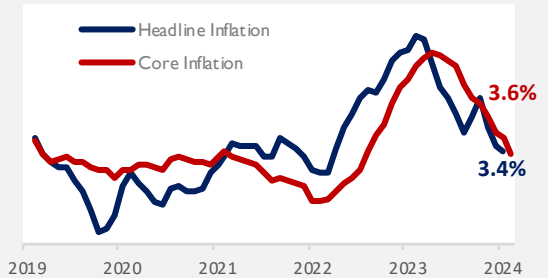


INFLATION UPDATES

PHILIPPINES' INFLATION ACCELERATED FASTER THAN EXPECTED AT 3.4%

- The Philippines' headline inflation accelerated to 3.4% year-on-year in February from 2.8% in January 2024, mainly driven by accelerated prices of food and non-alcoholic beverages. January and February recorded the same m-o-m growth at 0.6%, suggesting that inflation is not yet slowing sequentially.
- However, core inflation, which excludes selected food and energy items, slowed down further to 3.6% in February from 3.8% in January.
- Four (4) out of 13 commodity groups posted faster annual increases while seven (7) commodity posted slower inflation last month. Inflation for education services and financial services remained the same.
- Rice inflation continues to drive inflation upwards as it further accelerates to 23.7% compared to 22.6% in January, the highest recorded rice inflation since February 2009.

PH Inflation Rate (in %)
2018=100



Main Sources of Acceleration

1	FOOD & NON-ALCOHOLIC BEVERAGES increased to 4.6% from 3.5% in January, with a majority share of 69.5% to the upward trend in inflation, driven by drastic inflation in vegetables, meat and cereal products.
2	TRANSPORT accelerated to 1.2% from -0.3% in January with a 22.7% share to the upward trend in inflation, attributed to the increase in Gasoline and Diesel prices.
3	HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS recorded inflation at 0.9% from 0.7% in January with a 7.2% share to the upward trend in inflation, driven mainly by rise in electricity prices and rentals.

Major Contributors

1	FOOD & NON-ALCOHOLIC BEVERAGES remained the top and majority contributor and increased its share to the overall inflation to 52.1% from 47.1% in January driven by the prices of cereal products, dairy products and eggs, and fruits and nuts.
2	RESTAURANTS and ACCOMODATION SERVICES again followed food as a major contributor with share of 15.3% to overall inflation, driven by restaurants, café, and the like. Inflation is slower at 5.3% from 5.5% in January.
3	HOUSING, WATER, ELECTRICTY, GAS AND OTHER FUELS was the third contributor to overall headline inflation with an overall share of 5.8%, attributed to rentals, water supply and wood fuel. \

FORECASTS AND OUTLOOK

- The Philippines' February headline inflation came in higher than the consensus forecast of 3.1% but within the Bangko Sentral ng Pilipinas (BSP) forecast of 2.8% to 3.6% due to increased upward price pressures on key food items.
- The major contributory factor to the February inflation is the continuous acceleration of rice prices which increased further to 23.7% year-on-year from 22.6% in January 2023, as local rice prices continued to track elevated global commodity prices which was exacerbated by low base effects from the same period last year. It continues to offset the decrease in other prices of key food items such as vegetables.
- According to National Economic Development Authority (NEDA) Secretary Arsenio Balisacan, local rice supply will increase with the anticipated harvest season in April. However, the Philippine Statistics Authority (PSA) still expects rice inflation to sustain its upward trend until July because of base effects as rice prices spiked beginning in August 2023.
- For now, Metrobank Research retains its yearend average inflation forecast at **4.3% (with a downward bias)** as there continues to be strong upward inflation pressure for the year due to the rising rice prices and the impending effects of El Niño on food items and of emerging geopolitical risks on global market prices.
- The recent inflation print reinforces BSP's decision to keep rates unchanged during its first Monetary Board meeting in February.
- Lastly, BSP will likely hold rates steady for the first half of the year. The BSP is expected to stay hawkish, likely to lag the Fed's first cut by up to a full quarter, as domestic price pressures remain stickier than anticipated.

BSP AVERAGE INFLATION FORECAST

As of November 2023 (Risk-adjusted)	As of December 2023 (Risk-adjusted)	As of February 2024 (Risk-adjusted)
2024: 4.4%	2024: 4.2%	2024: 3.9%
2025: 3.4%	2025: 3.4%	2025: 3.5%

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

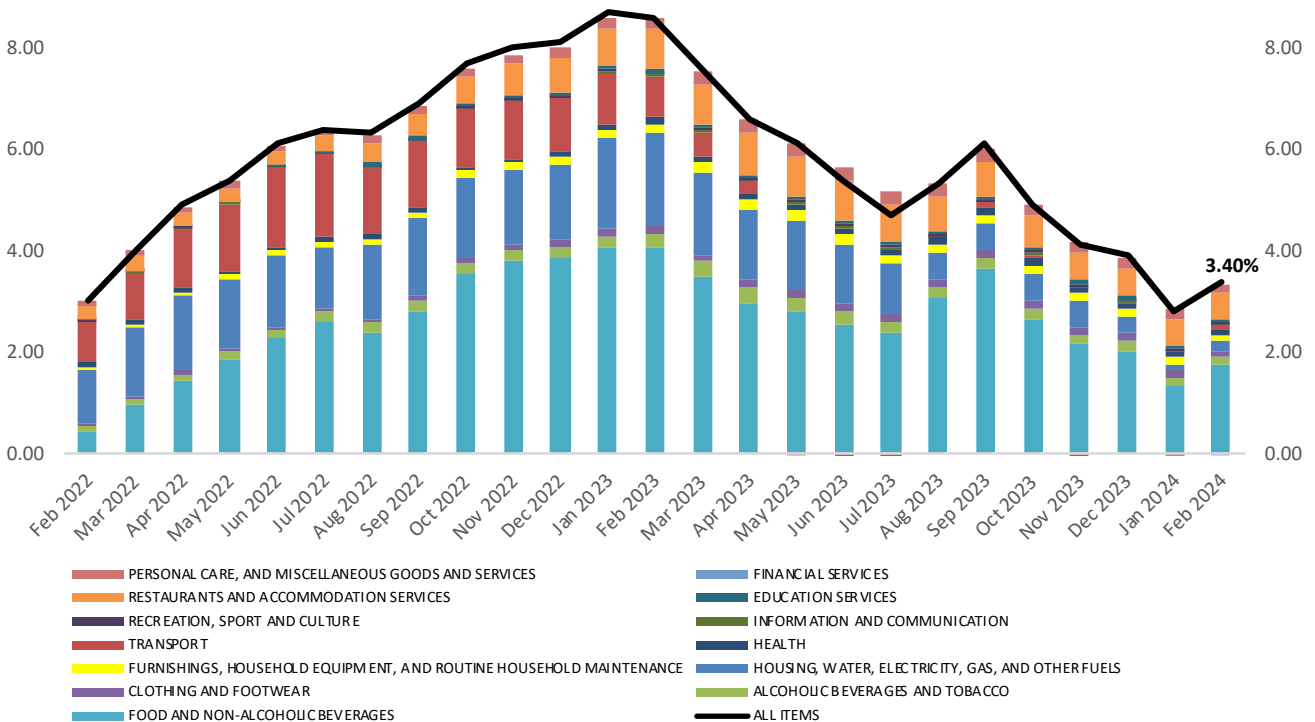
February 2024

4.6%
8.6%
3.6%
0.9%
3.3%
3.0%
1.2%
0.4%
3.8%
3.8%
5.3%
-0.6%
3.8%

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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