026). As negotiations advance to end the conflict, the flow of goods through the Strait of Hormuz remains minimal without a clear timeframe for when it will reach pre-conflict status.

Potentially compounding the disruptive effects of the energy crisis is the forecasted development of an El Niño event this year. On 9 April, the National Oceanic and Atmospheric Administration (NOAA) Climate Prediction Center issued an alert that El Niño will emerge between May and July and may persist through at least the end of 2026. El Niño is characterized by unusually warm ocean surface temperatures in the central and eastern tropical Pacific, accompanied by weakened trade winds. These conditions are typically associated with drought, water scarcity, forest fires, and heightened risks of crop pests and diseases in affected regions, posing significant challenges to agricultural production and food security (NOAA, 2026).

Context

The Philippines is considered one of the most vulnerable countries to the impacts of disruptions in the global oil supply caused by the ongoing energy crisis. An analysis by World Food Programme (WFP) Asia-Pacific Regional Office (APARO, 18 March) noted that, as a net energy importer - meeting 54 percent of total energy demand through imports and sourcing roughly 90 percent of its oil from the Persian Gulf - any disruption to Gulf supply routes or spikes in global oil prices immediately strain the Philippine economy by widening the current account deficit.

Another WFP APARO report (3 March) identified four potential pathways through which the energy crisis could affect household food security in the country: i) energy prices and subsidies, ii) remittances, iii) trade and shipping, and iv) wheat prices. Of these, the Philippines was expected to be most affected through the first three pathways.

Under the first pathway, rising energy costs were expected to quickly feed into transport, electricity, agriculture, and market prices, eroding household purchasing power. The Philippines with a high oil import dependence face heightened inflation risks due to higher food production and transport costs and resulting in increased risks to household food security.

In the second pathway, the uncertainty stemming from the conflict in the Gulf threatens the national economies and food security of countries that rely heavily on

remittances as a primary source of income. The Philippines, for instance, has more than one million overseas workers in the conflict-affected region, and remittances account for approximately 8.9 percent of its gross domestic product. Any disruption to these regular inflows would significantly impact household consumption and undermine foreign exchange stability, amplifying economic vulnerabilities during the ongoing crisis.

Lastly, the third pathway underscores the impact of rising freight rates and marine insurance costs around the Strait of Hormuz, driven by ongoing regional tensions. For the Philippines, as with other countries in the Asia-Pacific region, higher shipping costs translate into increased import expenses, slower delivery times, and greater vulnerability within already fragile supply chains.

Beyond these three pathways, fertilizer costs have also risen significantly because of the Middle East crisis. Increased fuel and energy costs along the agriculture value chain, coupled with high fertilizer costs are of significant concern. Further complicating the situation and against the backdrop of the energy crisis, the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) issued an El Niño Alert on 22 April, of a 79 percent probability of El Niño developing between June and August 2026. The peak of the forecasted El Niño event is expected to occur between October and December 2026 or November and December 2026 until January 2027. This climatic phenomenon may trigger droughts and prolonged dry spells in parts of the Philippines. If these conditions materialize, El Niño could exacerbate the country's challenges, which are already compounded by the ongoing crisis in the Middle East (Arceo, 22 April 2026).

Community members from Davao de Oro worked on building a farm reservoir through the Government's Project LAWA, to mitigate the impacts of El Niño in 2024. © WFP/Earvin Perias

