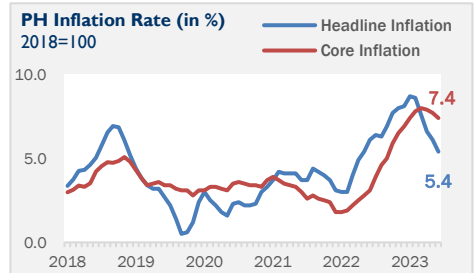


INFLATION UPDATES

JUNE 2023 INFLATION BETTER THAN EXPECTED

- Headline inflation continued to decline to 5.4% in June 2023 versus 6.1% previously, driven by slower price upticks of transport, food & non-alcoholic beverages, and restaurant & accommodation services.
- Moreover, core inflation further eased to 7.4% in June 2023, versus 7.7% in May and 3.1% in June 2022. This continues to show that core inflation is likely on a continuous gradual downward trend already.
- Seven (7) commodity groups recorded lower inflation, one (1) recorded a contraction, one (1) continued to post faster inflation, and four (4) recorded stable inflation.



Main Sources of Deceleration

Major Contributors

1	<p>FOOD & NON-ALCOHOLIC BEVERAGES</p> <p>eased from 7.4% to 6.7% this month with a 36.2% share to downtrend, driven by the cooling prices of meat, fruits and nuts, and sugar, confectionery and desserts.</p>	<p>FOOD & NON-ALCOHOLIC BEVERAGES</p> <p>remains the top contributor, increasing its share to overall inflation to 47.3% in June driven by the increase in prices of cereal products, vegetables, and fish & seafood products.</p>
2	<p>TRANSPORT</p> <p>continued to contract from -0.5% in May to -3.1% this month, with 32.2% share to downtrend on account of the declining prices of gasoline, other passenger transport by road, and diesel.</p>	<p>HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS</p> <p>with 5.6% inflation in June follows food as top contributor with a 22.4% share to inflation driven by rentals, electricity, and water supply.</p>
3	<p>HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS</p> <p>cooled from 6.5% to 5.6 this month with a 26.4% share to downtrend driven by the slight easing of electricity and rental prices.</p>	<p>RESTAURANTS AND ACCOMMODATION SERVICES</p> <p>is the third contributor to overall headline inflation with a 14.7% share and with an 8.2% inflation attributed to restaurants, café, and the like.</p>

FORECASTS AND OUTLOOK

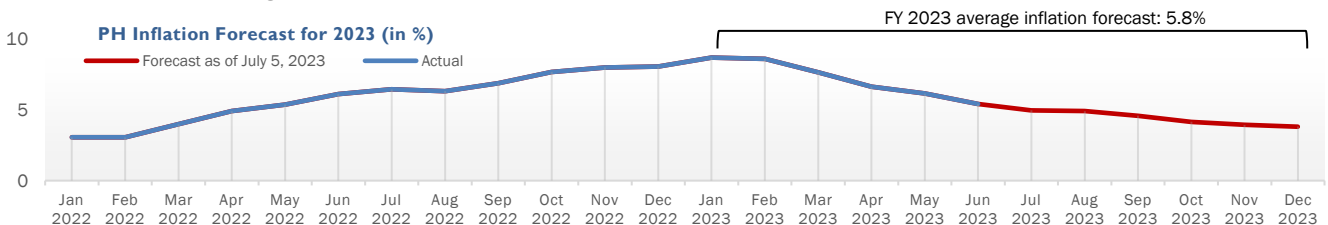
- June 2023 inflation further supports the expectation that prices are on their way down and that inflation will continue to follow a downward trajectory on account of base effects sans supply and price shocks.
- Research expects inflation to further decelerate in the coming months, falling within the BSP's target range of 2%-4% in November and December, 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 price constraints on key food commodities such as rice, the potential impact of the recently approved wage hike, and the imminent El Niño.
- Research has revised its FY average inflation estimates to 5.8% (from 6.0%) for 2023 and 4.3% (from 4.5%) for 2024**, as inflation is seen to hit the target range earlier than previously anticipated, and as the latest print further supports 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
5.4%	2.9%

METROBANK RESEARCH INFLATION FORECAST

2023	2024
5.8	4.3%



Disclaimer: This report is circulated for general information only. The opinions expressed are solely those of the contributors and are based on prevailing market conditions and public sources that are believed to be reliable. Metrobank and the report contributors/support staff do not make any guarantees or representation as to the accuracy, completeness or suitability of this report. The report may contain confidential or legally privileged material and may not be copied, redistributed, or published without prior written consent. Opinions or strategies contained in this publication may change without prior notice and should not take the place of professional investment advice or sound judgment on the part of the reader.

