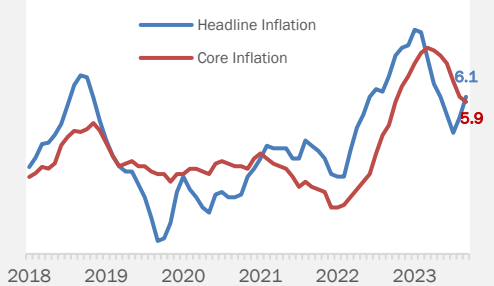


SEPTEMBER 2023 INFLATION RISES FURTHER

- Headline inflation further steered to the upside at 6.1% in September versus 5.3% in August 2023, driven primarily by the uptick in prices of food and non-alcoholic beverages, restaurants and accommodation services, and transport.
- Nonetheless, core inflation continued to ease further to 5.9% in September versus 6.1% in August 2023 and 5.0% in September 2022. This continued decline in core prices further indicates easing price pressures from second-round effects in the overall economy, although secondary effects may ripple anew from food and transportation price growths.
- Six (6) commodity groups recorded lower year-on-year inflation, five (5) posted faster inflation, and two (2) recorded stable inflation.

PH Inflation Rate (in %) 2018=100



Main Sources of Acceleration

1	FOOD & NON-ALCOHOLIC BEVERAGES increased from 8.1% to 9.7% in August with 84.4% share to uptrend, driven by the rising prices of cereal products and meat.
2	TRANSPORT rose to 1.2% from 0.2 in August, with a 12.6% share to uptrend on account of the increasing prices of gasoline and diesel.

Major Contributors

1	FOOD & NON-ALCOHOLIC BEVERAGES remains the top contributor, increasing its share to overall inflation to 61.0% in September driven by the increase in prices of cereal products.
2	RESTAURANTS and ACCOMODATION SERVICES with 7.1% inflation in September follows food as top contributor with a 11.4% share to inflation driven by restaurants, café, and the like.
3	HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS is the third contributor to overall headline inflation with 8.6% share and with an 2.4% inflation attributed to rentals, water supply and wood fuel.

FORECASTS AND OUTLOOK

- This month's inflation print came in higher than consensus estimate of 5.4% and hit the highest point of the BSP's 5.3% to 6.1% projection band for October, which indicates that the upside risks projected from increasing rice prices continue to push headline inflation higher.
- Rice inflation alone grew by 17.9%, an even higher price growth versus 2018 levels, which signals that the price caps were not as affective as expected amid higher global prices and tight supply.
- Research continues to see inflation to trend downward but at **elevated levels** given the continued risks posed by higher global rice prices and rising fuel prices. Year-to-Date (YTD) inflation is now at 6.6%, and succeeding months are seen to average at above 5% levels.
- **Given this recent development, Research revises upwards its FY average inflation estimate to 6.4% (from 6.0%) for 2023 but maintains its 4.6% forecast for 2024.**
- While inflation continued to steer to the upside, we still anticipate the BSP to hold interest rates steady for 2023 albeit with upside bias as we await the US Fed's next policy rate move in November. We think the higher-for-longer narrative for the RRP rate may further persist until the latter part of 2024, with lesser cuts to potentially happen than anticipated, hence the upside bias to our 5.5% call for 2024.
 - **IF** the BSP does hike in November and bring the RRP rate to 6.5%, it may be followed by lesser cuts (50 bps vs 75 bps) in 2024, in line with the higher-for-longer narrative, which will bring the RRP rate to 6.0% in 2024.

BSP Average Inflation Forecast

As of May 2023	As of June 2023	As of August 2023	As of September 2023
2023: 5.5%	2023: 5.4%	2023: 5.6%	2023: 5.8% ▲
2024: 2.8%	2024: 2.9%	2024: 3.3%	2024: 3.5% ▲
	2025: 3.2%	2025: 3.4%	2025: 3.4%

