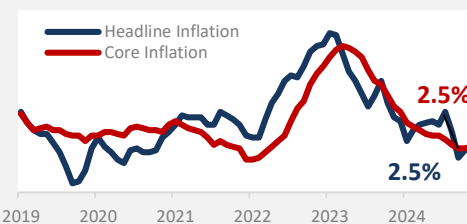


INFLATION UPDATE

INFLATION SETTLES AT 2.5% DESPITE FOOD-PRICE UPTICK

- Headline inflation accelerated to 2.5% in November, faster than the 2.3% recorded in the preceding month. The November print is also lower than Metrobank Research's 2.9% forecast for the month, but equal to the 2.5% Bloomberg consensus and is within the Bangko Sentral ng Pilipinas (BSP)'s 2.2%-3.0% forecast for November.
- The latest inflation print brings year-to-date (YTD) inflation to 3.2% as of November, down from the 3.3% as of the preceding month. YTD inflation remains well within the BSP's 2%-4% full year target.
- Core inflation, which excludes volatile food and energy items, slightly accelerated to 2.5% from the preceding month's 2.4%.
- On a month-on-month (MoM) basis, headline inflation accelerated by 0.4% from the 0.2% in the preceding month, mainly due to the impact of recent typhoons on food supply and prices.

PH Inflation Rate (in %)
2018=100



Sources of upside pressure

	FOOD AND NON-ALCOHOLIC BEVERAGES
1	<ul style="list-style-type: none"> • 65.9% share to the uptrend • 3.4% inflation rate in November • Mainly vegetables, fish and other seafood, and meat
2	TRANSPORT
	<ul style="list-style-type: none"> • 28.4% share to the uptrend • -1.2% inflation rate • Gas & diesel prices declined slower in November

Major contributors to overall headline inflation

1	FOOD AND NON-ALCOHOLIC BEVERAGES <ul style="list-style-type: none"> • 1.3 percentage points (ppts) out of the total 2.5% headline inflation • Led by cereals and cereal products, meat, and vegetables
2	HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS <ul style="list-style-type: none"> • 1.9% inflation rate and a 0.4-ppt contribution to headline inflation • Due to higher prices of rentals, water supply, and LPG
3	RESTAURANTS AND ACCOMMODATION SERVICES <ul style="list-style-type: none"> • 3.9% inflation rate and a 0.4-ppt contribution to headline inflation

METRO RESEARCH'S TAKE

Full year inflation remain unfazed by November price uptick

Despite the acceleration of prices in November, the latest inflation print is consistent with our forecast that inflation will remain below the 3%-level in the last few months of 2024. The year-to-date inflation confirms that full-year inflation will likely settle within the 2-4% BSP target this year even with supply-side shocks brought by typhoons and geopolitical tensions.

Agricultural prices surge after six storms landfall

Six successive storms in November disrupted the agricultural sector with an estimated damage of around PHP 10 billion according to the Department of Agriculture (DA). On palay production, the DA expects a 3.6% decline to a four-year low of 19.3 million metric tons (MMT) in 2024 due to weather disturbances caused by El Niño and La Niña. However, the lower local supply will be supplemented by increased rice imports, which is estimated to reach 4.9 MMT for the year. On the impact on growth, National Economic and Development Authority (NEDA) Secretary Arsenio Balisacan said that the consecutive storms has a "sharp" impact on Q4 growth especially the agricultural sector.

Still 'target consistent' until 2026

With the recent inflation print settling below expectations but remaining within target, Metrobank Research maintains its average full-year (FY) 2024 forecast at 3.2%. The average FY 2025 forecast is also maintained at 3.2% as we expect higher demand-side pressure as the BSP continues to reduce policy rates. Likewise, we maintain our 3.0% FY average forecast for 2026, barring any supply side shocks.

Easing cycle continues

Recent sentiments from BSP Governor Eli Remolona suggest he retains his dovish stance, emphasizing that the Philippines is "still in the easing cycle" and signaling the possibility of another cut in the December meeting. Moreover, the lower-than-expected GDP print in Q3 provides more reason for the BSP to deliver another 25-basis point (bp) cut to further maintain momentum in consumption and investment growth.

