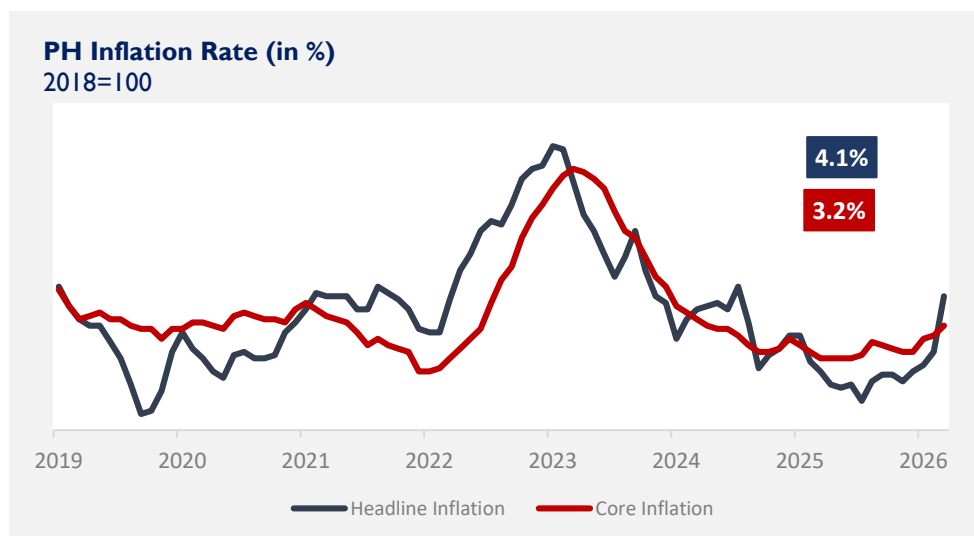


INFLATION UPDATE

Target breached



- Headline inflation quickened to 4.1% year-on-year (YoY) in March from 2.4% in February 2026, the highest since July 2024. This breached the Bangko Sentral ng Pilipinas (BSP)'s 3.1-3.9% forecast range for the month and is higher than the 3.8% median estimate in a Bloomberg survey.
- This also brings year-to-date average inflation to 2.8%, still within the BSP's annual 3±1% target band.
- Core inflation, which excludes volatile food and energy items, accelerated to 3.2% in March from 2.9% in February.
- Month-on-month (MoM), the consumer price index increased by 1.4% in March.
- The acceleration was primarily driven by the increases in transport prices which rose 9.9% YoY, the highest since January 2023, contributing 54.8% of the uptrend in inflation. This was due to the ongoing conflict in the Middle East where the Philippines primarily sources its crude oil. National Statistician Claire Dennis Mapa said gasoline prices rose 27.3% in March, while diesel prices jumped 59.5%, both of which were the highest since September 2022.
- Additionally, inflation basket heavyweight food and non-alcoholic beverages, which increased 3.0%, also contributed to the uptrend. Costs of cereal and cereal products rose 3.7% in March from a 1.3% decline in February, citing rice prices as the primary driver.

Main sources of upside pressure

1	<p>TRANSPORT</p> <ul style="list-style-type: none"> • 9.9% YoY inflation rate and a 54.8% share to uptrend • Due to faster inflation of gasoline and diesel
2	<p>FOOD AND NON-ALCOHOLIC BEVERAGES</p> <ul style="list-style-type: none"> • 3.0% YoY inflation rate and a 26.9% share to uptrend • Due to faster inflation of cereals and cereal products
3	<p>HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS</p> <ul style="list-style-type: none"> • 4.5% YoY inflation rate and a 12.7% share to uptrend • Due to faster inflation of electricity, LPG, and rentals

Major contributors to overall headline inflation

1	<p>FOOD AND NON-ALCOHOLIC BEVERAGES</p> <ul style="list-style-type: none"> • 3.0% YoY inflation rate, with a 1.2-percentage points (ppt) contribution to overall inflation • Due to higher prices of fish and other seafood, cereals and cereal products, and vegetables, tubers, etc.
2	<p>HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS</p> <ul style="list-style-type: none"> • 4.5% YoY inflation rate and a 0.9-ppt contribution • Due to higher prices of rentals, electricity, water supply
3	<p>TRANSPORT</p> <ul style="list-style-type: none"> • 9.9% YoY inflation rate and 0.9-ppt contribution • Due to higher prices of gasoline, diesel, and other passenger transport by road

INFLATION UPDATE

Target breached

METROBANK'S TAKE

Liquid gold

The escalation of the US-Iran conflict, which began toward the end of February, disrupted the passage of oil shipments through the Strait of Hormuz. This largely impaired the global oil supply chain and, to-date, continues to exert upward pressure on crude prices.

As supply conditions tightened, Brent crude prices averaged USD 99 per barrel in March, a substantial increase from the USD 63 average recorded in February, according to data compiled by Bloomberg.

With the Philippines largely dependent on oil imports, domestic pump prices also reflected the surge in global crude prices. Meanwhile, second-round effects were also seen in the increase in transport prices and production costs.

In the absence of a truce between the two military forces, global crude prices are anticipated to remain elevated in the near-term and may continue to spill over to domestic prices.

Rice inflation on the rise

After 14 months of year-on-year deflation in the prices of the grain, rice prices rose in March. Despite global rice prices generally continuing a downtrend over the period and a healthy level of supply buffer, domestic retail prices for the grain have increased amid higher production costs in the domestic space and higher freight costs for imports.

With expectations of global crude prices remaining elevated, Metrobank anticipates sustained upward price pressure from rice, as well as other agricultural commodities, in the near-term. However, the proposed price ceiling for rice, if implemented, could cap price pressures.

