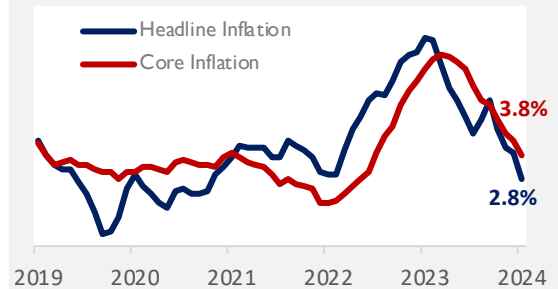


# INFLATION UPDATES

## PHILIPPINES' INFLATION EASED TO 2.8% IN JANUARY

- Philippines headline inflation eased to 2.8% year-on-year (0.6% month-on-month) in January from 3.9% (0.2% m-o-m) in December 2023, mainly driven by slower annual increases in the prices of food and non-alcoholic beverages in particular vegetables, followed by lower inflation of housing, water, electricity, gas, and other fuels, and transport.
- Meanwhile, core inflation, which excludes selected food and energy items, also slowed down further to 3.8% in January versus 4.4% in December 2023.
- Nine (9) out of 13 commodity groups posted slower annual increases while two (2) groups posted negative inflation last month. Inflation for information and communications technology remained the same, while educational services was the only commodity group that registered an annual increase.
- However, rice inflation further increased to 22.6 % compared to 19.6% in December, highest recorded rice inflation since March 2009 which recorded 22.9%.

**PH Inflation Rate (in %)**  
2018=100



### Main Sources of Deceleration

1	<b>FOOD &amp; NON-ALCOHOLIC BEVERAGES</b> eased further to 3.5% from 5.4% in December, with a majority share of 68.5% to the downtrend, driven by the sharp fall in prices of vegetables, tubers, etc.
2	<b>HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS</b> slowed further to 0.7% from 1.5% in December with a 16.3% share to the downtrend, driven by the lower prices of rentals, electricity, and water.
3	<b>TRANSPORT</b> Recorded deflation at -0.3% from 0.4% in December with a 6.0% share to the downtrend, driven mainly by the fall in prices of gasoline and passenger transport.

### Major Contributors

1	<b>FOOD &amp; NON-ALCOHOLIC BEVERAGES</b> remained the top contributor and increasing its share to the overall inflation to 47.1% from 53.0% in December driven by the prices of cereal / cereal products, dairy products and eggs, and fruits and nuts.
2	<b>RESTAURANTS and ACCOMODATION SERVICES</b> again followed food as a major contributor with a 5.5% inflation from 5.6% in December with an increased share of 18.9% to overall inflation, driven by restaurants, café, and the like.
3	<b>ALCOHOLIC BEVERAGES AND TOBACCO</b> was the third contributor to overall headline inflation with an overall share of 6.5% and 8.4% inflation compared to the 9.0% inflation recorded in December attributed to cigarettes, spirits and liquors, and beers.

## FORECASTS AND OUTLOOK

- Philippines' January headline inflation came in lower than the consensus forecast of 3.1% due to less upward price pressures on key food items and favorable base effects when inflation peaked at 8.7% in January 2023.
- However, rice inflation for January increased further to 22.6% year-on-year from 19.6% in December 2023, the highest reported since March 2009's 22.9%, as local rice prices continued to track elevated global commodity prices which was exacerbated by low base effects from the same period last year. The Philippine Statistics Authority (PSA) expects rice inflation to sustain its upward trend until July because of these base effects as rice prices spiked beginning in August 2023.
- While there has been a recognizably slower uptick in headline inflation for the month, rice inflation more than offset the decrease in other prices of key food items such as vegetables. Month-on-month growth climbed to 0.6% from 0.2% in the previous month.
- For now, the yearend average inflation forecast at 4.3% is being retained, albeit with a **strong downward bias given the current print**. On the other hand, there continues to be strong upward inflation pressure for the year due to the impending effects of El Niño on food items, emerging geopolitical risks and rising rice prices.
- Lastly, the recent inflation print provides the Bangko Sentral ng Pilipinas an impetus to hold its policy rates steady at its first Monetary Board meeting on February 15. The BSP is further expected to stay relatively more hawkish, likely to lag the Fed's first cut by up to a full quarter, as domestic price pressures remain stickier vs in the US.