INFLATION UPDATES

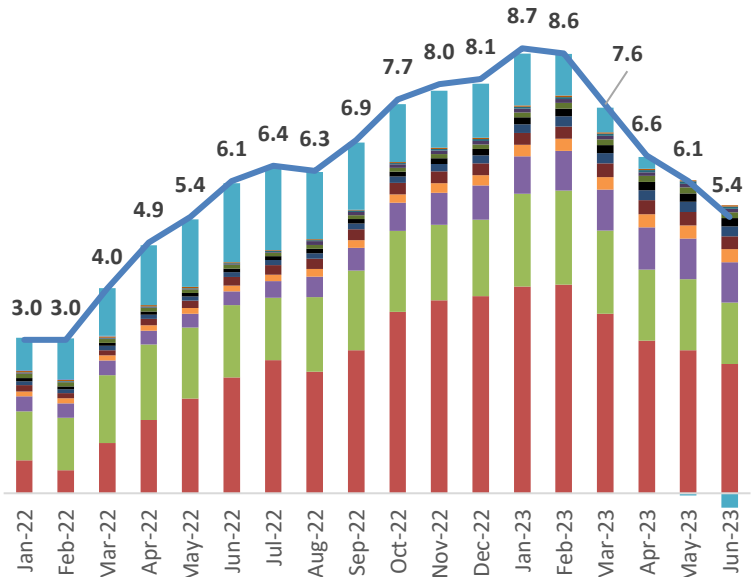
ANNEX

HEADLINE

HEADLINE INFLATION OF MAIN COMMODITY ITEMS

Category	June 2023
FOOD AND NON-ALCOHOLIC BEVERAGES	6.7
ALCOHOLIC BEVERAGES AND TOBACCO	11.6
CLOTHING AND FOOTWEAR	5.1
HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS	5.6
FURNISHINGS, HOUSEHOLD EQUIPMENT, AND ROUTINE HOUSEHOLD MAINTENANCE	6.0
HEALTH	3.9
TRANSPORT	-3.1
INFORMATION AND COMMUNICATION	0.7
RECREATION, SPORT AND CULTURE	4.8
EDUCATION SERVICES	3.6
RESTAURANTS AND ACCOMMODATION SERVICES	8.2
FINANCIAL SERVICES	0.0
PERSONAL CARE, AND MISCELLANEOUS GOODS AND SERVICES	5.8

Contribution to Headline Inflation of Main Commodity Items



*Based on weights in the commodity basket

Legend

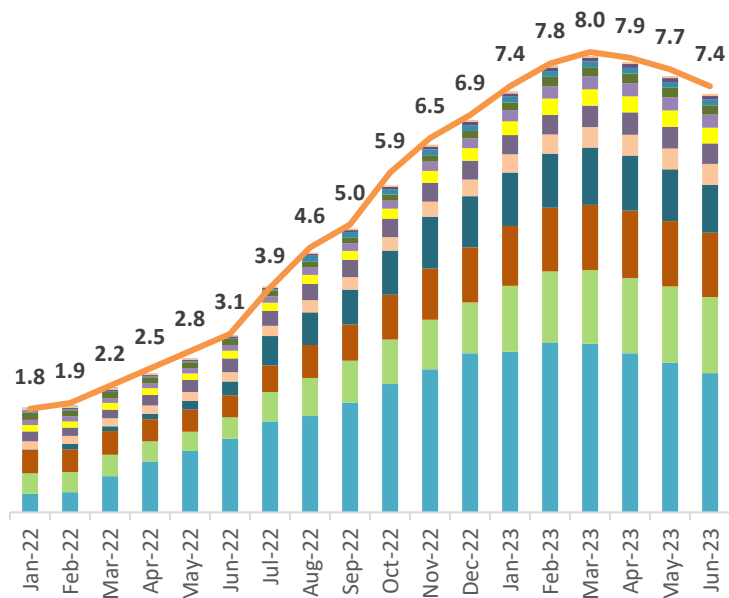
Lower vs last month Higher vs last month

CORE

CORE INFLATION OF MAIN COMMODITY ITEMS

Category	June 2023
FOOD AND NON-ALCOHOLIC BEVERAGES	10.4
ALCOHOLIC BEVERAGES AND TOBACCO	11.6
CLOTHING AND FOOTWEAR	5.1
HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS	6
FURNISHINGS, HOUSEHOLD EQUIPMENT, AND ROUTINE HOUSEHOLD MAINTENANCE	6
HEALTH	3.9
TRANSPORT	8.7
INFORMATION AND COMMUNICATION	0.7
RECREATION, SPORT AND CULTURE	4.8
EDUCATION SERVICES	3.6
RESTAURANTS AND ACCOMMODATION SERVICES	8.2
FINANCIAL SERVICES	0
PERSONAL CARE, AND MISCELLANEOUS GOODS AND SERVICES	5.8

Contribution to Core Inflation of Main Commodities



Disclaimer: This report is circulated for general information only. The opinions expressed are solely those of the contributors and are based on prevailing market conditions and public sources that are believed to be reliable. Metrobank and the report contributors/support staff do not make any guarantees or representation as to the accuracy, completeness or suitability of this report. The report may contain confidential or legally privileged material and may not be copied, redistributed, or published without prior written consent. Opinions or strategies contained in this publication may change without prior notice and should not take the place of professional investment advice or sound judgment on the part of the reader.