

INFLATION UPDATE

BSP poised for a string of rate cuts as inflation cools

- Philippine headline inflation continued to slow to 1.4% year-on-year (YoY) in April from the 1.8% recorded in March. The latest inflation print is below the 1.8% Bloomberg consensus estimate but lies within the Bangko Sentral ng Pilipinas (BSP)'s 1.3%-2.1% forecast for April.
- Core inflation, which excludes volatile food and energy items, clocked in at 2.2% in April, the same pace in the preceding month.
- The slower headline inflation for the month was mainly due to lower prices of food and non-alcoholic beverages. Rice prices sharply dropped by 10.9% YoY. Despite this, pork remains the top contributor to inflation after posting a 10.3% YoY increase in prices.
- Electricity rates also emerged among the top contributors to headline inflation in April after a 5.4% YoY increase in rates.
- On a month-on-month basis, consumer prices declined by 0.4% in April, a sharper drop compared to the 0.2% in March.

PH Inflation Rate (in %)
2018=100



Source: Philippine Statistics Authority

Sources of downside pressure

Rank	Category	Details
1	FOOD AND NON-ALCOHOLIC BEVERAGES	<ul style="list-style-type: none"> 0.9% inflation from 2.2%, with an 82.3% share to the downtrend Due to lower prices of cereal products and slower inflation in vegetables and fish
2	TRANSPORT	<ul style="list-style-type: none"> -2.1% price change from -1.1%, with a 15.2% share to the downtrend Due to lower oil prices

Major contributors to overall headline inflation

1	HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS	<ul style="list-style-type: none"> 2.9% inflation rate and a 0.6-percentage point (ppt) contribution to the total 1.8% headline inflation Due to higher prices of electricity and water
2	FOOD AND NON-ALCOHOLIC BEVERAGES	<ul style="list-style-type: none"> 0.9% inflation rate and 0.3-ppt contribution to headline inflation Due to higher prices of meat, fish, and dairy products
3	RESTAURANTS AND ACCOMMODATION SERVICES	<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 commodities continue a downward trend

While food prices remained the main contributor to headline inflation, it continued a downward trend, especially as rice prices declined faster in April due to better weather conditions and the government price-cap policies. However, prices of meat and poultry remained elevated as the country grappled with the impact of the African Swine Fever (ASF). Still, the rise in pork prices slowed from the preceding month.

In April, the country increased the volume of meat imports to offset lower domestic output. The Department of Agriculture (DA) also lifted a temporary ban on imported processed pork products from South Korea. Lastly, the government is working to accelerate the national rollout of commercial vaccine against ASF. These moves are anticipated to reduce supply pressure and help push down meat and poultry prices moving forward.

Housing and utilities accelerate

Housing and utilities accelerated in April, with higher electricity rates contributing to the uptrend. The increase in electricity rates was concentrated in the National Capital Region after the Manila Electric Company (Meralco) adjusted its April electricity rate to PHP 13.0127 per kilowatt hour (kWh) from PHP 12.2901 per kWh in March.

Year-to-date inflation already at low-end of target

As of April, year-to-date inflation has already settled at the lower end of the BSP's 2%-4% target. However, we expect headline inflation to pick up in the latter part of the year, noting the anticipated reversal of rice inflation, which has been negative in recent months.

BSP to shift to accommodative stance, points to three more cuts in 2025

As headline inflation continues to surprise on the downside, Metrobank revises its full-year inflation forecast for 2025 to 2.2% from the previous 2.6%.

Although economic growth data is yet to be released, the sustained lower-than-expected inflation in recent months supports our call that the BSP will further reduce its target Reverse Repurchase (RRP) this year. Given BSP's hint of a shift to an "accommodative stance" we expect three more rate cuts this year with the target RRP down to 4.75% by end-2025.