Socio-economic impacts of the energy crisis

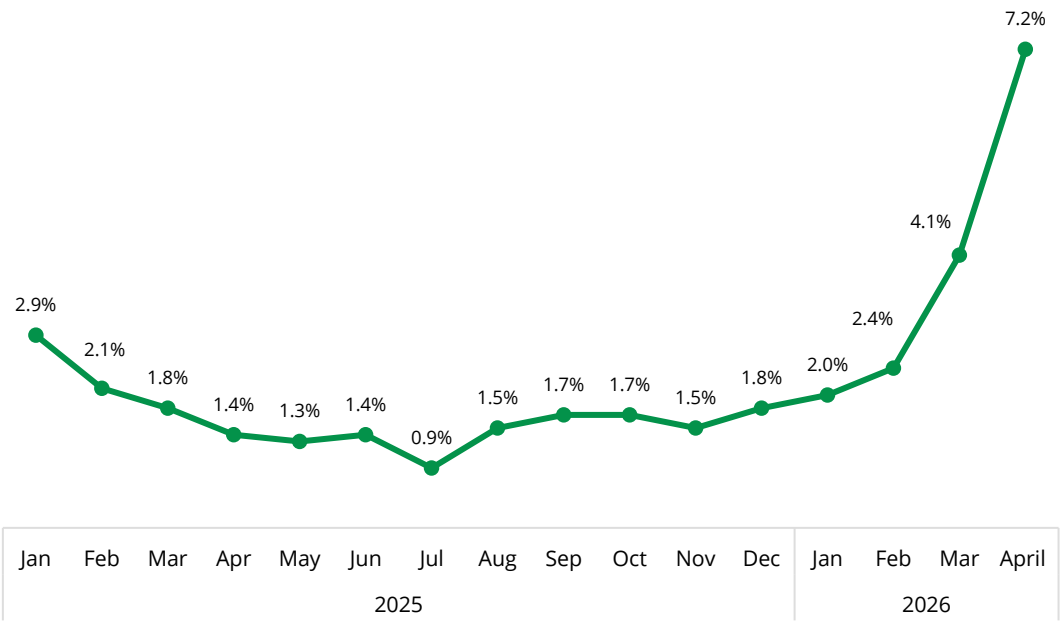
A review of key national indicators reveals the measurable socio-economic impacts of the energy crisis on the Philippines. Many official statistics corroborate the initial findings of WFP analyses, underscoring the extent to which rising energy costs and supply disruptions are straining the country's economy and overall living standards.

INFLATION

The energy crisis pushed headline inflation in the Philippines upward, rising from 2.0 percent in January 2026 to 2.4 percent in February and then surging to 4.1 percent in March. The sharp spike in the final month of the first quarter is significant because it breaches the Bangko Sentral ng Pilipinas' (BSP) target inflation band of 2 to 4 percent. This trend in early 2026 stands in stark contrast to the declining inflation observed during the first quarter of 2025.

The main drivers of the overall inflation uptrend in April 2026 were the transport index, which rose to 21.4 percent (from 9.9 percent in March), and the food and non-alcoholic beverages index, which accelerated to 6.0 percent (from 2.9 percent in the previous month). Increases in transport costs and food prices hit poor households hardest, since low-income families spend most of their income on essentials such as food and transport. Studies show that poor households allocate over 57 percent of their spending to food (Albert, April 2026) and about 27 percent to transport (Chiu, May 2026). These increases erode their purchasing power and risk pushing more families deeper into poverty.