### BSP AVERAGE INFLATION FORECAST

As of September 2023	As of November 2023 (Risk-adjusted)	As of December 2023 (Risk-adjusted)
2024: 3.5%	2024: 4.4%	2024: 4.2%
2025: 3.4%	2025: 3.4%	2025: 3.4%

### METROBANK RESEARCH INFLATION FORECAST

2022 Actual	2023 Actual	2024
5.80%	6.00%	4.30%

### METROBANK RESEARCH TARGET RRP RATE

2023 Actual	2024
6.50%	5.50%

# 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

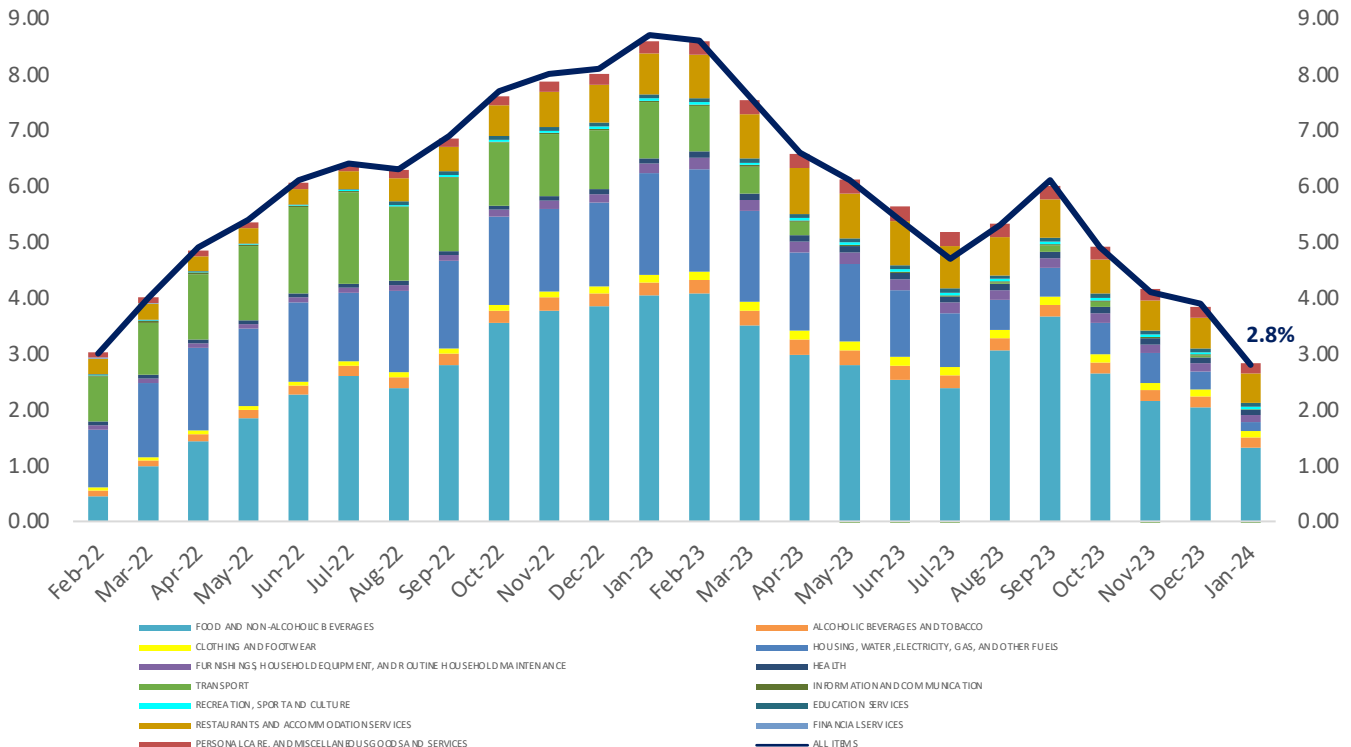
### January 2024

Food and non-alcoholic beverages	3.5%
Alcoholic beverages and tobacco	8.4%
Clothing and footwear	3.8%
Housing, water, electricity, gas, and other fuels	0.7%
Furnishings, household equipment, and routine household maintenance	3.9%
Health	3.3%
Transport	-0.3%
Information and communication	0.5%
Recreation, sport and culture	4.0%
Education services	3.8%
Restaurants and accommodation services	5.5%
Financial services	-0.6%
Personal care, and miscellaneous goods and services	4.0%

**Legend**

Lower vs last month Higher vs last month

### MAIN COMMODITY ITEMS' CONTRIBUTION TO HEADLINE INFLATION



\*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.