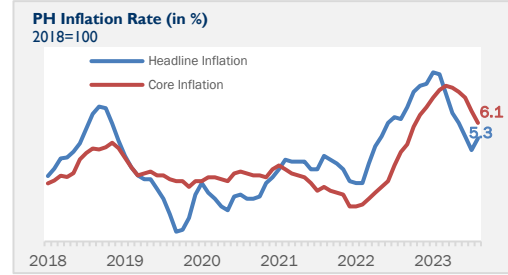


### AUGUST 2023 INFLATION STEERED UPWARD

- Headline inflation steered to the upside at 5.3% in August 2023 versus 4.7% previously, and after consistent downtrend in the previous months, driven primarily by the uptick in prices of food and non-alcoholic beverages, restaurants and accommodation services, and transport.
- Nonetheless, core inflation continued to ease further to 6.1% in August 2023, versus 6.7% in July 2023 and 4.6% in August 2022. This continued decline in core prices further indicates easing price pressures from second-round effects in the overall economy. However, another round of rippling price increases from food and transportation price growths may be anticipated.
- Four (4) commodity groups recorded lower year-on-year inflation, five (5) posted faster inflation, and four (4) recorded stable inflation.



#### Main Sources of Acceleration

- 1 FOOD & NON-ALCOHOLIC BEVERAGES**  
increased from 6.3% to 8.1% in August with a 60.5% share to uptrend, driven by the rising prices of cereal products, vegetables and fish and other seafood.
- 2 TRANSPORT**  
rose to 0.2% from -4.7% in July, with a 39.4% share to uptrend on account of the increasing prices of gasoline and diesel.

#### Major Contributors

- 1 FOOD & NON-ALCOHOLIC BEVERAGES**  
remains the top contributor, increasing its share to overall inflation to 57.4% in August driven by the increase in prices of cereal products, vegetables and fish and other seafood.
- 2 RESTAURANTS and ACCOMODATION SERVICES**  
with 7.1% inflation in August follows food as top contributor with a 12.8% share to inflation driven by restaurants, café, and the like.
- 3 HOUSING, WATER, ELECTRICITY, GAS and OTHER FUELS**  
is the third contributor to overall headline inflation with a 10.0% share and with an 2.5% inflation attributed to rentals, water supply and wood fuel.

### FORECASTS AND OUTLOOK

- This month's inflation print came in higher than Research's anticipated print, which indicates that the upside risks projected from increasing global rice prices and transportation fare hikes have already fed into headline inflation.
- Moreover, the past typhoons' impact on food supply, apart from rice, such as vegetables and seafood have contributed to the acceleration of prices this month, elevating food & non-alcoholic beverages inflation higher from 6.3% to 8.1%. Rice inflation has also increased sharply from 4.2% in July 2023 to 8.7% in August 2023.
- Research continues to see inflation further decelerating in the coming months **but at more elevated levels** given the risks posed by higher global rice prices and weaker peso particularly this Q3 import season, impact of weather disturbances on food production, and rising fuel prices.
- **Given this recent development, Research reverts its FY average inflation estimate back to 6.0% (from 5.6%) for 2023 but maintains its 4.6% forecast for 2024.**
- While price pressures have significantly tempered for 2023 as indicated by the easing core inflation, upside pressures from food inflation particularly rice may prompt a new round of secondary effects.