FIGURE 1. INFLATION RATES IN THE PHILIPPINES, JANUARY 2025-APRIL 2026

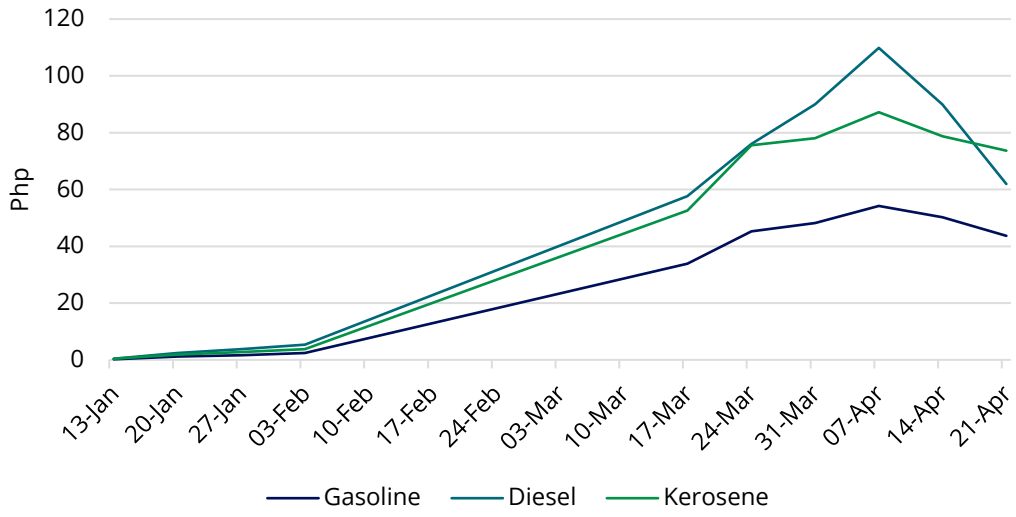


FUEL PRICES

The surge in the transport index resulted in significant increases in fuel prices at gas stations. Weekly data from the Department of Energy shows that fuel prices in the Philippines rose sharply between January and March 2026, reflecting the impact of the ongoing energy crisis.

Year-to-date (YTD) net price increases for gasoline, diesel, and kerosene remained relatively low and stable in January, but by mid-March they spiked dramatically.[1] Prices peaked during the second week of April, just a day before a ceasefire in Iran. In the same week, the net increase in diesel prices was recorded at PHP 109.85 per liter, kerosene at PHP 87.20, and gasoline at PHP 54.20. In the following week, with the ceasefire in effect, fuel price increases eased, with diesel rising by only PHP 89.85, kerosene by PHP 78.70, and gasoline by PHP 50.20. Since then, data from the fourth week of April registered a continued slowdown in the hike in fuel prices.

FIGURE 2. YEAR-TO-DATE OIL PRICE NET INCREASE, JANUARY-APRIL 2026



RETAIL PRICES OF KEY COMMODITIES

To check the price changes among key foods items, the average prices of primary ingredients in school meals from the Philippine Statistics Authority database was reviewed. The dataset highlights a broad-based increase in food prices in 2026 compared to the average of the past four years.

Matured coconut recorded the steepest rise at 24 percent, followed closely by eggplant (23 percent) and bitter gourd (21 percent), underscoring strong inflationary pressures on staple vegetables. Other common produce such as tomato (20 percent) and

[1] A Year-to-Date (YTD) total net increase in oil price is a cumulative measure of how much domestic oil prices (such as gasoline, diesel, or kerosene) have increased since the first day of the current calendar year, up to the date of the report. It serves as an official tracker for consumers and businesses to understand the cumulative impact of weekly price adjustments on pump prices.

onion leaves (19 percent) also posted significant gains, while fruits like banana and papaya both rose by 15 percent, showing that price hikes extended beyond vegetables.

Protein sources were not spared, with fresh fish (anchovies) up 12 percent, eggs up 9 percent, and chicken increasing by 6 percent, reflecting higher costs for essential dietary items.

Meanwhile, rice varieties showed more modest increases ranging from 4 to 7 percent, and pork *kasim* (pork shoulder) and carrots registered the lowest changes at 3 percent, suggesting relatively smaller but still notable inflation in staple grains and meat.

Overall, the data illustrates how the energy crisis and supply chain pressures translated into widespread food inflation, hitting both produce and protein sources.

TABLE 1. PRICE CHANGE OF KEY COMMODITIES IN THE LAST FOUR YEARS VS. AVERAGE 2026 RATE

Items	Rate of price change
Matured Coconut	24%
Eggplant	23%
Bitter Gourd (Ampalaya)	21%
Tomato	20%
Onion Leaves	19%
Patola	16%
Banana	15%
Papaya	15%
Malunggay	14%
Monggo	13%
Ginger	13%
Potato	12%
Fresh Fish Dilis (Anchovies)	12%
Fresh Egg	9%
Cabbage	8%
Garlic	8%

Rice Well Milled	7%
Onion	6%
Fresh Chicken Breast	6%
Fresh Chicken Fully Dressed	6%
Rice Special	5%
Pork Liver	4%
Rice Regular-Milled	4%
Pork Kasim	3%

FOREIGN EXCHANGE RATE

The PH peso–US dollar exchange rate has exhibited significant volatility since January 2025 up to the first three months of 2026. In early 2025, the peso gradually appreciated, moving from PHP 58.39 in January to a stronger PHP 55.62 in May. However, this improvement was short-lived, as the peso began to depreciate again in the second half of 2025, climbing back to PHP 58.91 by November and PHP 58.85 in December.