METROBANK RESEARCH INFLATION FORECAST

2023	2024
6.4%	4.6%

METROBANK RESEARCH TARGET RRP RATE FORECAST

2023	2024
6.25% ↑	5.5% ↑

↑ with upside bias

ANNEX

HEADLINE INFLATION OF MAIN COMMODITY ITEMS

- FOOD AND NON-ALCOHOLIC BEVERAGES
- ALCOHOLIC BEVERAGES AND TOBACCO
- CLOTHING AND FOOTWEAR
- HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS
- FURNISHINGS, HOUSEHOLD EQUIPMENT, AND ROUTINE HOUSEHOLD MAINTENANCE
- HEALTH
- TRANSPORT
- INFORMATION AND COMMUNICATION
- RECREATION, SPORT AND CULTURE
- EDUCATION SERVICES
- RESTAURANTS AND ACCOMMODATION SERVICES
- FINANCIAL SERVICES
- PERSONAL CARE, AND MISCELLANEOUS GOODS AND SERVICES

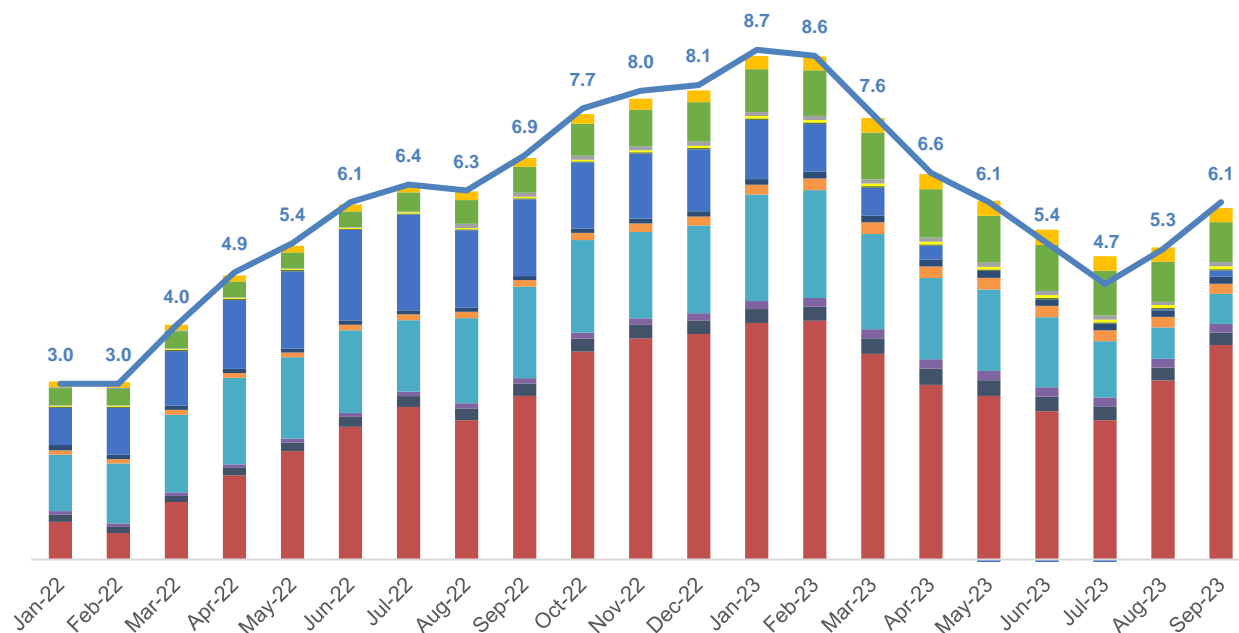
September 2023

FOOD AND NON-ALCOHOLIC BEVERAGES	9.7
ALCOHOLIC BEVERAGES AND TOBACCO	9.8
CLOTHING AND FOOTWEAR	4.7
HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS	2.4
FURNISHINGS, HOUSEHOLD EQUIPMENT, AND ROUTINE HOUSEHOLD MAINTENANCE	5.4
HEALTH	4.1
TRANSPORT	1.2
INFORMATION AND COMMUNICATION	0.6
RECREATION, SPORT AND CULTURE	5.1
EDUCATION SERVICES	3.6
RESTAURANTS AND ACCOMMODATION SERVICES	7.1
FINANCIAL SERVICES	0.0
PERSONAL CARE, AND MISCELLANEOUS GOODS AND SERVICES	5.4

Legend

Lower vs last month Higher vs last month

CONTRIBUTION TO HEADLINE INFLATION OF MAIN COMMODITY ITEMS



*Based on weights in the commodity basket