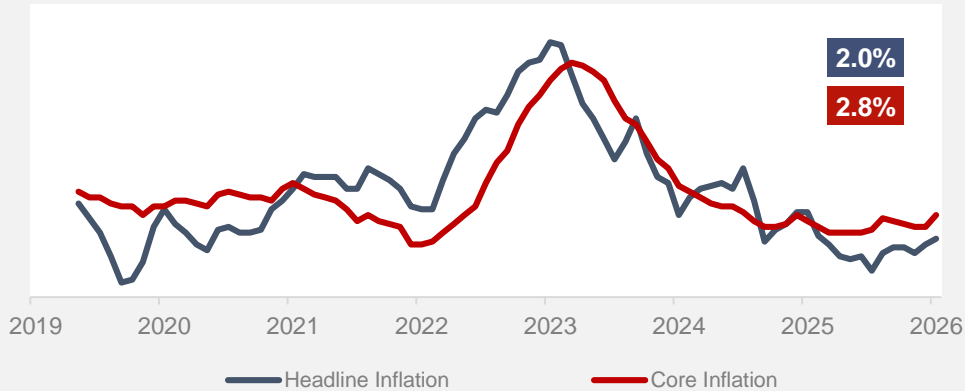


INFLATION UPDATE

Up, up, and away?

PH Inflation Rate (in %)
2018=100



Source: Philippine Statistics Authority

- Headline inflation settled higher at 2.0% year-on-year (YoY) in January from 1.8% in December 2025. This falls within the Bangko Sentral ng Pilipinas' (BSP)'s 1.4%-2.2% forecast range and is higher than the 1.8% Bloomberg median estimate. This also falls within the BSP's annual 3±1% target band.
- Core inflation, which excludes volatile food and energy items, quickened its pace from December at 2.8%.
- Month-on-month (MoM), the consumer price index rose by 0.8% in January.
- Housing, water, electricity, gas, and other fuels was one of the main drivers behind the higher inflation rate, rising by 3.3% YoY. This was the highest recorded inflation rate since August 2024, mainly driven by faster inflation for rentals outside the National Capital Region (NCR). National Statistician Claire Dennis Mapa attributed this to annual adjustments in rentals, which normally occur in January. Upward adjustments in electricity rates also contributed to the high utilities inflation in January.
- Meanwhile, food inflation decelerated to 1.1% in January from 1.4% in December. Rice deflation has persisted, though slower than last month, at -8.5%, while vegetable inflation moderated to 3.3% from 11.6% in December after last year's floods. While inflation for most foods slowed, their prices remain elevated, which has also led to accelerating inflation at restaurants, cafes, and the like.

Main sources of upside pressure

1	<p>HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS</p> <ul style="list-style-type: none"> • 3.3% YoY inflation rate and a 45.9% share to uptrend. • Due to faster inflation of electricity and rentals, and slower deflation of LPG.
2	<p>RESTAURANTS AND ACCOMODATION SERVICES</p> <ul style="list-style-type: none"> • 4.0% YoY inflation rate and a 41.3% share to inflation. • Due to faster inflation at restaurants, cafes, and the like.

Major contributors to overall headline inflation

1	<p>HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS</p> <ul style="list-style-type: none"> • 3.3% YoY inflation rate and a 33.5% share to overall inflation. • Due to higher prices of rentals, electricity, and water supply.
2	<p>FOOD AND NON-ALCOHOLIC BEVERAGES</p> <ul style="list-style-type: none"> • 1.1% YoY inflation rate and a 22.2% share to overall inflation. • Due to higher prices of fish and other seafood, vegetables, tubers, etc., and coffee and coffee substitutes.
3	<p>RESTAURANTS AND ACCOMODATION SERVICES</p> <ul style="list-style-type: none"> • 4.0% YoY inflation rate and a 19.6% share to overall inflation • Due to higher prices at restaurants, cafes, and the like.

INFLATION UPDATE

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METROBANK'S TAKE

Demand pressures building

Fourth quarter Gross Domestic Product (GDP) was short of market expectations, driven not only by the contraction in public construction but also by subdued household spending, which continued to grow at a sluggish pace.

In January, Core Consumer Price Index (CPI), which excludes the volatile food and energy components, accelerated 2.8%, faster than the 2.4% full-year average recorded in 2025. This signals demand-driven pressure starting to rise. Nonetheless, with consumer sentiment still recovering, upward pressure on prices coming from consumer demand moving forward is expected to remain limited.

End of rice import ban to halt rice price increase

The Philippine government lifted the four-month rice import ban at the start of the year. Government data show that during the ban, rice inventories remained high relative to the preceding year, reflecting sufficient yields during the last harvest season.

With local stocks expected to have tightened following the end of the harvest cycle, rice distributors are anticipated to resume imports. This could reverse the farmgate price increases observed during the ban and may slow, or even halt, the current monthly upward trend in retail rice prices.

Window for easing still open...for now

Barring supply side shocks, Metrobank maintains its forecast that full year average headline inflation will settle at 3.3% this year, driven by low base effects. Higher import costs associated with the anticipated further depreciation of the peso also remains an upside risk to inflation. This should slightly offset downward pressure from soft consumer demand and the lifting of the rice import ban.

Although January data show quicker inflation, Metrobank's forecast remains within the Bangko Sentral ng Pilipinas' (BSP) 3%±1% target. This should give the BSP enough room to keep reducing the policy rate.

Metrobank forecasts that the BSP will conclude its current easing cycle with a cumulative 50 basis points worth of cuts this year, bringing the target reverse repurchase (RRP) rate down to 4.00% by year-end.