At the start of 2026, the peso continued to weaken, reaching PHP 59.16 in January, briefly easing to PHP 58.28 in February, and then sliding further to PHP 59.40 in March, and then to PHP 60.29 in April. In mid-March, news reports indicated that the BSP actively intervened in the foreign exchange market to prevent the peso from breaching the PHP 60 level.

Despite these government interventions, the local currency remained under sustained depreciation pressure, reflecting the combined effects of the global energy crisis and heightened economic uncertainty. When the local currency depreciates, the purchasing power of the poor households are significantly reduced. Since the Philippines is a net importer of goods, the decreased power of the Philippine peso translates to costlier prices of items bought in the global markets like fuel, food, medicine. Increased prices of goods mean increased expenses for poor households (Tati Maligro, 2026).

A farmer tills the land for production in a Zambales farm, which supplies produce in the Kadiwa market. © WFP/Earvin Perias

FIGURE 3. PHILIPPINE PESO TO US DOLLAR RATE, JANUARY 2025-APRIL 2026

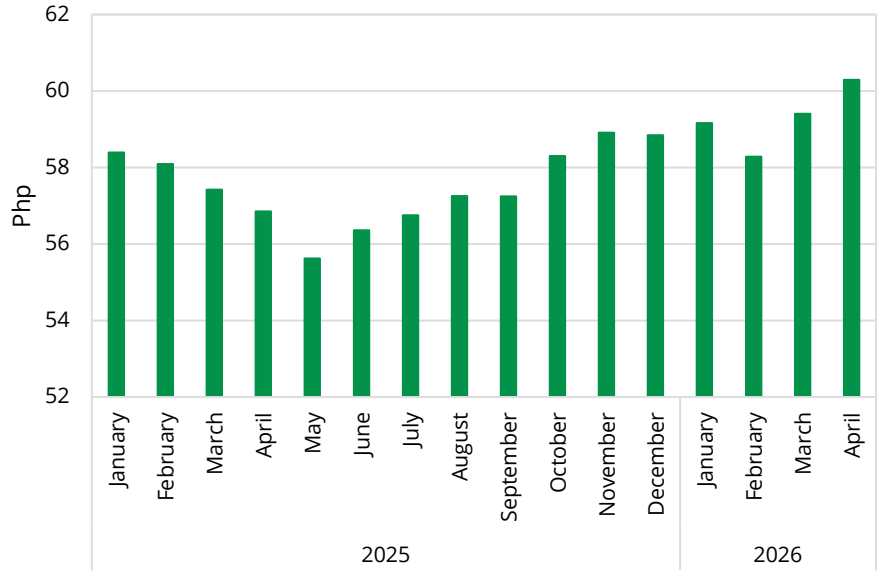
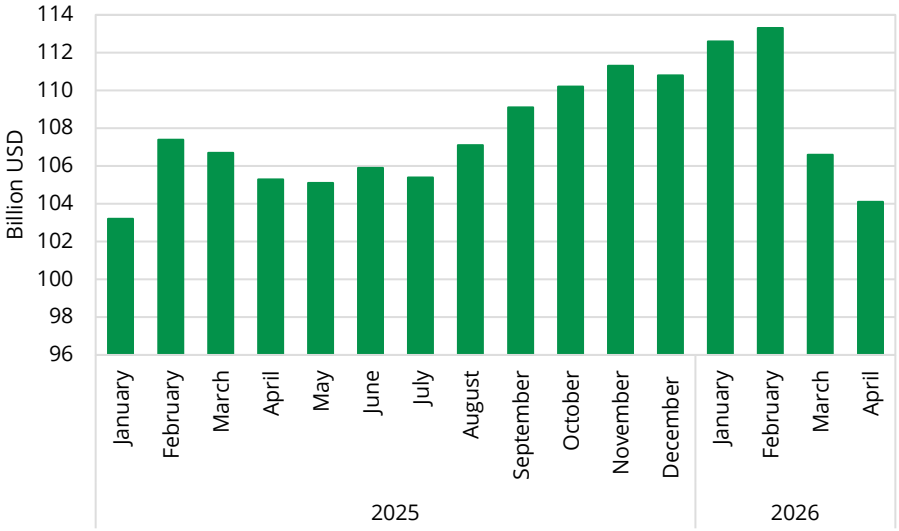


