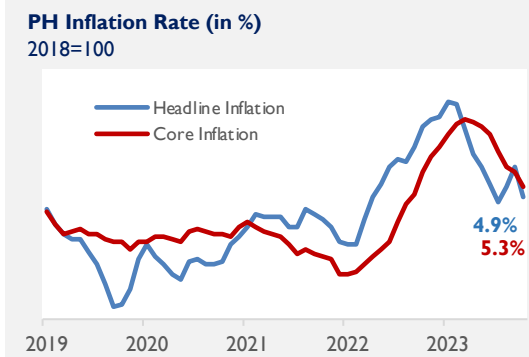


INFLATION UPDATES

OCTOBER 2023 INFLATION SHARPLY EASES TO 4.9%

- Philippines headline inflation eased to 4.9% year-on-year (-0.2% month-on-month) in October versus 6.1% in September 2023, driven by slower year-on-year increase in the prices of food and non-alcoholic beverages and restaurant and accommodation services. This brings average inflation from January to October at 6.4%.
- Meanwhile, core inflation also continued to ease further to 5.3% in October versus 5.9% in September and 5.9% in September 2022. This brings the average core inflation from January to October 2023 at 7%.
- Six (6) commodity groups posted slower annual increases, three (3) posted higher inflation during the month, and two (2) recorded stable inflation.



Main Sources of Deceleration

1	FOOD & NON-ALCOHOLIC BEVERAGES eased from 9.7% to 7.0% in October with 89.7% share to the downtrend, driven by the lower prices of vegetables and cereals and cereals products.	1
2	RESTAURANT and ACCOMODATION SERVICES cooled from 7.1% from 6.3% in October, with a 6.8% share to the downtrend on account of decreasing prices of restaurants, café and the like.	2
		3

Major Contributors

- FOOD & NON-ALCOHOLIC BEVERAGES** remains the top contributor, though decreasing its share to overall inflation to 53.7% in October driven by the decrease in the prices of cereal products, vegetables and fish and other seafood.
- RESTAURANTS and ACCOMODATION SERVICES** follows food as top contributor with a 12.3% share to overall inflation driven by restaurants, café, and the like.
- HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS** is the third contributor to overall headline inflation with an 11.3% share and a 2.6% inflation attributed to rentals, water supply and LPG.

FORECASTS AND OUTLOOK

- Philippines' October headline inflation came in lower than the consensus forecast at 5.6%, and Metrobank Research's 6.0% estimate, which suggests a sharper deceleration from the upside surprise seen in the past two months, when rice and transport prices soared amid export restrictions, extreme weather conditions, and fare hikes.
- Lower imported rice prices (e.g., Thai rice has decreased 10% from its peak in August) have notably contributed to the pullback in rice inflation from 17.9% in September to 13.2% in October. Moreover, the effect of jeepney fare hikes on transport prices were offset by lower cab and bus fares, as well as lower diesel prices.
- Metrobank Research's baseline forecast prior to the shocks seen in August and September is in line with the 4.9% headline print for October, which reverts our estimate of full-year average inflation downward to 6.1%.
- Metrobank Research thinks that the lower-than-expected headline print, as well as the recent appreciation of the peso vs the dollar will give the BSP more leeway to hold off on hiking rates in its upcoming Monetary Board meeting on November 16.
- While Research continues to forecast local inflation to trend downward through to end-2024, headline inflation in the coming months is still expected to be above the BSP's 2-4% target band. Hence, our view is that the BSP will continue to hold on to its "tighter-for-longer" view and delay any possible rate cuts until the second half of next year.
- We maintain that the risks to inflation continue to tilt to the upside due to the hike in electricity rates and minimum wage adjustments outside NCR, both planned for November. On the global front, an escalation of geopolitical tensions may also put upward pressure on commodity prices, especially oil.