BSP RISK-ADJUSTED FULL-YEAR AVERAGE INFLATION FORECAST

	as of Aug 2025	as of Oct 2025	as of Dec 2025
2025	1.7%	1.7%	1.6%
2026	3.3%	3.1%	3.2%
2027	3.4%	2.8%	3.0%

METROBANK FULL-YEAR AVERAGE INFLATION FORECAST

2024 Actual	2025 Actual	2026	2027
3.2%	1.7%	3.3%	3.0%

METROBANK YEAR-END TARGET RRP RATE FORECAST

2024 Actual	2025 Actual	2026	2027
5.75%	4.50%	4.00%	4.00%

Related articles: 1) [Preview: New year, familiar story](#)

2) [GDP Update: A big miss](#)

3) [What trends do we see in 2026?](#)

INFLATION UPDATE

Up, up, and away?

ANNEX

HEADLINE INFLATION OF MAIN COMMODITY ITEMS

All Items

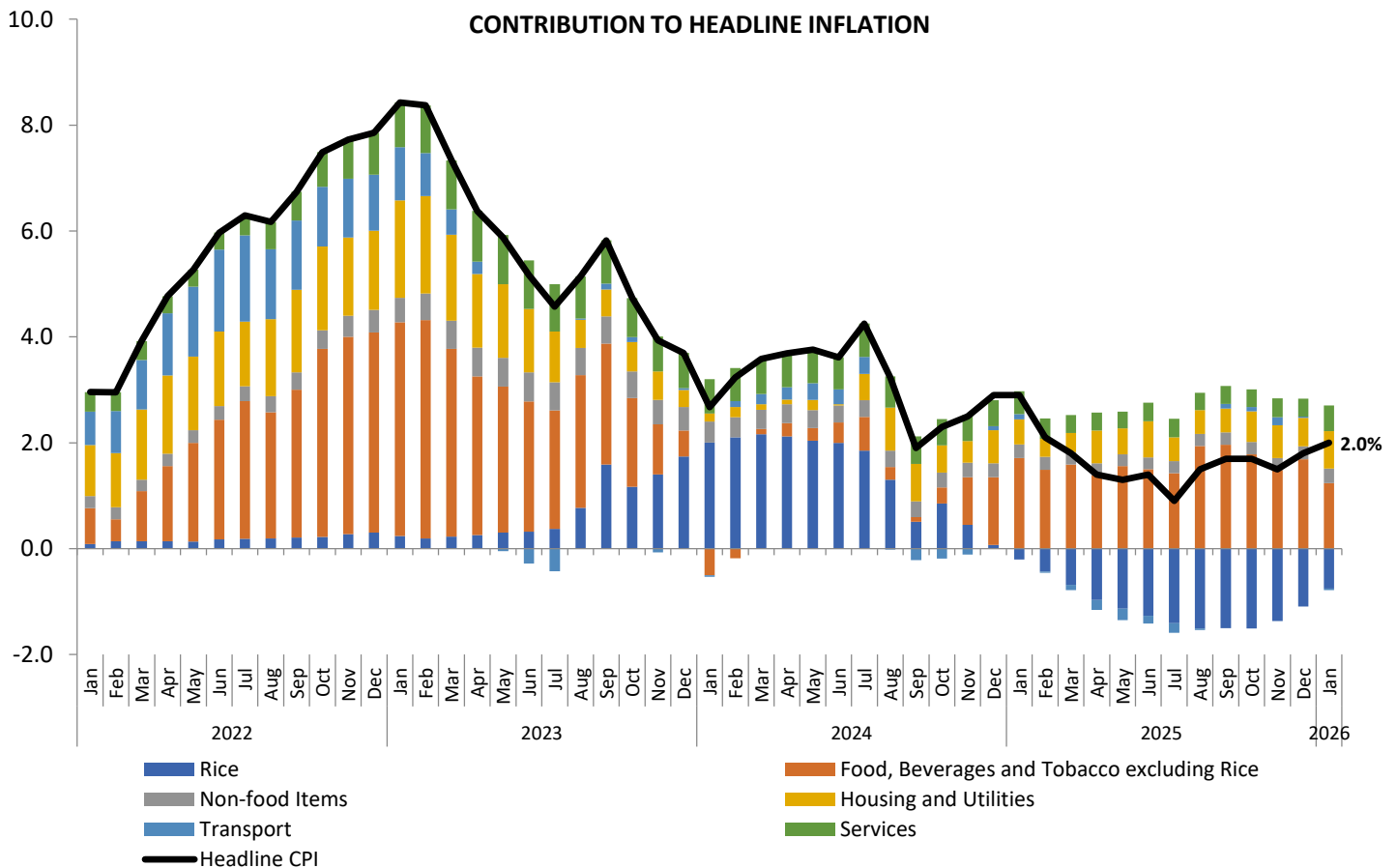
- Food and non-alcoholic beverages
- Alcoholic beverages and tobacco
- Clothing and footwear
- Housing, water, electricity, gas, and other fuels
- Furnishings, household equipment, and routine household maintenance
- Health
- Transport
- Information and communication
- Recreation, sport, and culture
- Education services
- Restaurants and accommodation services
- Financial services
- Personal care, and miscellaneous goods and services

January 2026 (in %)

Food and non-alcoholic beverages	2.0
Alcoholic beverages and tobacco	1.1
Clothing and footwear	3.1
Housing, water, electricity, gas, and other fuels	2.3
Furnishings, household equipment, and routine household maintenance	3.3
Health	2.3
Transport	3.0
Information and communication	-0.3
Recreation, sport, and culture	0.8
Education services	2.2
Restaurants and accommodation services	2.8
Financial services	4.0
Personal care, and miscellaneous goods and services	0.0
All Items	2.6

Legend

Lower vs last month Higher vs last month



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