FIGURE 4. PHILIPPINE GROSS INTERNATIONAL RESERVES, JANUARY 2025-APRIL 2026



GROSS INTERNATIONAL RESERVES

Gross International Reserves (GIR) data shows a generally upward trend throughout 2025, reflecting the country's strong external position. GIR rose from US$103.2 billion in January 2025 to a peak of US$111.3 billion in November, before slightly easing to US$110.8 billion in December. This steady accumulation of reserves indicated resilience in the face of global uncertainties and provided a buffer for external shocks.

Entering 2026, GIR continued to strengthen, reaching US$112.6 billion in January and US$113.3 billion in February, marking the highest levels in the period under review. However, by March 2026, reserves dropped sharply to US$106.6 billion, erasing much of the gains from the start of the year. This

sudden decline suggests the impact of heightened external pressures, likely tied to the effort of the government to intervene to address the peso depreciation in March.

Overall, while GIR remained relatively robust, the risk of sustained contraction in reserves could exert financial pressure on the Government, particularly given the need to import energy and food and provide financial assistance to affected population.

REMITTANCES

Remittances remain a vital financial source for the Philippine economy. However, cash remittances showed signs of strain in early 2026, totaling US$5.81 billion for January and February. This included a sharp 7.7 percent month-on-month decline, from about US$3 billion in January to around US$2.79 billion in February (see table 2). However, the cumulative remittances for the first two months of 2026 is still higher than in the first two months of 2025 (see table 3).

The Middle East continues to play a significant role, contributing over 17 percent of total remittances (US$6.5 billion in 2025), but the Government estimates to potential losses of US$1.8 billion from the region in 2026. While the United States remains the top source of remittances, three Gulf Cooperation Council countries - Saudi Arabia, the United Arab Emirates, and Qatar - rank among the top ten contributors.

Domestically, the labor market showed modest improvement, with unemployment declining to 5.1 percent in February 2026 (2.7 million unemployed), though this figure remains higher than the 3.8 percent recorded in February 2025. Overseas employment, however, faces mounting challenges. As of 20 April 2026, more than 6,500 Overseas Filipino Workers (OFWs) and their dependents had been repatriated since 5 March. Overall, OFW deployment fell by 40 percent year-on-year between January and March 2026 compared to the same period in 2025, with an even sharper 48 percent decline in deployments to the Middle East.

The Department of Migrant Workers clarified that no deployment ban has been imposed, but the downturn underscores the vulnerability of remittance flows and labor markets to geopolitical tensions and regional instability.

TABLE 2. OVERSEAS FILIPINO CASH REMITTANCES (IN USD) BY REGION OF SOURCE, JAN AND FEB 2026

Region	January 2026	February 2026
Global (total)	3,020,361	2,785,900
Middle East	516,512	471,836

TABLE 3. OVERSEAS FILIPINO CASH REMITTANCES (IN USD) BY REGION OF SOURCE, BETWEEN JAN-FEB 2025 AND JAN-FEB 2026

Region	Jan-Feb 2026	Jan-Feb 2026
Global (total)	5,633,485	5,806,261
Middle East	942,722	988,348