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
6.1% <small>(from 6.4%)</small>	4.6%

METROBANK RESEARCH TARGET RRP RATE FORECAST

2023	2024
6.50%	6.00%

INFLATION UPDATES

ANNEX

HEADLINE INFLATION OF MAIN COMMODITY ITEMS

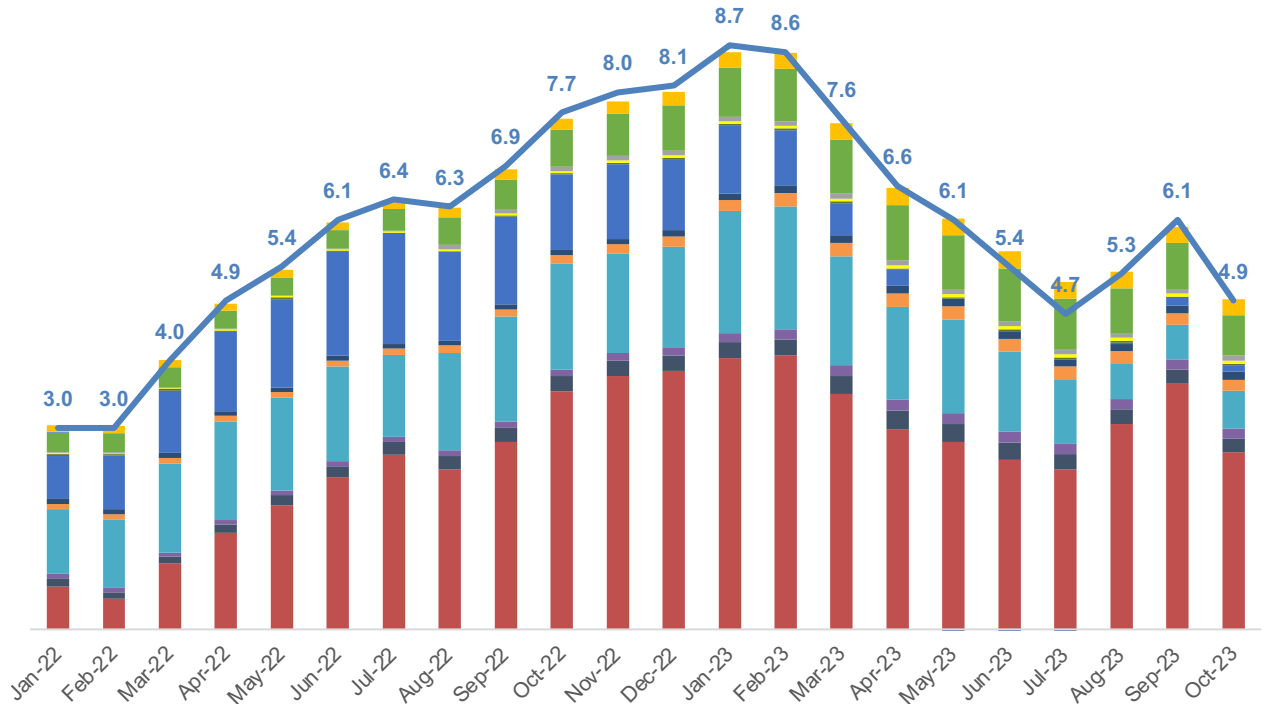
- FOOD AND NON-ALCOHOLIC BEVERAGES
- ALCOHOLIC BEVERAGES AND TOBACCO
- CLOTHING AND FOOTWEAR
- HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS
- FURNISHINGS, HOUSEHOLD EQUIPMENT, AND ROUTINE HOUSEHOLD MAINTENANCE
- HEALTH
- TRANSPORT
- INFORMATION AND COMMUNICATION
- RECREATION, SPORT AND CULTURE
-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

October 2023

FOOD AND NON-ALCOHOLIC BEVERAGES	7.0
ALCOHOLIC BEVERAGES AND TOBACCO	9.3
CLOTHING AND FOOTWEAR	4.8
HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS	2.6
FURNISHINGS, HOUSEHOLD EQUIPMENT, AND ROUTINE HOUSEHOLD MAINTENANCE	5.3
HEALTH	4.0
TRANSPORT	1.0
INFORMATION AND COMMUNICATION	0.8
RECREATION, SPORT AND CULTURE	5.0
EDUCATION SERVICES	3.8
RESTAURANTS AND ACCOMMODATION SERVICES	6.3
FINANCIAL SERVICES	0.0
PERSONAL CARE, AND MISCELLANEOUS GOODS AND SERVICES	5.3

Legend
Lower vs last month Higher vs last month

CONTRIBUTION TO HEADLINE INFLATION OF MAIN COMMODITY ITEMS



*Based on weights in the commodity basket

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.