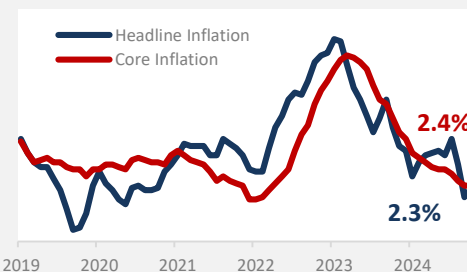


INFLATION UPDATE

INFLATION STAYS SUBDUED AT 2.3%

- Headline inflation accelerated to 2.3% year-on-year (YoY) in October, up from the 1.9% recorded in September. The latest print is slightly lower than the Bloomberg consensus estimate and the Metrobank Research forecast of 2.4% and is within the Bangko Sentral ng Pilipinas (BSP)'s 2.0%-2.8% forecast for October.
- Year-to-date inflation now stands at 3.3% YoY, well within the BSP's 2%-4% full-year target.
- Core inflation, which excludes selected food and energy items, remained at 2.4% YoY, the same pace as with the preceding month.
- On a month-on-month (MoM) basis, headline inflation accelerated by 0.2% in October, a reversal compared to the 0.2% decline in the preceding month. The higher MoM inflation on some food commodities is partially offset by the continuous disinflation of rice, corn, and meat. In addition, electricity costs and accommodation services inflation decelerated from the preceding month.

PH Inflation Rate (in %)
2018=100



Sources of upside pressure

1

FOOD AND NON-ALCOHOLIC BEVERAGES

Sped up to 2.9% from 1.4% in September with a 95.4% share to the uptrend due to the acceleration of prices of cereals and cereal products, as well as the slower deceleration in prices of vegetables, tubers, fish, and other seafood.

1

FOOD AND NON-ALCOHOLIC BEVERAGES

returned as the top contributor to the overall inflation, with a share of 46.9% in overall inflation as the price of rice accelerated to 9.6% and eggplant accelerated to 20.1% in October from 5.7% and -5.6%, respectively.

2

HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS

is the second highest contributor to headline inflation with an inflation rate of 2.4% and a 22.0% share due to prices of rent, liquefied petroleum gas (LPG), and water supply accelerating.

3

RESTAURANTS AND ACCOMMODATION SERVICES

recorded an inflation rate of 3.9% and contributed 16.1% to overall inflation, amid slower increase in prices of services in restaurants, cafes, and the like.

METRO RESEARCH'S TAKE

Full-year inflation to stay within target

The recent year-on-year inflation in October, alongside Metrobank Research outlook that inflation will remain below the 3.0%-level for the rest of the year, confirms our expectation that the full-year inflation will settle within the BSP's 2.0%-4.0% target for 2024. The current 3.3% year-to-date inflation provides enough space for inflation to remain within target despite the risks to our call.

Typhoons become the biggest risk

Together with escalating geopolitical tensions in the Middle East, the impact of typhoons on commodity prices now becomes the biggest risk to our call. Storm damage directly impacts the supply of goods in the local space, ticking up prices of food items despite price freeze policies implemented during a state of calamity. The recent Typhoon Kristine interrupted the supply chain in affected areas and reportedly caused damage to agricultural products of about PHP 5.75 billion.

Full-year inflation for 2025 nudged higher

With the recent inflation print settling within expectations, Metrobank Research maintains its average FY2024 forecast at 3.2%. However, average FY 2025 forecast is nudged higher to 3.2% as we expect higher demand-side pressure, given the projected impact of the Bangko Sentral ng Pilipinas (BSP)'s easing cycle to consumption. For 2026, we maintain our 3.0% FY average forecast, barring any supply side shocks.

BSP to continue easing

During the Monetary Board meeting in October, BSP Governor Eli Remolona maintained his dovish stance and continued to signal that the BSP will continue with its easing cycle. The governor signaled 25-bp rate cuts at a time, although not necessarily every quarter or every meeting. That indicates a low probability of a 50-bp cut on December 19 unless BSP sees a "hard landing" in the economy.

With the inflation projection to stay within target, Metrobank Research maintains its forecast that the BSP will deliver another 25-bp cut in their last meeting in December, bringing down its year-end forecast for the Reverse Repurchase (RRP) rate to 5.75% in 2024.