FERTILIZERS

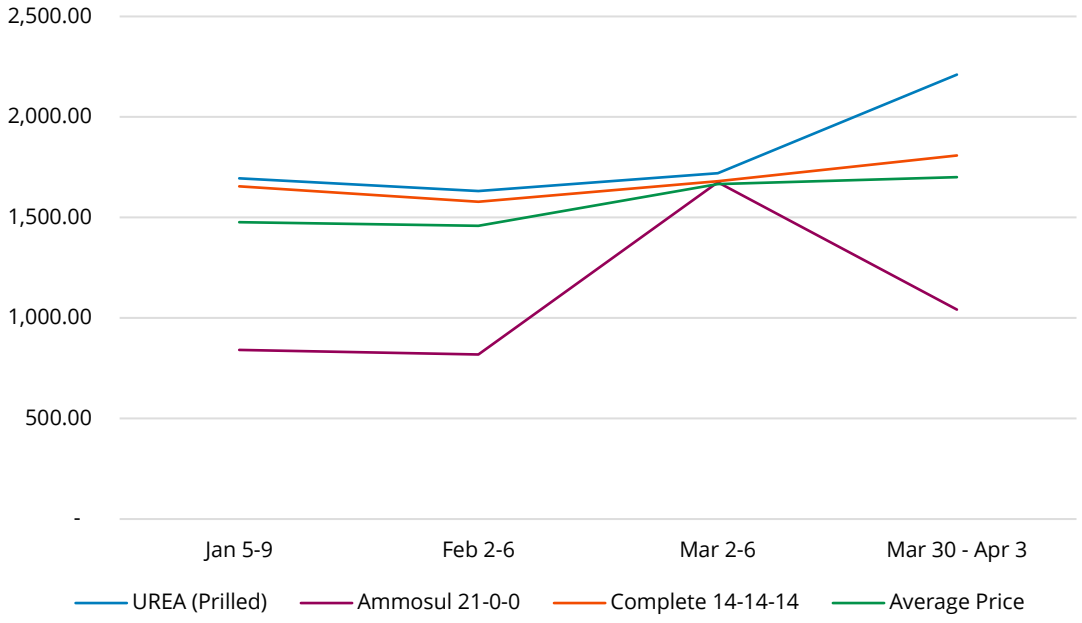
Government estimates possible rice production loss of 20 to 50 percent for upcoming planting season due to increased costs, particularly of fertilizers.

Between January and early April 2026, fertilizer prices showed sharp fluctuations, with notable increases overall. Urea (Prilled) rose from PHP 1,694 in early January to PHP 2,211 by early April, marking a 30.5 percent increase. Ammonium Sulfate (AmmoSul 21-0-0) was the most volatile: it fell slightly from PHP 841 in January to PHP 819 in February, then spiked to PHP 1,675 in early March (104.8 percent from February), before dropping back to PHP 1,042 in April (still 23.9 percent higher than January). Complete Fertilizer (14-14-14) showed steadier growth, climbing from PHP 1,656 in January to PHP 1,808 in April - a 9.2 percent increase.

The average fertilizer price across the three inputs rose from PHP 1,477 in January to PHP 1,701 in April, reflecting a 15.2 percent overall increase within just three months. This upward trend underscores the mounting cost burden on farmers, particularly with nitrogen-based fertilizers like Urea driving the surge. The extreme volatility of Ammosul highlights supply instability, while the steady rise in Complete Fertilizer suggests consistent demand for balanced nutrient inputs.

The rising prices of fertilizers coincide with the wet-season rice planting in the Philippines, which typically begins in April and ends in August. These higher input costs may force farmers to reduce fertilizer application, delay planting, or cut back on cultivated areas. Such adjustments threaten overall yields and could potentially drive rice prices upward.

FIGURE 5. FERTILIZER PRICES, 5 JANUARY-3 APRIL 2026



Compounding impact of the El Niño

The El Niño event is expected to highly impact on the agricultural sector. Agricultural production will then face double threat from increased costs of inputs (i.e., fertilizer; fuel for irrigation/fisheries; and transport) affect planting cycles and yields.

