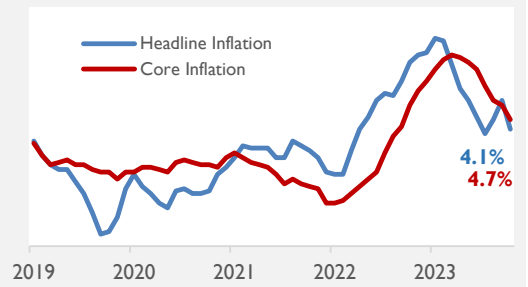


## INFLATION SLOWS FURTHER TO 4.1% IN NOVEMBER

- Philippines headline inflation eased further to 4.1% year-on-year in November from 4.9% in October (+0.16% month-on-month), driven by a slower annual increase in the prices of food and non-alcoholic beverages, transportation, as well as restaurants and accommodation services.
- The latest headline print brings average headline inflation from January to November 2023 to 6.2%.
- Meanwhile, core inflation also continued to decelerate to 4.7% in November versus 5.3% in October 2023. This brings the average core inflation from January to November 2023 to 6.8%.
- Eleven (11) commodity groups posted slower annual increases, one (1) recorded negative price growth, and one (1) recorded zero percent growth vs the previous month.
- However, rice inflation notably picked up from the previous month, at 15.8% year-on-year vs 13.2% in October, suggesting lingering supply side risks.

PH Inflation Rate (in %) 2018=100



### Main Sources of Deceleration

|   |   |
|---|---|
| 1 | <b>FOOD &amp; NON-ALCOHOLIC BEVERAGES</b><br>Eased to 5.7% from 7.0% in October with 59.5% share to the downtrend, driven by the lower prices of vegetables, tubers, cooking bananas, fish and sugar. |
| 2 | <b>TRANSPORT</b><br>Cooled to -0.8% from 1.0% in October, with a 19.7% share to the downtrend on account of the sharp fall in gasoline and diesel prices.   |
| 3 | <b>RESTAURANTS AND ACCOMMODATION SERVICES</b><br>Slowed to 5.6% from 6.3% in October, with an 8.2% share to the downtrend.  |

### Major Contributors

|   |   |
|---|---|
| 1 | <b>FOOD &amp; NON-ALCOHOLIC BEVERAGES</b><br>remains the top contributor, though decreasing its share in the overall inflation to 52.6% in November from 53.7% in October driven by the prices of rice, fish and other seafood, and dairy products. |
| 2 | <b>RESTAURANTS and ACCOMODATION SERVICES</b><br>follows food as top contributor with a 13.2% share to overall inflation driven by restaurants, café, and the like.  |
| 3 | <b>HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS</b><br>is the third contributor to overall headline inflation with an 13.1% share and a 2.5% inflation attributed to rentals, water supply and LPG.   |

## FORECASTS AND OUTLOOK

- Philippines' November headline inflation came in lower than the consensus forecast at 4.3% and Metrobank Research's 4.7%, beating expectations for the second straight month amid global geopolitical conflicts. However, it is also important to note the impact of base effects given that inflation in November 2022 was a much higher 8% year-on-year.
- The annual growth rate of food and non-alcoholic beverages decelerated to 5.7% from 7% in October 2023 and 10% in November 2022, due to the agricultural destruction caused by Typhoon Karding the previous year. For November 2023, lower price increases were recorded in a broad set of food items, particularly vegetables, seafood, and rice. Spending on food could pick up once more in December's inflation print as we head into the holiday season.
- Price decreases in fuel over the last few weeks also trickled down into transportation costs, which came out at -0.8% from 1% in October 2023 and 12.3% in November 2022. Despite voluntary oil production cuts by Saudi Arabia and the war between Israel and Hamas, sluggish demand for oil, particularly in China, kept prices subdued. However, this could be put to test once more, especially after the recent attacks by Yemen's Houthi rebels on commercial vessels on the Red Sea.
- When excluding the volatile food and energy items, core inflation also eased to 4.7% from 5.3% in October 2023 and 6.5% in November 2022, further signifying that second-round effects appear contained and businesses have moderately raised the prices of goods and services amid still resilient consumer spending.
- The lower-than-expected annual inflation rate is reassuring as it is slowly approaching the BSP's target range of 2%-4% inflation. However, given the presence of existing geopolitical conflicts and lingering supply constraints which could be exacerbated by the effects of El Nino until early next year, Metrobank Research sees above-target inflation to persist through 2024. We therefore expect the BSP to keep its hawkish bias until the latter half of next year.
- Given that the downtrend in headline inflation beat Metrobank Research's baseline estimates from November, we make the following downward revision in our forecast: 2023 Average inflation at 6.0% (from 6.1% previously) and 2024 Average inflation at 4.3% (from 4.6% previously).

