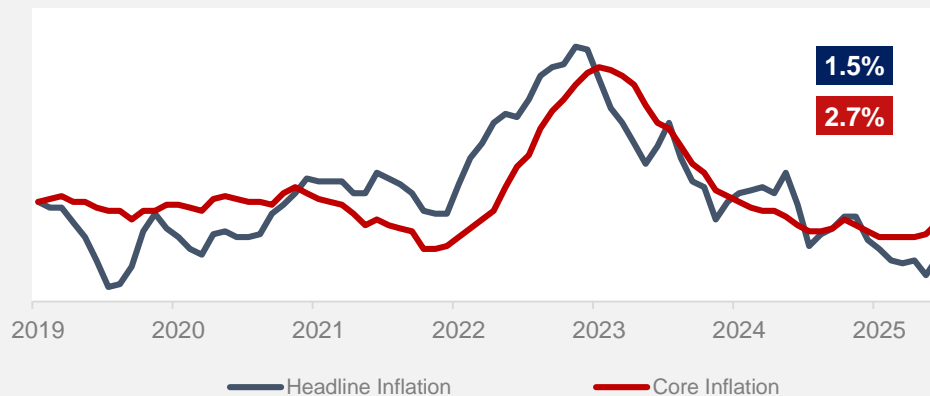


INFLATION UPDATE

Faster but full-year average within target

PH Inflation Rate (in %)
2018=100



Source: Philippine Statistics Authority

- Philippine headline inflation accelerated to 1.5% year-on-year (YoY) in August from the 0.9% in July. The latest inflation number lies within the Bangko Sentral ng Pilipinas' (BSP) 1.0%-1.8% forecast for the month but higher than the 1.2% Bloomberg consensus estimate.
- Year-to-date inflation remains at 1.7%, below the BSP's 2.0%-4.0% target for the full-year.
- Food inflation continues to be among the largest contributors to headline inflation, although still partly offset by a 17.0% YoY decline in rice prices in August, faster than the 15.9% decline in the preceding month.
- While the Philippine Statistics Authority (PSA) earlier saw a reversal of rice inflation to positive by September, National Statistician Dennis Mapa said that the current price level suggests sustained rice deflation toward the end of the year, although at a slower pace.
- Core inflation, which excludes volatile food and energy items, quickened to 2.7% from the 2.3% in the preceding month. The recent core number is the fastest this year, driven by a pick-up in the prices of non-volatile typhoon-stricken food commodity items including vegetables.
- Consumer prices rose 0.6% month-on-month in August, the third consecutive month of increase.

Sources of upside pressure

| | |
|---|--|
| 1 | FOOD AND NON-ALCOHOLIC BEVERAGES <ul style="list-style-type: none"> 0.9% YoY inflation rate and 69.3% share to the uptrend Due to accelerating fish prices and a reversal of vegetable prices from deflation to inflation |
| 2 | TRANSPORTATION <ul style="list-style-type: none"> -0.3% inflation rate and 25.6% share to the uptrend Due to a slower decrease in gasoline and diesel prices, and acceleration in passenger transport by sea |

Major contributors to overall headline inflation

| | |
|---|---|
| 1 | HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS <ul style="list-style-type: none"> 2.1% YoY inflation rate and a 0.4 ppt contribution to headline inflation Due to rentals, water supply, and electricity |
| 2 | FOOD AND NON-ALCOHOLIC BEVERAGES <ul style="list-style-type: none"> 0.9% YoY inflation rate and a 0.4 ppt contribution to headline inflation Due to higher prices of fish and seafood, meat, and vegetables, tubers, cooking bananas, and pulses |
| 3 | RESTAURANTS AND ACCOMMODATION SERVICES <ul style="list-style-type: none"> 2.3% YoY inflation rate and a 0.2 ppt contribution to headline inflation Due to higher prices at restaurants and cafes |

INFLATION UPDATE

Faster but full-year average within target

METROBANK'S TAKE

Rice deflation may not revert

The sustained decline in global rice prices and high domestic stocks continue to lead to rice deflation. This supports Agriculture Secretary Francisco Tiu Laurel's call to gradually revert rice tariffs to 35% from the current 15% to support local farmers, especially amid the harvest season. Even considering potentially higher rice tariffs, the current price level suggests sustained rice deflation for the rest of the year. Thus, rice is projected to remain among the main sources of downward pressure.

Still weak demand overall

The latest core inflation figure shows the realization of supply-side pressure driven by recent unfavorable weather conditions. This implies that underlying inflation did not fully reflect higher demand-side pressure from the less restrictive monetary policy environment, suggesting a need to lower policy rates further.

Still within-target for the rest of 2025

Metrobank revises its FY 2025 inflation forecast to 2.1% from the previous 2.0%, considering upside pressure from fish and vegetable prices amid the projected mild La Nina.

We also revised our FY 2026 inflation forecast to 3.6% from 3.7% previously, owing to increased base effects from the latter part of 2025. Our 2026 forecast, however, remains higher relative to the preceding year owing to the projected full impact of the BSP's monetary easing on consumer demand, exacerbated by elevated import costs arising from high global tariffs.

Despite an expected acceleration in inflation in the remaining months of the year, the year-to-date figure provides enough room for full-year inflation to remain target-consistent. This gives leeway for the BSP to deliver another 25-basis point (bp) cut in December, which will bring the target reverse repurchase (RRP) rate to 4.75%. This will allow the interest rate differential (IRD) with the Fed to settle at 75 bps this year, providing enough support to the peso.

BSP RISK-ADJUSTED FULL-YEAR AVERAGE INFLATION FORECAST

| | as of Apr 2025 | as of Jun 2025 | as of Aug 2025 |
|------|-------------------|-------------------|-------------------|
| 2025 | 2.3% | 1.6% | 1.7% |
| 2026 | 3.3% | 3.4% | 3.3% |
| 2027 | 3.2% | 3.3% | 3.4% |

METROBANK RESEARCH FULL-YEAR AVERAGE INFLATION FORECAST

| 2024 Actual | 2025 | 2026 | 2027 |
|----------------|------|------|------|
| 3.2% | 2.1% | 3.6% | 3.0% |

METROBANK RESEARCH YEAR-END TARGET RRP RATE FORECAST

| 2024 Actual | 2025 | 2026 | 2027 |
|----------------|-------|-------|-------|
| 5.75% | 4.75% | 4.25% | 4.25% |

Related articles: 1) [Inflation Preview: Price hikes float to the surface](#);
2) [Monthly Recap: Fed cuts are coming](#)

INFLATION UPDATE

Faster but full-year average within target

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 |

August 2025 (in %)

| |
|------|
| 1.5 |
| 0.9 |
| 4.2 |
| 1.7 |
| 2.1 |
| 2.4 |
| 2.9 |
| -0.3 |
| 0.6 |
| 2.1 |
| 2.9 |
| 2.3 |
| 0.0 |
| 2.5 |

Legend

Lower vs last month Higher vs last month