Related articles: 1) [Slower inflation, more rate cuts, and faster growth: First look at 2026](#)
2) [September inflation preview: Will inflation finally slide to the 2% level?](#)

BSP RISK-ADJUSTED FULL-YEAR AVERAGE INFLATION FORECAST

	as of Jun 2024	as of Aug 2024	as of Oct 2024
2024	3.1%	3.3%	3.1%
2025	3.1%	2.9%	3.3%
2026	-	3.3%	3.7%

METROBANK RESEARCH FULL-YEAR AVERAGE INFLATION FORECAST

2023 Actual	2024	2025	2026
6.00%	3.2%	3.2%	3.0%

METROBANK RESEARCH YEAR-END TARGET RRP RATE FORECAST

2023 Actual	2024	2025	2026
6.50%	5.75%	4.75%	4.25%

INFLATION UPDATE

ANNEX

HEADLINE INFLATION OF MAIN COMMODITY ITEMS

All Items	2.3
Food and non-alcoholic beverages	2.9
Alcoholic beverages and tobacco	3.0
Clothing and footwear	2.7
Housing, water, electricity, gas, and other fuels	2.4
Furnishings, household equipment, and routine household maintenance	2.4
Health	2.6
Transport	-2.1
Information and communication	0.2
Recreation, sport, and culture	2.6
Education services	4.3
Restaurants and accommodation services	3.9
Financial services	-0.6
Personal care, and miscellaneous goods and services	2.8

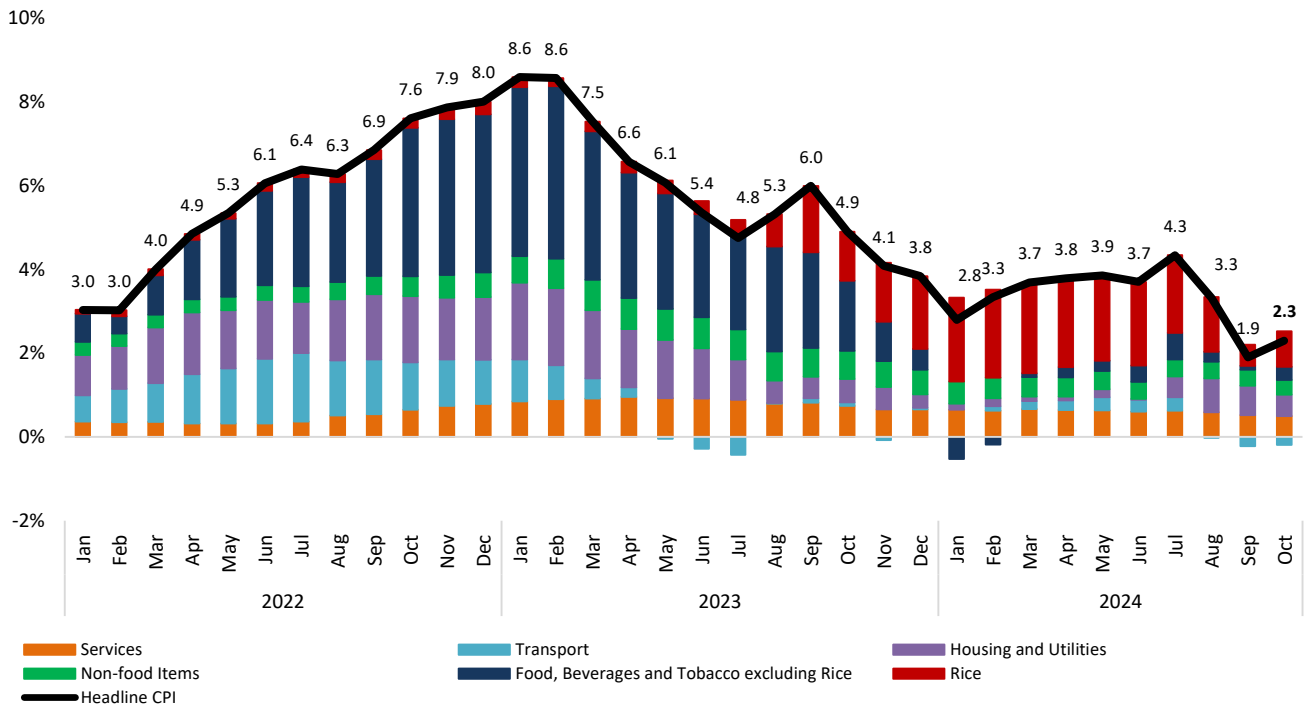
October 2024 (in %)

All Items	2.3
Food and non-alcoholic beverages	2.9
Alcoholic beverages and tobacco	3.0
Clothing and footwear	2.7
Housing, water, electricity, gas, and other fuels	2.4
Furnishings, household equipment, and routine household maintenance	2.4
Health	2.6
Transport	-2.1
Information and communication	0.2
Recreation, sport, and culture	2.6
Education services	4.3
Restaurants and accommodation services	3.9
Financial services	-0.6
Personal care, and miscellaneous goods and services	2.8

Legend

Lower vs last month Higher vs last month

CONTRIBUTION TO HEADLINE INFLATION



*Based on weights in the commodity basket

Disclaimer: This report is circulated for general information only. The opinions expressed are solely those of the contributors and are based on prevailing market conditions and public sources that are believed to be reliable. Metrobank and the report contributors/support staff do not make any guarantees or representation as to the accuracy, completeness or suitability of this report. The report may contain confidential or legally privileged material and may not be copied, redistributed, or published without prior written consent. Opinions or strategies contained in this publication may change without prior notice and should not take the place of professional investment advice or sound judgment on the part of the reader.