As the inflation projection continues to remain within target, Metrobank Research maintains its forecast of another 25-bp cut in the BSP's meeting in December, bringing down its year-end forecast for the Reverse Repurchase (RRP) rate to 5.75% in 2024.

Related articles: 1) [Inflation Preview: Rain and oil drive November prices higher](#)

2) [Monthly Recap: GDP let down, US election, rate cuts all over](#)

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%	5.00%	4.25%

INFLATION UPDATE

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

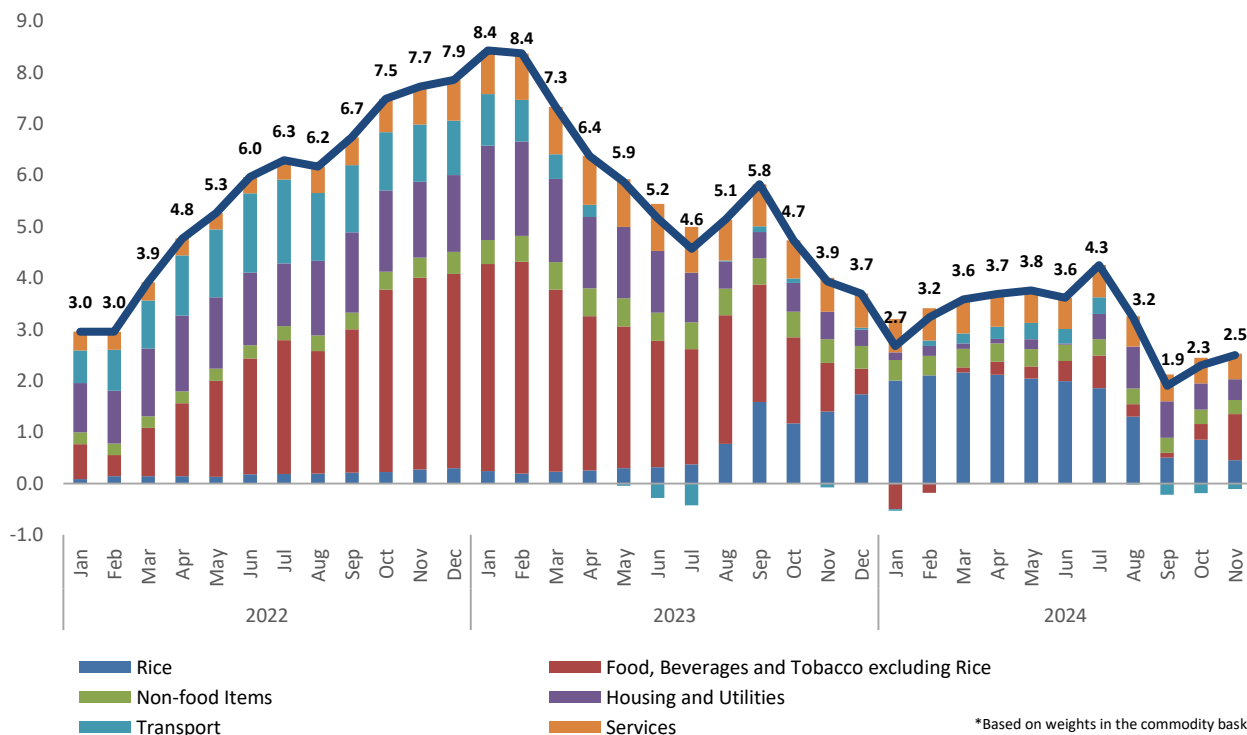
November 2024 (in %)

2.5
3.4
3.1
2.6
1.9
2.7
2.6
-1.2
0.2
2.4
4.3
-0.6
2.9

Legend

Lower vs last month Higher vs last month

CONTRIBUTION TO HEADLINE INFLATION



*Based on weights in the commodity basket

Source: Philippine Statistics Authority

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