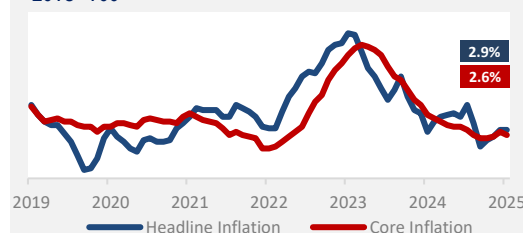


# INFLATION UPDATE

## A STEADY START IN 2025

- The Philippines' annual headline inflation settled at 2.9% in January, the same pace as that of December 2024 but a pickup from the 2.8% recorded in January 2024. The latest inflation print is slightly faster than the 2.8% Bloomberg consensus estimate but within the Bangko Sentral ng Pilipinas (BSP)'s 2.5%-3.3% forecast for the month.
- Core inflation, which excludes volatile food and energy items, decelerated to 2.6% in January from the 2.8% recorded in the preceding month and the 3.8% recorded in January 2024.
- Rice inflation, previously one of the largest sources of upside pressure, continued to slide (-2.3% from 0.8% in December) and marked its steepest decline since June 2020.
- On a month-on-month basis, headline inflation decelerated by 0.5% in January, slower than the 0.6% recorded in the preceding month.
- Food prices remained the biggest contributor to headline inflation in January, due to supply-side pressure.

**PH Inflation Rate (in %)**  
2018=100



Source: Philippine Statistics Authority

### Which items contributed to headline inflation the most?

Rank	Category	Contribution
1	<b>FOOD AND NON-ALCOHOLIC BEVERAGES</b>	• 3.8% inflation rate and a 1.5-percentage point (ppt) contribution to the total 2.9% headline inflation • Main drivers were vegetables, meat, and fish.
2	<b>HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS</b>	• 2.2 inflation rate and 0.5-ppt contribution to headline inflation • Due to higher prices of rentals, water supply, and LPG
3	<b>RESTAURANTS AND ACCOMMODATION SERVICES</b>	• 3.2% inflation rate and a 0.3-ppt contribution to headline inflation • Due to higher prices at restaurants and cafes

### What is driving food inflation?

1	<b>VEGETABLES, TUBERS, PLANTAINS, COOKING BANANAS AND PULSES</b>	• 21.1% inflation rate from 14.2% in December 2024. • Tomatoes had an inflation rate of 155.7% and contributed 0.4 ppts to headline inflation.
2	<b>FISH AND OTHER SEAFOOD</b>	• 3.3% inflation from 1.0% in December 2024.
3	<b>MEAT AND OTHER SLAUGHTERED LAND ANIMALS</b>	• 6.4% inflation in January from 4.9% in December 2024. • Meat of pigs and meat of poultry had an inflation rate of 8.4% each and contributed 0.2 ppts each to headline inflation.

## METRO RESEARCH'S TAKE

### Finally, negative rice inflation December 2021

As anticipated, rice prices declined on a year-on-year (YoY) basis. The last time rice prices recorded negative inflation was in December 2021 during the pandemic. Philippine Statistics Authority (PSA) National Statistician Claire Dennis Mapa estimates that rice will experience negative inflation until August of this year. The recent declaration of food security emergency for rice by the Department of Agriculture is also expected to lower rice prices further. The move is aimed at reducing rice prices, which remain elevated despite the decline in global prices and the reduction of rice tariffs since last year.

### It's still all about food

As rice takes the sideline in 2025, vegetables, fish and meat take center stage in January. Food commodities excluding rice have a majority share of 1.6 ppts out of the 2.9% headline inflation.

The surge in vegetable prices, particularly tomatoes, is a lingering effect of last year's typhoons. Fish catch also declined due to bad weather, which led to the closure of fishing ports. Meanwhile, meat prices remained high due to the ongoing impact of the African Swine Fever.

### Imported inflation moving forward

Looking ahead, imported inflation is expected to play a significant role. The current peso depreciation amid the strong dollar environment should influence the cost of imported goods, potentially exacerbating local inflation.

Barring any other supply-side shocks especially on global energy prices, Metrobank Research continues to anticipate full-year inflation this year to average within the 2-4% target of the Bangko Sentral ng Pilipinas (BSP) but nudges up its full-year forecast to 3.4% in 2025 from 3.2% previously as exchange rate passthrough to inflation takes effect.