The scarcity of water brought about by El Niño could result in a shortfall in *palay* production, falling below the government's target of 20.3 million mt for the year. If this occurs, the country will be highly exposed to volatile global markets. For instance, Vietnam - one of the Philippines' major sources of rice imports - may also face production challenges, as it too could be affected by El Niño.

Government responses to the crises

In response to the energy crisis and its cascading effects, the Philippine Government declared a State of National Energy Emergency on 24 March 2026 - the first country to do so. It then activated the Unified Package for Livelihoods, Industry, Food, and Transport (UPLIFT) framework, which established a coordinating committee to align measures across fuel, food, transport, and essential services.

To address fuel supply concerns, emergency actions were taken to attempt to secure imports from non-traditional sources, and to establish agreements to ensure unhindered passage for Philippine-flagged vessels through the Strait of Hormuz.

To further conserve energy, the Government implemented temporary operational adjustments, including a four-day workweek in selected offices and issuing directives mandating 10 to 20 percent reductions in electricity and fuel consumption.

To mitigate the declining purchasing power of households, excise taxes on LPG and kerosene were suspended for three months effective 17 April 2026. Targeted support programs were also introduced: PHP 2.5 billion in fuel subsidies and cash relief for 250,000 drivers and PUV operators, a PHP 1 billion service contracting program to provide "free rides," PHP 10 billion in cash assistance for farmers and fisherfolk to offset rising input costs, and an expanded PHP 20 per kilo rice program benefiting over six million vulnerable individuals.

In the face of the forecasted El Niño, the Government has started undertaking several preparedness measures:

- The Government developed the Roadmap to Address the Impact of Niño (RAIN) framework (2023)
- Task Force El Niño has been mobilized to coordinate efforts across the agriculture, water, health, and energy

sectors to mitigate the impacts of the dry spell.

- The Department of Agriculture is preparing to distribute drought-resistant seeds and fertilizers.
- Local government units (LGUs) are deploying water augmentation pumps, promoting rainwater harvesting, and repairing irrigation systems. The National Water Resources Board (NWRB) is advising water service providers to activate conservation measures.
- The National Food Authority is tasked with building a 52-day rice inventory to stabilize supply.
- The Regional Disaster Risk Reduction and Management Council is conducting Pre-Disaster Risk Assessment meetings to prepare for high heat index levels and heightened risks of fire, especially in Davao and Metro Manila.
- The Government is monitoring potential increases in power demand and providing health advisories regarding heat-related illnesses.

Farming communities benefitted from the water reservoir built under the Government's Project LAWA, to mitigate the impacts of El Niño in 2024. © WFP/Earvin Perias

Additional considerations

While the measures implemented by the Government are broad and responsive, several challenges remain.

- Reliance on traditional energy sources exposes the country to geopolitical risks and potential supply instability, particularly given the volatility of global energy markets.
- The excise tax suspensions and subsidies provide short-term relief but may strain fiscal resources if prolonged, raising questions about sustainability.
- While household and sectoral support and social protection programs are extensive, their effectiveness depends on efficient targeting, timely delivery, and budget allocation - delays or leakages could undermine their impact.
- Furthermore, existing social protection program coverage may need to be adjusted upwards to account for increased vulnerabilities due to the socio-economic impacts of the crises at the household level. Existing plans for increased coverage of the school-based feeding programme, supplementary feeding programme, and Walang Gutom may need to be expedited.
- A further understanding of the costing implications of several social protection programmes may be required to request additional budget allocations, particularly food-based programmes (e.g. school feeding, Walang Gutom, Family Food Packs), but also cash-based programmes (e.g. 4Ps, LAWA at BINHI) with transfer values pegged to household expenditures.
- Demand management measures such as reduced workweeks and energy-saving directives may have uneven effects, benefitting government offices but leaving private sector consumption largely unchanged.
- Enforcement against hoarding and market manipulation is critical, but implementation capacity and monitoring systems must be robust to prevent circumvention.

