

INFLATION UPDATE

Prices rise even slower in May

PH Inflation Rate (in %)
2018=100



Source: Philippine Statistics Authority

- Philippine headline inflation slowed further to 1.3% year-on-year (YoY) in May from the 1.4% recorded in April. The latest inflation print is equal to the 1.3% Bloomberg consensus estimate and lies within the Bangko Sentral ng Pilipinas' (BSP) 0.9%-1.7% forecast for May.
- Core inflation, which excludes volatile food and energy items, clocked in at 2.2% YoY in May, the same pace as the preceding month.
- The slower headline inflation for the month was due to movements in oil and electricity prices. Gasoline and Diesel prices decreased by 13.2% and 9.3% YoY, respectively, while the increase in electricity prices eased to 2.8% YoY from 5.4% in April.
- Rice continued to apply downside pressure as rice prices decreased further at 12.8% YoY, from the 10.9% decrease in the previous month. Pork remains the commodity with the largest contribution to inflation after posting an 11.9% increase in prices YoY, slightly higher than the 10.3% increase seen in the previous month.
- On a month-on-month basis, consumer prices declined by 0.1% in May, picking up from the 0.4% decline in April.

Sources of downside pressure

1	HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS
	<ul style="list-style-type: none"> 2.3% YoY inflation rate and a 0.5-percentage point (ppt) contribution to the total 1.3% headline inflation Due to deceleration in price increases of water and electricity
	RESTAURANTS AND ACCOMMODATION SERVICES
2	<ul style="list-style-type: none"> 2.0% YoY inflation rate and 0.2-ppt contribution to headline inflation Due to slower rise in prices at restaurants and cafes
	TRANSPORT
3	<ul style="list-style-type: none"> -2.4% YoY inflation rate and a -0.2-ppt contribution to headline inflation Due to lower gasoline and diesel prices

Major contributors to overall headline inflation

1	HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS
	<ul style="list-style-type: none"> 2.3% YoY inflation rate and a 0.5-percentage point (ppt) contribution to the total 1.3% headline inflation Led by rentals, electricity, and water supply
	FOOD AND NON-ALCOHOLIC BEVERAGES
2	<ul style="list-style-type: none"> 0.9% YoY inflation rate and 0.3-ppt contribution to headline inflation Due to higher prices of meat, fish, eggs, and dairy products
	RESTAURANTS AND ACCOMMODATION SERVICES
3	<ul style="list-style-type: none"> 2.0% YoY inflation rate and a 0.2-ppt contribution to headline inflation Due to higher prices at restaurants and cafes

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METROBANK'S TAKE

Rice tariffs scheduled for review

Rice prices continue to be lower year-on-year, with their year-to-date inflation rate at -7.7% as of May 2025. The Philippine Statistics Authority (PSA) earlier said that rice inflation is expected to be negative until August.

Furthermore, in accordance with Executive Order (EO) No. 62 which reduced rice tariffs from 35% to 15%, the tariffs are scheduled for review every four months. The next review is scheduled in June 2025. Department of Agriculture (DA) Secretary Francisco Tiu Laurel mentioned that the DA already has the recommendation of increasing the tariff on imported rice "little by little." Increasing these tariffs may cap the downside risk from rice prices this year.

Minimum wage increase poses risks

The House of Representatives recently approved on third reading a bill that seeks to implement a PHP 200 across-the-board minimum wage increase for the private sector. If legislated, this could pose inflationary pressure on services and may result in second round effects on prices in cafes, restaurants, and the like, as well as manufactured commodities such as personal care products, among others.

Full-year inflation to settle below target

Metrobank Research maintains its full-year 2025 inflation forecast at 2.2%, considering the sustained slow headline inflation, the anticipated reversal of rice inflation back to positive territory, and the expected impact of the BSP's monetary easing which will increase demand and could slightly stoke prices.

BSP gains further room to cut

The sustained lower-than-target inflation prints in recent months points to another 25-basis point (bp) cut in the BSP's Target Reverse Repurchase (RRP) rate to 5.25% in its next meeting scheduled on June 19.

BSP RISK-ADJUSTED FULL-YEAR AVERAGE INFLATION FORECAST

	as of Dec 2024	as of Feb 2025	as of Apr 2025
2025	3.4%	3.5%	2.3%
2026	3.7%	3.7%	3.3%

METROBANK RESEARCH FULL-YEAR AVERAGE INFLATION FORECAST

2023 Actual	2024 Actual	2025	2026
6.00%	3.2%	2.2%	3.3%

METROBANK RESEARCH YEAR-END TARGET RRP RATE FORECAST

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

Related articles: 1) [Inflation Preview: Meats and power drive a price spurt](#)

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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	

May 2025 (in %)

	1.3
	0.9
	3.8
	1.6
	2.3
	2.0
	2.4
	-2.4
	0.4
	2.2
	4.3
	2.0
	0.0
	2.5

Legend

Lower vs last month Higher vs last month