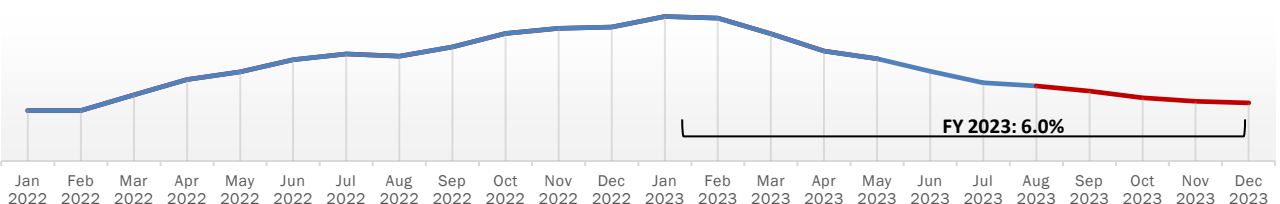
#### BSP INFLATION FORECAST

2023	2024
5.6%	3.3%

#### METROBANK RESEARCH INFLATION FORECAST

2023	2024
6.0%	4.6%

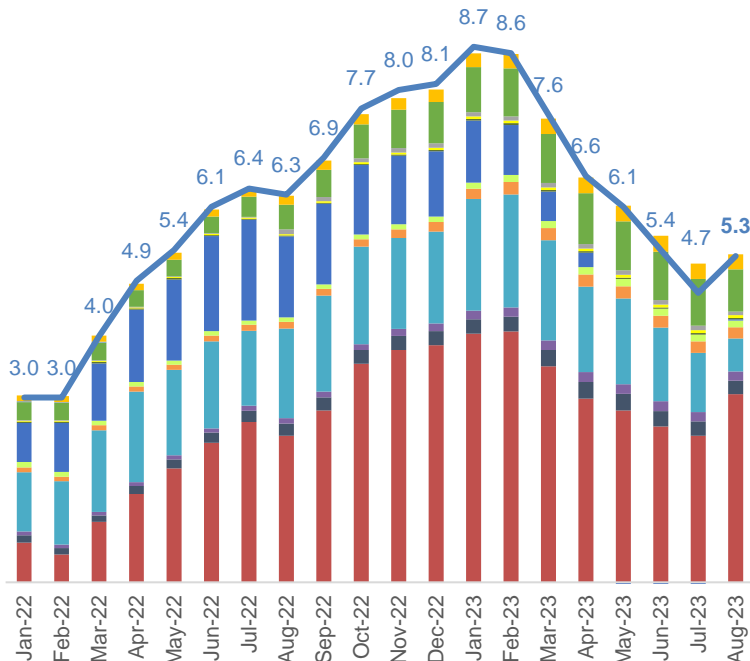
#### PH Inflation Forecast for 2023 (in %)



### ANNEX

HEADLINE	HEADLINE INFLATION OF MAIN COMMODITY ITEMS	August 2023
	FOOD AND NON-ALCOHOLIC BEVERAGES	8.1
	ALCOHOLIC BEVERAGES AND TOBACCO	10.1
	CLOTHING AND FOOTWEAR	4.8
	HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS	2.5
	FURNISHINGS, HOUSEHOLD EQUIPMENT, AND ROUTINE HOUSEHOLD MAINTENANCE	5.6
	HEALTH	3.9
	TRANSPORT	0.2
	INFORMATION AND COMMUNICATION	0.7
	RECREATION, SPORT AND CULTURE	4.9
	EDUCATION SERVICES	2.9
	RESTAURANTS AND ACCOMMODATION SERVICES	7.1
	FINANCIAL SERVICES	0.0
	PERSONAL CARE, AND MISCELLANEOUS GOODS AND SERVICES	5.5

CONTRIBUTION TO HEADLINE INFLATION OF MAIN COMMODITY ITEMS



Legend  
■ Lower vs last month ■ Higher vs last month

\*Based on weights in the commodity basket

### PRICE WATCH

PERIOD	August 2022					August 2023				
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 1	Week 2	Week 3	Week 4	Week 5
Imported Special Rice	52	52	50	52	52	53	58	58	59	59
Imported Premium Rice	45	45	45	45	45	49	49	50	52	55
Imported Well-Milled Rice	39	39	39	41	42	46	46	45	49	52
Imported Regular-Milled Rice	38	38	38	38	38	No data				43
Local Special Rice	50	50	50	50	50	55	54	56	57	60
Local Premium Rice	45	45	45	45	45	50	51	51	54	54
Local Well-Milled Rice	39	44	44	44	40	45	47	46	51	52
Local Regular-Milled Rice	38	38	38	38	38	41	44	44	48	49
Gasoline	74.4	72.1	71.9	72.6	72.6	67.9	67.9	68.3	69.9	71.2
Diesel	75.6	73.4	72.1	74.7	74.7	60.7	64.6	65.9	65.6	66.2
Residential Bill at 200kwh Per Month (Meralco)	1,909					2,179.8				

Sources: Rice: DA Price Monitoring for NCR markets; Gasoline/Diesel: Bloomberg; Residential Bill: Meralco

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