### BSP Average Inflation Forecast

| As of June 2023 | As of August 2023 | As of September 2023 | As of November 2023 (Risk-adjusted forecast) |
|-----------------|-------------------|----------------------|--|
| 2023: 5.4%      | 2023: 5.6%        | 2023: 5.8%           | 2023: 6.1%                                   |
| 2024: 2.9%      | 2024: 3.3%        | 2024: 3.5%           | 2024: 4.4%                                   |
| 2025: 3.2%      | 2025: 3.4%        | 2025: 3.4%           | 2025: 3.4%                                   |

### METROBANK RESEARCH INFLATION FORECAST

| 2023   | 2024   |
|--|--|
| 6.0% <span style="color: green;">▼</span><br>(from 6.1%) | 4.3% <span style="color: green;">▼</span><br>(from 4.6%) |

### METROBANK RESEARCH TARGET RRP RATE FORECAST

| 2023  | 2024  |
|-------|-------|
| 6.50% | 6.00% |

### ANNEX

#### HEADLINE INFLATION OF MAIN COMMODITY ITEMS

|   |      |
|---|------|
| Food and non-alcoholic beverages                                    | 5.7  |
| Alcoholic beverages and tobacco                                     | 9.0  |
| Clothing and footwear   | 4.3  |
| Housing, water, electricity, gas, and other fuels                   | 2.5  |
| Furnishings, household equipment, and routine household maintenance | 4.7  |
| Health  | 3.8  |
| Transport   | -0.8 |
| Information and communication                                       | 0.6  |
| Recreation, sport and culture                                       | 4.9  |
| Education services  | 3.5  |
| Restaurants and accommodation services                              | 5.6  |
| Financial services  | 0.0  |
| Personal care, and miscellaneous goods and services                 | 4.8  |

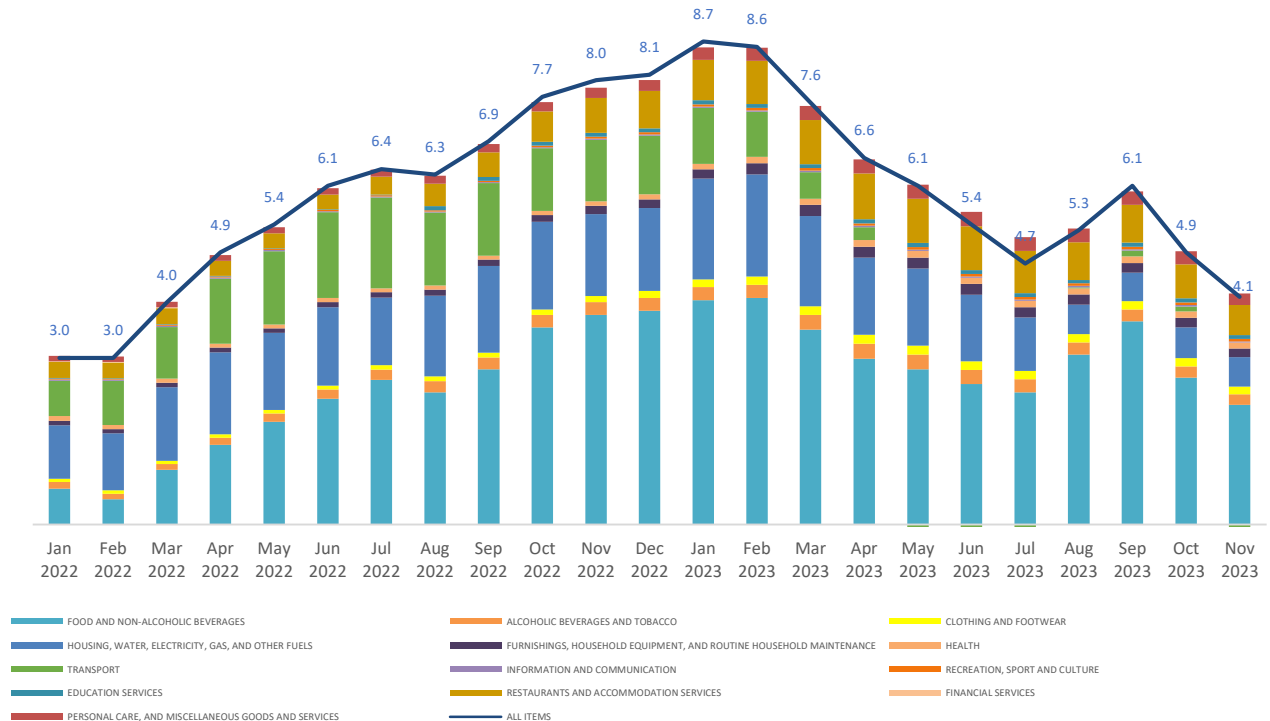
#### October 2023

|   |      |
|---|------|
| Food and non-alcoholic beverages                                    | 5.7  |
| Alcoholic beverages and tobacco                                     | 9.0  |
| Clothing and footwear   | 4.3  |
| Housing, water, electricity, gas, and other fuels                   | 2.5  |
| Furnishings, household equipment, and routine household maintenance | 4.7  |
| Health  | 3.8  |
| Transport   | -0.8 |
| Information and communication                                       | 0.6  |
| Recreation, sport and culture                                       | 4.9  |
| Education services  | 3.5  |
| Restaurants and accommodation services                              | 5.6  |
| Financial services  | 0.0  |
| Personal care, and miscellaneous goods and services                 | 4.8  |

#### Legend

Lower vs last month Higher vs last month

#### MAIN COMMODITY ITEMS' CONTRIBUTION TO HEADLINE INFLATION



\*Based on weights in the commodity basket

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