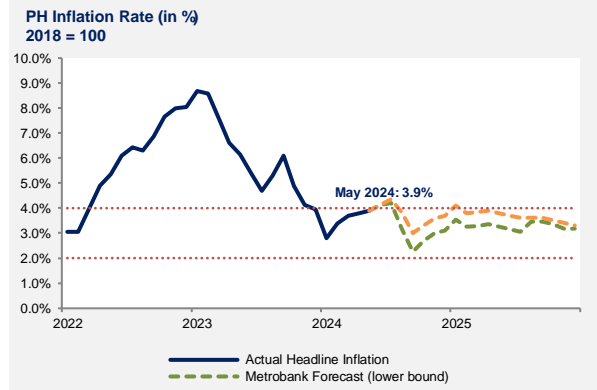


FORECAST UPDATES

LOWER INFLATION FORECASTS FOR FY2024 AND 2025

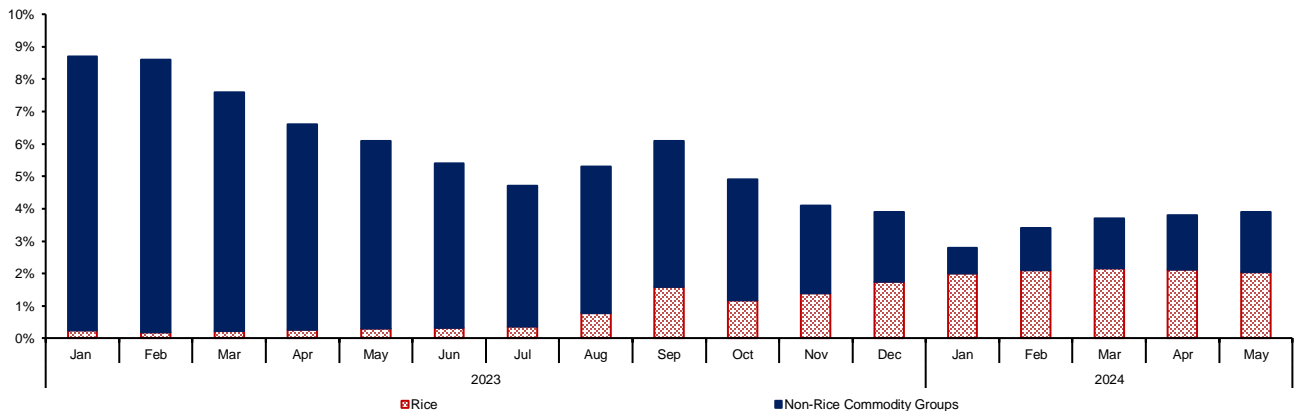
- Following Metrobank Research's last Inflation report dated June 5, which indicated a downside bias to the 4.0% average inflation forecast for full year (FY) 2024 owing to the slower than expected sequential growth in the May inflation print (3.9% year-on-year), Metrobank Research has revised its FY2024 and FY2025 forecasts to 3.3-3.6% and 3.3-3.7%, respectively.
- Inflation is expected to average within this range for the year due to the recently approved reduction in rice tariffs to 15% from 35% until 2028, as part of government efforts to lower rice prices. Moreover, inflation in 2025 is still expected to remain elevated due to upside risks from oil and energy prices and possible second round effects.
- Heavily weighted rice inflation continued to ease to 23.0% YoY in May on the back of gradual decreases in both local and global prices since January. However, rice inflation is still expected to remain elevated until July due to low base effects.
- With this, Metrobank Research continues to see domestic inflation peaking in July, which then supports the view that the BSP will begin its easing cycle in the fourth quarter (October 17), rather than in the August 15 Monetary Board meeting (MB) meeting.



METROBANK RESEARCH INFLATION FORECAST

2023 Actual	2024	2025
6.00%	3.30-3.60% From 4.0% ↓	3.30-3.70% From 4.2%

RICE TARIFFS TO EASE PRICES



- On June 4, the National Economic and Development Authority (NEDA) approved the new Comprehensive Tariff Program for 2024-2028 which supports the strategy of the government to ensure accessibility and affordability of essential commodities including rice. Included in the program is a reduction of the duty rate to 15% for both in-quota and out-quota rice imports from 35% until 2028. This decision aims to make rice, a Filipino household staple, more affordable.
- Metrobank Research's analysis of the reduced tariff rates shows that the current market price of rice could be reduced to around PHP 7 to 9 per kilogram, which will reduce the contribution of rice to headline inflation to -0.2 to 0.2 percentage points, a significant drop from its 1.6-percentage-point contribution in May 2024.
- The implementation of the tariff reduction is awaiting an Executive Order from the President which Metrobank Research estimates will be signed before the President Marcos Jr.'s State of the Nation Address scheduled on July 22, making way for a possible full implementation in August.