

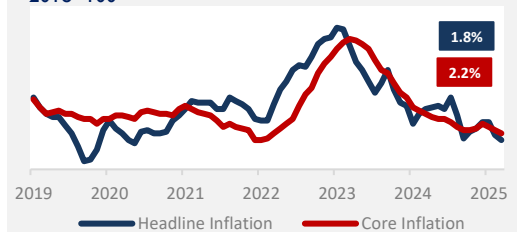
INFLATION UPDATE

Price-rise slips to 1.8% in March, green light for BSP's rate cut

- Philippine headline inflation slowed further to 1.8% year-on-year (YoY) in March from the 2.1% recorded in February. The latest inflation print is below the 2.0% consensus estimate in a Bloomberg survey, but is within the Bangko Sentral ng Pilipinas (BSP)'s 1.7%-2.5% forecast for the month.
- Core inflation, which excludes volatile food and energy items, decelerated as well to 2.2% in March from the 2.4% recorded in February 2025.
- Rice prices declined at an even faster rate of 7.7% in March from the 4.9% decline in the preceding month, marking its steepest drop since March 2020.
- Meanwhile, pork prices decelerated slightly to 10.8% from 12.1% in the previous month.
- On a month-on-month basis, consumer prices declined by 0.2% in March, the same pace as the 0.2% drop recorded in February.
- Despite the slowdown and decrease in the prices of some food groups, food and non-alcoholic beverages remained the biggest contributor to headline inflation in March due to supply-side pressure.

PH Inflation Rate (in %)

2018=100



Source: Philippine Statistics Authority

Sources of downside pressure

	FOOD AND NON-ALCOHOLIC BEVERAGES
1	<ul style="list-style-type: none"> 2.2% inflation from 2.6%, with a 50.2% share to the downtrend Due to slower price rise of meat and lower prices of cereal products
2	<p>TRANSPORT</p> <ul style="list-style-type: none"> -1.1% price change from -0.2%, with a 27.0% share to the downtrend Due to lower oil prices and transport fares
3	<p>RESTAURANTS AND ACCOMMODATION SERVICES</p> <ul style="list-style-type: none"> 2.3% inflation from 2.8%, with a 16.0% share to the downtrend Due to slower price increases in restaurants and cafes

Major contributors to overall headline inflation

	FOOD AND NON-ALCOHOLIC BEVERAGES
1	<ul style="list-style-type: none"> 2.2% inflation rate and a 0.9-percentage point (ppt) contribution to the total 1.8% headline inflation Due to higher prices of vegetables, fish, and meat
2	<p>HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS</p> <ul style="list-style-type: none"> 1.7% inflation rate and 0.3-ppt contribution to headline inflation Due to higher prices of rentals, water supply, and LPG
3	<p>RESTAURANTS AND ACCOMMODATION SERVICES</p> <ul style="list-style-type: none"> 2.3% inflation rate and a 0.2-ppt contribution to headline inflation Due to higher prices at restaurants and cafes

METROBANK'S TAKE

Food prices continue to push inflation downward

Food prices, the main contributor to inflation, sustained a downward trend on the back of deflation in rice and corn and the slight disinflation of meat. However, prices of fish and other seafood rose in March, driven by higher demand due to the Lenten season.

Better harvest due to favorable weather and the Department of Agriculture (DA)'s price cap on meat and rice contributed to lower food costs in March.

Oil and transport to rebound this month

Apart from lower food prices, lower oil and transport costs contributed to the downward trend in March. However, we expect a reversal of this trend this month due to increased risks in the global space, including US sanctions on Iranian oil, higher tariffs imposed by the US to nations buying Venezuelan crude oil, and the impact of the brewing Russia-Ukraine conflict on Russia's energy facilities. These risks could be partially offset by OPEC's higher supply schedule.

Fares for the Light Rail Transit Line (LRT-1) also increased effective April 2.

FY Inflation trends lower

Considering the lower-than expected inflation print for March, Metrobank revises its FY 2025 inflation forecast to 3.0% from 3.1% previously. The slight downward revision accounts for the impact of the US' blanket tariffs, which will drive import costs higher.

The latest inflation print supports our call that the BSP will reduce its target Reverse Repurchase (RRP) rate by 25 basis points (bps) in its April 10 meeting.

Metrobank maintains its forecast that the BSP will reduce its policy rate by a cumulative 50 bps this year, with a possible additional 25 bps toward the end of the year should inflation and growth conditions require. This will bring the target RRP down to 5.25% or 5.00% by the end of the year.