Temporary fix

With the impact of global oil prices expected to linger longer than the peak of the actual conflict itself, Metrobank forecasts that average headline inflation will breach the upper end of the BSP's 3±1% target range at 5.3% this year.

The above-target and higher-than-expected inflation in March may prompt the BSP to hike policy rates as early as its next meeting on April 23. Metrobank maintains its expectation that the BSP will hike its target reverse repurchase (RRP) rate by a cumulative 50 basis points to 4.75% by year-end. However, as inflation eases back within target next year, we project a cumulative 50 basis points worth of cuts to follow, which will bring the policy rate back to the current 4.25% by end-2027.

BSP RISK-ADJUSTED FULL-YEAR AVERAGE INFLATION FORECAST

	as of Dec 2025	as of Feb 2026	as of March 2026
2026	3.2%	3.6%	5.1%
2027	3.0%	3.2%	3.8%

METROBANK FULL-YEAR AVERAGE INFLATION FORECAST

2024 Actual	2025 Actual	2026	2027
3.2%	1.7%	5.3%	3.0%

METROBANK YEAR-END TARGET RRP RATE FORECAST

2024 Actual	2025 Actual	2026	2027
5.75%	4.50%	4.75%	4.25%

Related articles: 1) [Inflation Preview: March madness | Metrobank Wealth Insights](#)

INFLATION UPDATE

Target breached

ANNEX

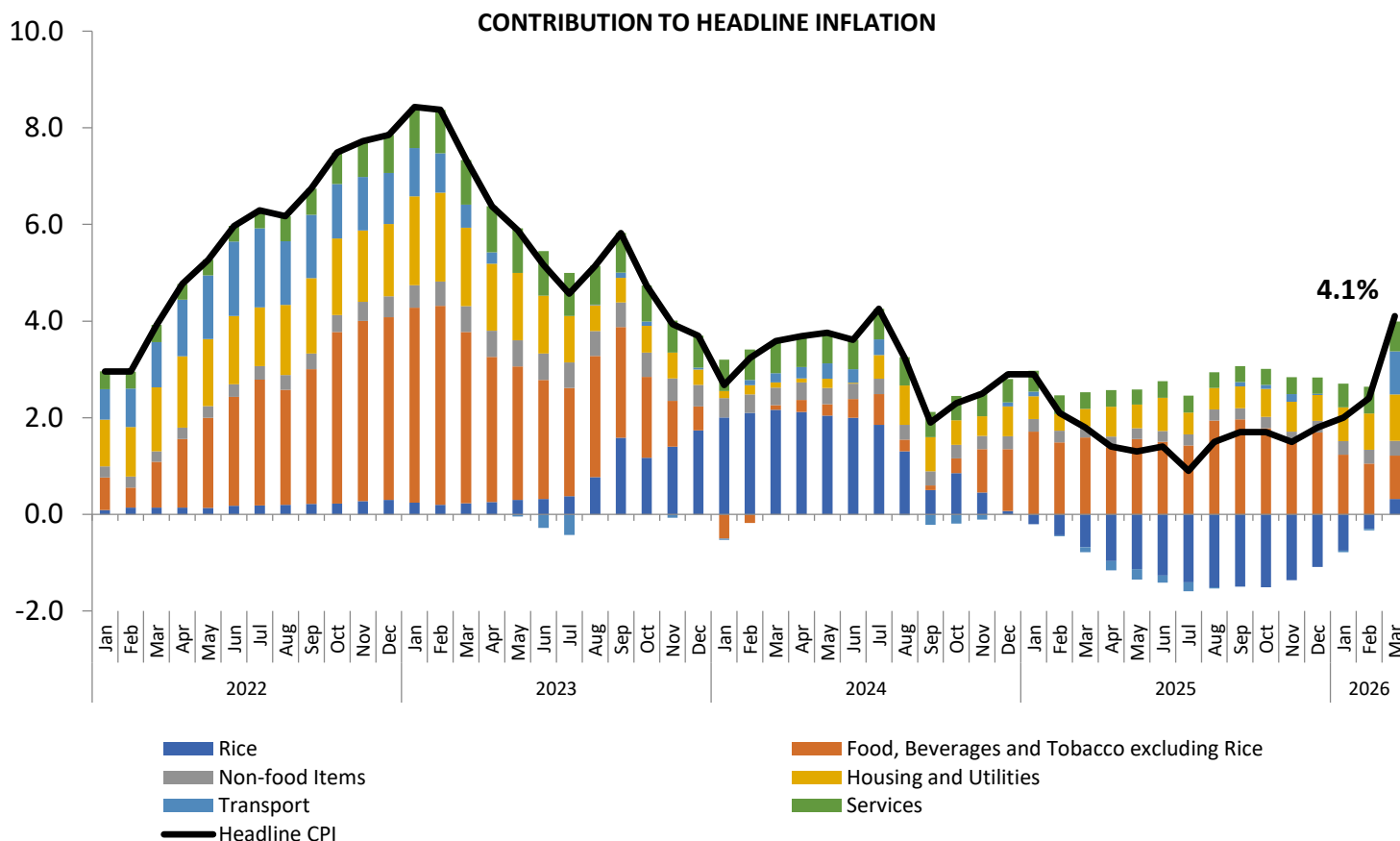
HEADLINE INFLATION OF MAIN COMMODITY ITEMS

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 2026 (in %)

4.1
3.0
3.7
2.6
4.5
3.1
3.4
9.9
0.7
4.7
2.9
5.0
0.0
2.9
Legend
Lower vs last month Higher vs last month



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