- Related articles: 1) [Inflation Preview: Starting the year below 3%](#)  
2) [Monthly Recap: The case for interest rate cuts](#)  
3) [2025 Outlook: Expect continued monetary easing](#)

### BSP RISK-ADJUSTED FULL-YEAR AVERAGE INFLATION FORECAST

	as of Aug 2024	as of Oct 2024	as of Dec 2024
2024	3.3%	3.1%	3.2%
2025	2.9%	3.3%	3.4%
2026	3.3%	3.7%	3.7%

### METROBANK RESEARCH FULL-YEAR AVERAGE INFLATION FORECAST

2023 Actual	2024 Actual	2025	2026
6.00%	3.2%	3.4%	3.0%

### METROBANK RESEARCH YEAR-END TARGET RRP RATE FORECAST

2023 Actual	2024 Actual	2025	2026
6.50%	5.75%	5.25%	4.50%

# INFLATION UPDATE

## ANNEX

### HEADLINE INFLATION OF MAIN COMMODITY ITEMS

All Items	2.9
Food and non-alcoholic beverages	3.8
Alcoholic beverages and tobacco	3.5
Clothing and footwear	2.3
Housing, water, electricity, gas, and other fuels	2.2
Furnishings, household equipment, and routine household maintenance	2.6
Health	2.5
Transport	1.1
Information and communication	0.2
Recreation, sport, and culture	2.4
Education services	4.2
Restaurants and accommodation services	3.2
Financial services	0.0
Personal care, and miscellaneous goods and services	2.8

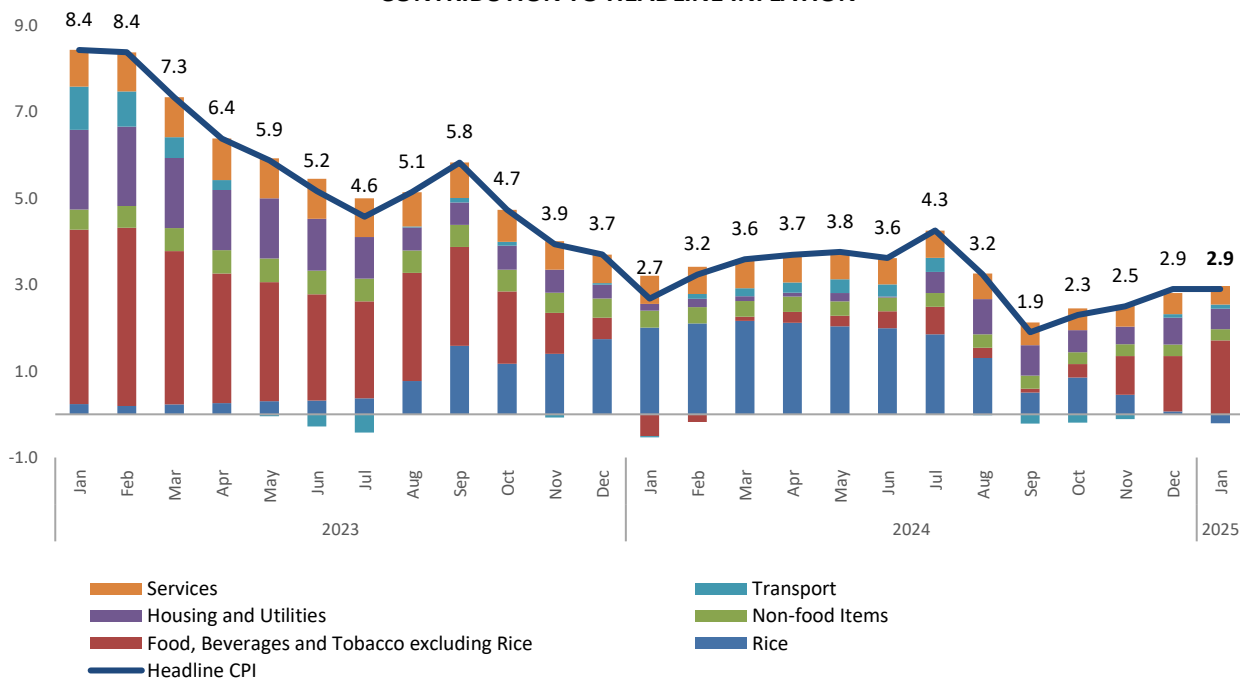
### January 2025 (in %)

All Items	2.9
Food and non-alcoholic beverages	3.8
Alcoholic beverages and tobacco	3.5
Clothing and footwear	2.3
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Financial services	0.0
Personal care, and miscellaneous goods and services	2.8

#### Legend

Lower vs last month Higher vs last month

### CONTRIBUTION TO HEADLINE INFLATION



Source: Philippine Statistics Authority  
Based on weights in the commodity basket

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