References

Articles/Reports

Arceo, A. (2026, April 22). *PAGASA: El Niño has 79% chance of emerging within months*. RAPPLER. https://www.rappler.com/philippines/weather/pagasa-el-nino-alert-april-2026/

Brown, P., Ratner, M., Rosen, L. W., & Thomas, C. (2026, March 11). *Iran Conflict and the Strait of Hormuz: Impacts on Oil, Gas, and Other Commodities*. Congress.gov. https://www.congress.gov/crs-product/R45281

Flaviana Hilario, Rosalina de Guzman, Daisy Ortega, Peter Hayman, and Bronya Alexander. (2009). "El Niño Southern Oscillation in the Philippines: Impacts, Forecasts, and Risk Management". *Philippine Journal of Development*, Number 66, First Semester 2009, Volume XXXVI, No. 1. https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspjd09-1enso.pdf

NOAA Climate Prediction Center. (2026, April 9). *El Nino/Southern Oscillation (ENSO) Diagnostic Discussion*. NOAA Climate Prediction Center. https://www.cpc.ncep.noaa.gov/products/analysis_monitoring/enso_advisory/ensodisc.shtml

PAGASA. El Nino/La Nina Advisories. https://www.pagasa.dost.gov.ph/climate/el-nino-la-nina/advisories

PAGASA. El Nino/La Nina Monitoring. https://www.pagasa.dost.gov.ph/climate/el-nino-la-nina/monitoring

Teodoro Mendoza, PhD. (2026, 24 April). *Super El Niño, global shocks and PH's rising rice import risk*. Philippine Daily Inquirer. https://newsinfo.inquirer.net/2217692/super-el-nino-global-shocks-and-the-philippines-rice-import-outlook?utm_source=(direct)&utm_medium=gallery

WFP. (2026, Mar 3). *Spillover Pathways: How the Iran Crisis Threatens Food Security*. WFP APARO

William R. Sutton, Jitendra P. Srivastava, Mark Rosegrant, Rowena Valmonte-Santos, and Maximillian Ashwill. (2019). *Striking a Balance: Managing El Niño and La Niña in Philippines' Agriculture*. RepNo 132067. World Bank, Washington, DC. https://reliefweb.int/report/philippines/striking-balance-managing-el-ni-o-and-la-ni-philippines-agriculture

Websites

https://fpa.da.gov.ph/weekly-prices/

https://psa.gov.ph/price-indices/cpi-ir

https://www.bsp.gov.ph/statistics/external/ofw2.aspx

https://www.bsp.gov.ph/statistics/external/pesodollar.xlsx

https://www.bsp.gov.ph/Statistics/sdds/table12_data.aspx

Acronyms

4Ps	Pantawid Pamilyang Pilipino Program
APARO	Asia-Pacific Regional Office
BSP	Bangko Sentral ng Pilipinas
GIR	Gross International Reserves
LAWA at BINHI	Local Adaptation to Water Access and Breaking Insufficiency through Nutritious Harvest for the Impoverished
LGU	Local Government Unit
NOAA	National Oceanic and Atmospheric Administration
NWRB	National Water Resources Board
PAGASA	Philippine Atmospheric, Geophysical and Astronomical Services Administration
PSA	Philippines Statistics Authority
RAIN	Roadmap to Address the Impact of Niño
UPLIFT	Unified Package for Livelihoods, Industry, Food, and Transport
WFP	World Food Programme
YTD	Year-to-date

Photo credits

Cover page: WFP/Earvin Perias
Photo Page 4: WFP/Earvin Perias
Photo Page 8: WFP/Earvin Perias
Photo Page 13: WFP/Earvin Perias

World Food Programme

11th floor, South Tower, Rockwell Business Center Sheridan, corner Sheridan and United Streets, Mandaluyong City, 1554, Philippines - T +632 8-833-6229 – Email: wfp.philippines@wfp.org

wfp.org