Related article: [1\) Inflation Preview: Pork and power fuel still slow price rise](#)

BSP RISK-ADJUSTED FULL-YEAR AVERAGE INFLATION FORECAST

	as of Dec 2024	as of Feb 2025	as of Apr 2025
2025	3.4%	3.5%	2.3%
2026	3.7%	3.7%	3.3%

METROBANK RESEARCH FULL-YEAR AVERAGE INFLATION FORECAST

2023 Actual	2024 Actual	2025	2026
6.00%	3.2%	2.2%	3.3%

METROBANK RESEARCH YEAR-END TARGET RRP RATE FORECAST

2023 Actual	2024 Actual	2025	2026
6.50%	5.75%	4.75%	4.25%

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	

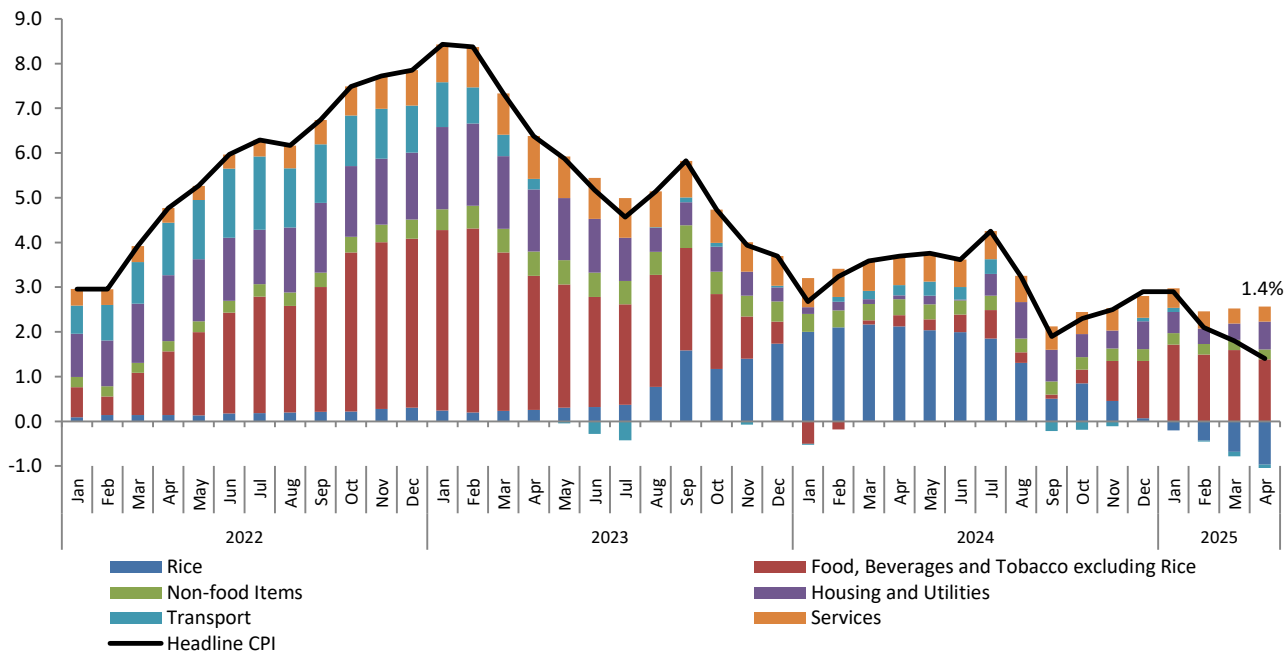
April 2025 (in %)

All Items	1.4
Food and non-alcoholic beverages	0.9
Alcoholic beverages and tobacco	3.7
Clothing and footwear	1.6
Housing, water, electricity, gas, and other fuels	2.9
Furnishings, household equipment, and routine household maintenance	2.1
Health	2.4
Transport	-2.1
Information and communication	0.3
Recreation, sport, and culture	2.1
Education services	4.2
Restaurants and accommodation services	2.3
Financial services	0.0
Personal care, and miscellaneous goods and services	2.5

Legend

Lower vs previous month	Higher vs previous month
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CONTRIBUTION TO HEADLINE INFLATION



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

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