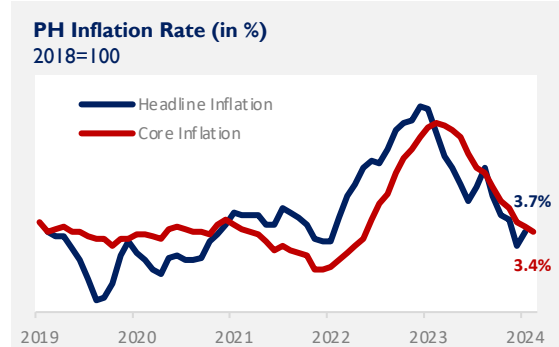


# INFLATION UPDATES

## PHILIPPINES' INFLATION ACCELERATED FURTHER TO 3.7%

- The Philippines' headline inflation further accelerated to 3.7% year-on-year in March from 3.4% in February 2024, mainly driven by accelerated prices of food and non-alcoholic beverages. On a month-on-month basis, inflation was recorded at 0.1%, a deceleration from the 0.6% recorded in February.
- However, core inflation, which excludes selected food and energy items, continues to slowdown at 3.4% from the 3.6% in the preceding month.
- Five (5) out of 13 commodity groups posted faster annual increases while another five (5) commodity groups posted slower inflation last month. Inflation for information and communication, education services, and financial services remained the same.
- Rice inflation continues to drive inflation upwards as it further accelerated to 24.4% from 23.7% in February, again the highest recorded rice inflation since February 2009.



### Main Sources of Acceleration

1	<b>FOOD &amp; NON-ALCOHOLIC BEVERAGES</b> increased to 5.6% from 4.6% in February, with a majority share of 76.4% to the upward trend in inflation, driven by a slower deceleration in the prices of vegetables, meat, and cereal products.
2	<b>TRANSPORT</b> accelerated to 2.1% from 1.2% in February, with a 16.4% share to the upward trend in inflation, attributed to the increase in gasoline and diesel prices, as well as other passenger transport by road.
3	<b>RESTAURANT AND ACCOMODATION SERVICES</b> recorded inflation at 5.6% from 5.3% in February, with a 5.8% share to the upward trend in inflation, driven mainly by rise in prices of services in restaurants, cafes, and others.

### Major Contributors

1	<b>FOOD &amp; NON-ALCOHOLIC BEVERAGES</b> remained the top and majority contributor as it further increased its share to 57.3% of overall inflation in March, compared to 52.1% in February. This is mainly driven by the prices of cereal products, meat, fruits, and nuts.
2	<b>RESTAURANTS and ACCOMODATION SERVICES</b> remained the second major contributor with a 14.6 percent share to overall inflation, driven by an increase in prices of services in restaurants, café, etc. Inflation accelerated to 5.6 percent from 5.3 percent in February.
3	<b>TRANSPORT</b> was the third contributor to the overall headline inflation with an overall share of 5.1%, attributed to other passenger transport by road, motorcycles, and gasoline.

## FORECASTS AND OUTLOOK

- The Philippines' March headline inflation came in lower than the consensus forecast of 3.8% and within the Bangko Sentral ng Pilipinas' (BSP) forecast of 3.4% to 4.2% due to the continuing upward price pressures on key food items, especially rice.
- The major contributory factor to the March inflation is the continuous acceleration of rice prices, which increased further to 24.4% year-on-year from 23.7% in February 2023, exacerbated by low base effects from the same period last year. It continues to offset decreases in prices on some food items.
- The Philippine Statistics Authority (PSA) still expects rice inflation to sustain its upward trend until July because of the continuous increase in global rice prices, exacerbated by base effects as rice prices spiked beginning in August 2023. Meanwhile, the Department of Agriculture (DA) expects to import less rice this year due to a projected increase in domestic production despite the looming effects of El Niño on harvests. It deemed the US Department of Agriculture (USDA)'s projection that the Philippines could purchase 4 million metric tons of imported rice for 2024 a "worst-case scenario".
- Metrobank Research retains its yearend average inflation forecast at **4.3% (with a downward bias)** as there continues to be a strong upward inflation pressure for the year due to rising rice prices, the effects of El Niño, and emerging geopolitical risks.
- As the year-to-date headline inflation print is now closer to the lower band of Metrobank Research's baseline forecast range, a re-evaluation of current estimates may be necessary in the near term.
- The recent inflation print reinforces the market's expectation for the BSP to keep rates unchanged in the next Monetary Board meeting on April 8.

