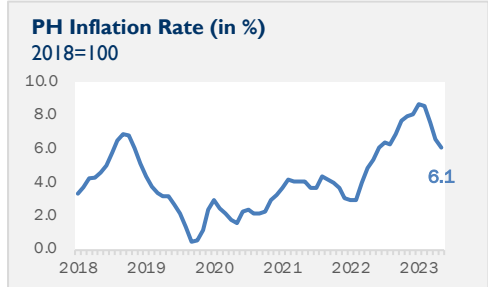


INFLATION UPDATES

MAY 2023 INFLATION MEETS EXPECTATIONS

- Inflation continued to decline to 6.1% in May 2023 versus 6.6% previously, driven by the deceleration in price upticks of transport, food & non-alcoholic beverages, and restaurant & accommodation services.
- Moreover, core inflation further eased to 7.7% in May 2023, versus 7.9% in April and 2.8% in May 2022. This is the second annual easing in core inflation growth since January 2022, which may signal that core inflation is on a gradual downward trend.
- Four (4) commodity groups recorded lower inflation, two (2) continued to post faster inflation, and seven (7) recorded stable inflation.



Main Sources of Deceleration

Major Contributors

1	TRANSPORT contracted to -0.5% vs a 2.6% growth in the previous month with a 55.3% share to downtrend, driven by the decline of gasoline, diesel, and transport prices.	FOOD & NON-ALCOHOLIC BEVERAGES remains the top contributor with 46.0% share to overall inflation in May driven by the decline in prices of cereal products, vegetables, and milk & other dairy products.
2	FOOD & NON-ALCOHOLIC BEVERAGES continued to decelerate from 7.9% in April to 7.4%, with 37.3% share to downtrend on account of the easing prices of fish, meat, milk and dairy products.	HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS with 6.5% inflation for May follows food with 22.9% share driven by rentals, electricity, and water supply.
3	RESTAURANTS AND ACCOMMODATION SERVICES eased from 8.6% to 8.3 this month with a 5.7% share to downtrend driven by the easing prices of goods and services offered by restaurants, cafes, and the like.	RESTAURANTS AND ACCOMMODATION SERVICES garnered a higher contribution this month increasing from 12.6% to 13.1% albeit with decelerating inflation from 8.6% to 8.3% as previous main contributors declined (transport).

FORECASTS AND OUTLOOK

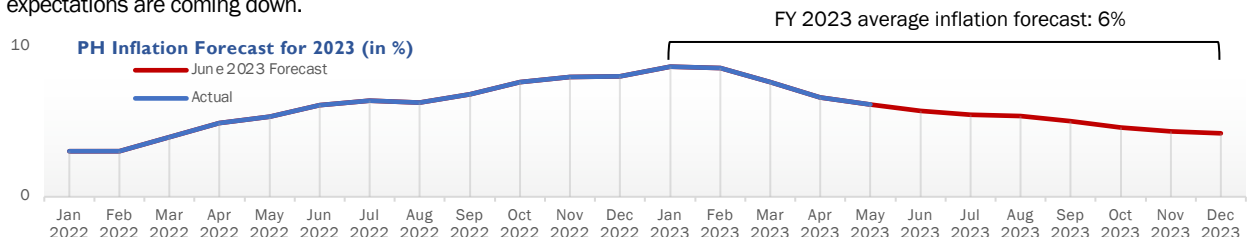
- May 2023 is a further indication that prices are on their way down and that inflation will continue to follow a downward trajectory on account of base effects sans supply and price shocks.
- Research expects inflation to further decelerate in the coming months as base effects and the impact of hikes in the benchmark rates kick in, as well as lower global oil prices on the back of an expected global slowdown.
- Despite the recent decline in both headline and core inflation, elevated inflation may continue to persist, due to ongoing upside risks stemming from second-round effects and the imminent El Niño.
- FY 2023 average inflation forecast is retained at 6.0%, with YoY prints hitting sub-4% levels towards yearend. For FY 2024, however, Research has revised its inflation estimate downwards to 4.5% as the latest print further support that inflation will continue to ease all the way through 2024.
- The latest deceleration makes a stronger case for a pause in the RRP rate hikes which is currently at 6.25%, and for rate cuts to happen as soon as yearend 2023 given that inflation expectations are coming down.

BSP INFLATION FORECAST

2023	2024
5.5%	2.8%

METROBANK RESEARCH INFLATION FORECAST

2023	2024
6%	4.5%



INFLATION UPDATES

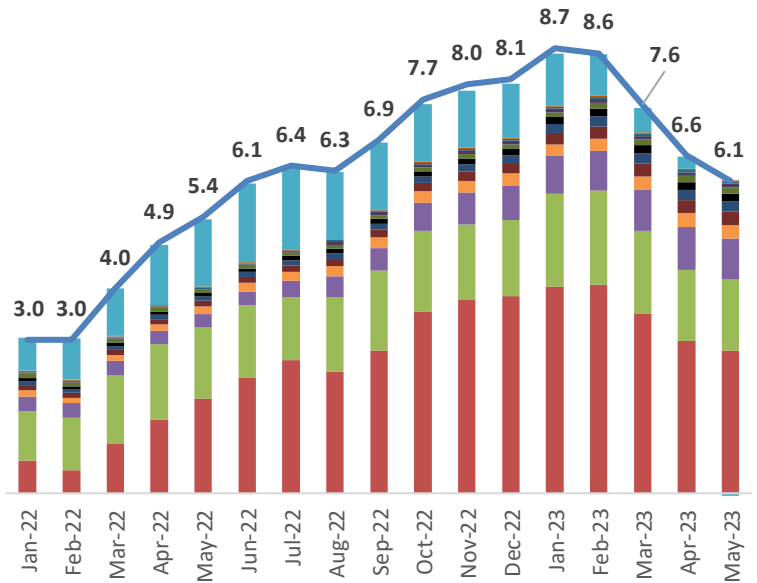
ANNEX

HEADLINE

HEADLINE INFLATION OF MAIN COMMODITY ITEMS

	MAY
FOOD AND NON-ALCOHOLIC BEVERAGES	7.4
ALCOHOLIC BEVERAGES AND TOBACCO	12.3
CLOTHING AND FOOTWEAR	5.1
HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS	6.5
FURNISHINGS, HOUSEHOLD EQUIPMENT, AND ROUTINE HOUSEHOLD MAINTENANCE	6.2
HEALTH	4.1
TRANSPORT	-0.5
INFORMATION AND COMMUNICATION	0.7
RECREATION, SPORT AND CULTURE	4.9
EDUCATION SERVICES	3.6
RESTAURANTS AND ACCOMMODATION SERVICES	8.3
FINANCIAL SERVICES	0.0
PERSONAL CARE, AND MISCELLANEOUS GOODS AND SERVICES	5.7

Contribution to Headline Inflation of Main Commodity Items



*Based on weights in the commodity basket

Legend

Lower vs last month Higher vs last month

***Core Inflation to follow**