Related articles: 1) [Inflation Preview: Subdued price rise continues](#)
2) [BSP Update: Defying expectations with steady rates](#)

BSP RISK-ADJUSTED FULL-YEAR AVERAGE INFLATION FORECAST

	as of Oct 2024	as of Dec 2024	as of Feb 2025
2025	3.3%	3.4%	3.5%
2026	3.7%	3.7%	3.7%

METROBANK RESEARCH FULL-YEAR AVERAGE INFLATION FORECAST

2023 Actual	2024 Actual	2025	2026
6.00%	3.2%	3.0%	3.2%

METROBANK RESEARCH YEAR-END TARGET RRP RATE FORECAST

2023 Actual	2024 Actual	2025	2026
6.50%	5.75%	5.25%	4.50%

INFLATION UPDATE

ANNEX

HEADLINE INFLATION OF MAIN COMMODITY ITEMS

All 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	

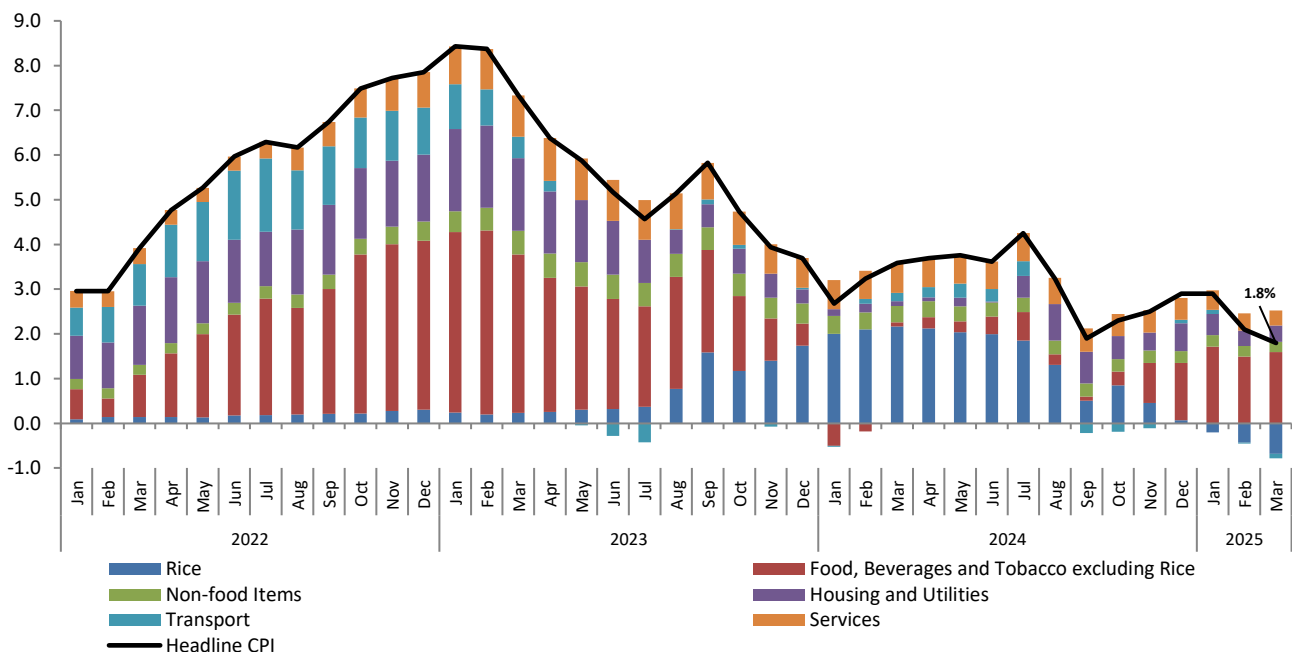
March 2025 (in %)

All Items	1.8
Food and non-alcoholic beverages	2.2
Alcoholic beverages and tobacco	3.6
Clothing and footwear	1.8
Housing, water, electricity, gas, and other fuels	1.7
Furnishings, household equipment, and routine household maintenance	2.1
Health	2.2
Transport	-1.1
Information and communication	0.4
Recreation, sport, and culture	2.2
Education services	4.2
Restaurants and accommodation services	2.3
Financial services	0.0
Personal care, and miscellaneous goods and services	2.6

Legend

Lower vs last month Higher vs last month

CONTRIBUTION TO HEADLINE INFLATION



Source: Philippine Statistics Authority
Based on weights in the commodity basket

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