### BSP AVERAGE INFLATION FORECAST

As of November 2023 (Risk-adjusted)	As of December 2023 (Risk-adjusted)	As of February 2024 (Risk-adjusted)
2024: 4.4%	2024: 4.2%	2024: 3.9%
2025: 3.4%	2025: 3.4%	2025: 3.5%

### METROBANK RESEARCH INFLATION FORECAST

2022 Actual	2023 Actual	2024
5.80%	6.00%	4.30% ↓

### METROBANK RESEARCH TARGET RRP RATE

2023 Actual	2024
6.50%	5.50%

# INFLATION UPDATES

## ANNEX

### HEADLINE INFLATION OF MAIN COMMODITY 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

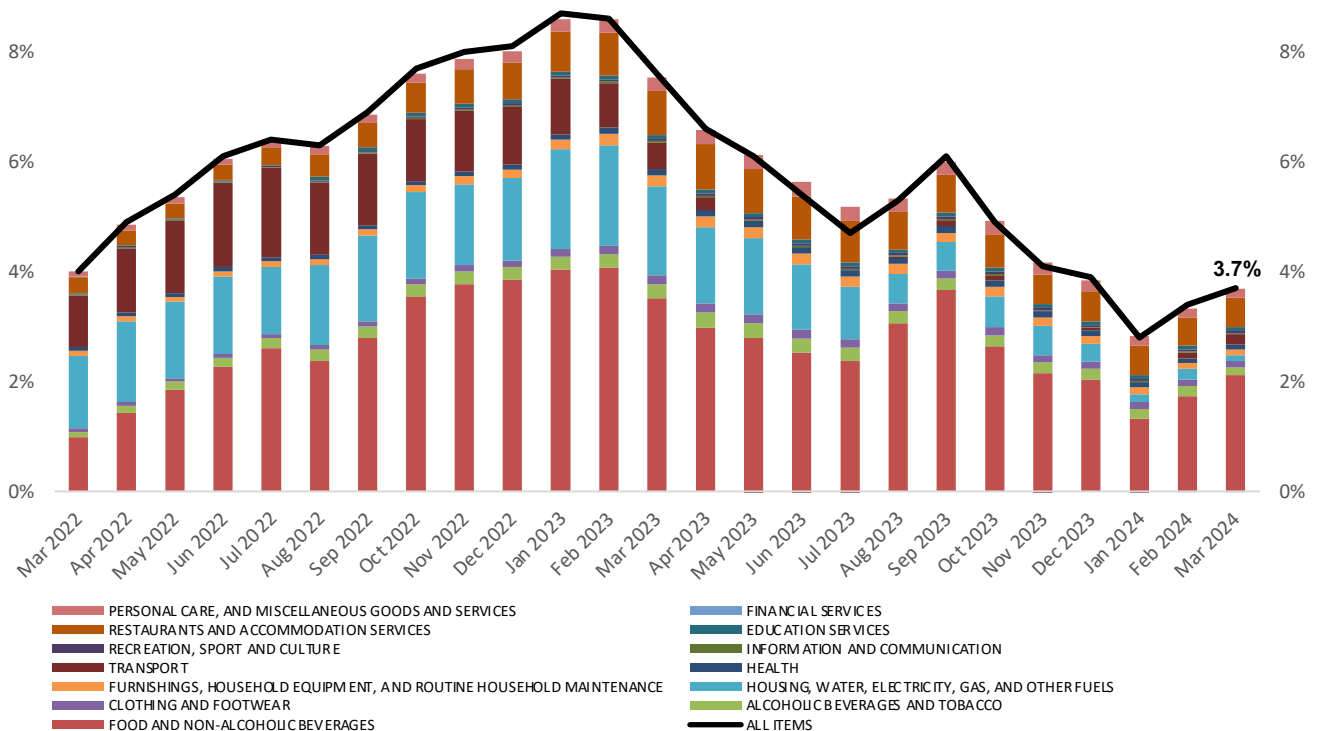
### March 2024

5.6%
6.7%
3.6%
0.5%
3.2%
3.2%
2.1%
0.4%
3.9%
3.8%
5.6%
-0.6%
3.6%

### Legend

Lower vs last month Higher vs last month

### MAIN COMMODITY ITEMS' CONTRIBUTION TO HEADLINE INFLATION



\*Based on weights in the commodity basket

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