

RESEARCH CALL: 6.1% INFLATION PRINT FOR MAY 2023

Inflation seen going down further in May 2023

Metrobank Research anticipates a continued decline in the year-on-year Consumer Price Index (CPI) inflation rate, settling at 6.1% in May 2023, down from 6.6% in April. This easing is attributed to the influence of base effects, as well as the potential impact of the global slowdown and decreased oil prices, which are expected to alleviate inflationary pressures. The 6.1% clip aligns with the estimated range of 5.8% to 6.6% by the Bangko Sentral ng Pilipinas (BSP), which was said to be primarily driven by reduced prices in fuel, poultry, and fish commodities.

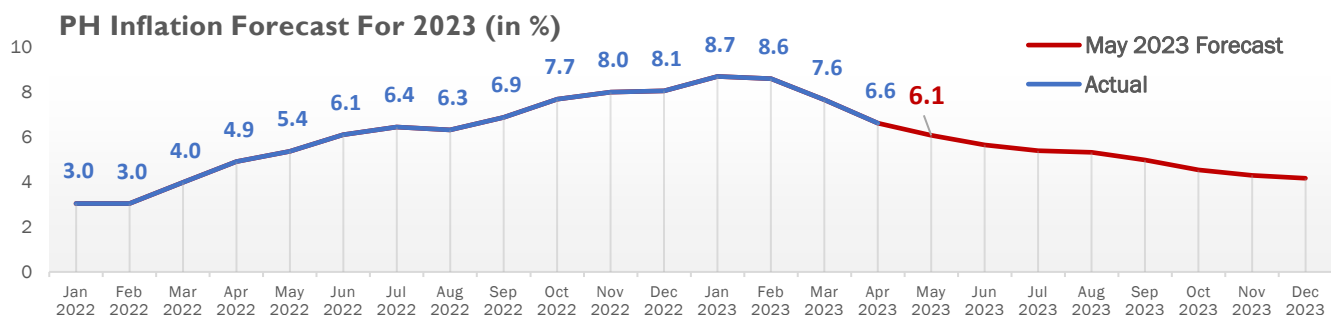
Given the price watch below (inclusive only of Metro Manila markets), some commodities that potentially contributed to the deceleration of prices were transport fuel, cooking oil, local galunggong, and pork, while rice, sugar, and electricity may have put upward pressures on inflation for May.

Price Watch*

PRICES UP	
Imported& Local Rice	Carrots, Baguio Beans, Potato, Chayote, Pechay
Bangus, Tilapia, Indian Mackerel	Onion
Beef, Chicken Egg	Meralco Generation Cost

PRICES DOWN	
Local Galunggong	Cabbage
Pork	Tomato
Fuel Prices	Cooking Oil

*Based on Department of Agriculture's Metro Manila Price Monitoring (except fuel and Meralco)



BSP might stick to a pause

With headline inflation expected to continue to slow from hereon, it is highly likely that the BSP will take a step back in its rate hikes. Core inflation, though still elevated, may further ease in the coming months which strengthens the case for a pause.

However, upward pressures to inflation cannot be discounted, such as continued price constraints in key food items, the risk of the looming El Niño, and second round effects from potential hikes in transport costs and wages.