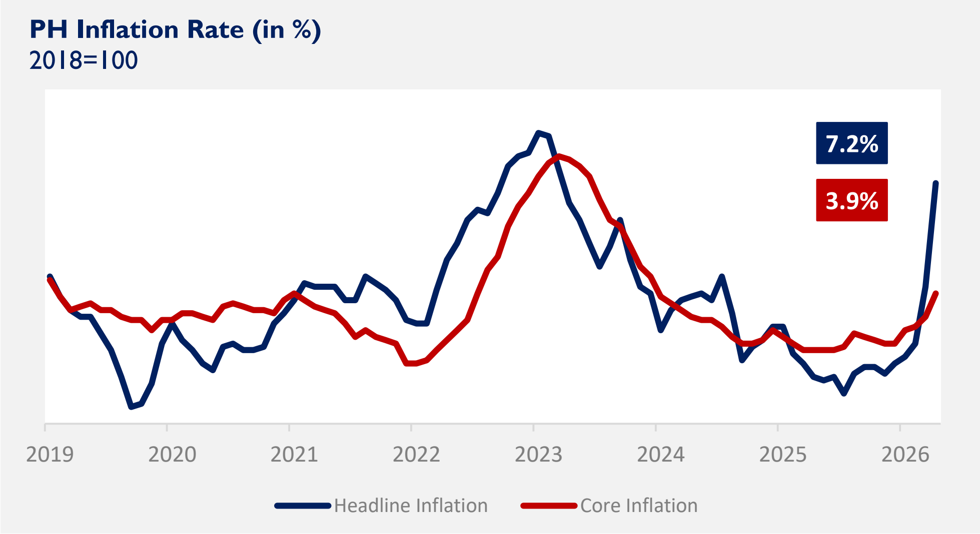
Metrobank
Research and Market Strategy Department

INFLATION UPDATE

"Slowflation" emerging



- Headline inflation quickened to 7.2% year-on-year (YoY) in April from 4.1% in March 2026. It was the highest since March 2023. This breached the upper band of the Bangko Sentral ng Pilipinas' (BSP's) 5.6-6.4% forecast range for the month and is higher than the 5.5% median estimate in a Bloomberg survey.
- This brings year-to-date average inflation to 3.9%, which is still within the BSP's annual 3±1% target band for the year.
- Core inflation, which excludes volatile food and energy items, accelerated to 3.9% in April from 3.2% in March.
- Month-on-month (MoM), the consumer price index increased by 2.6% in March, the highest since January 2000.
- The acceleration was primarily driven by the higher inflation of food and non-alcoholic beverages, due to higher costs of cereals and cereal products, fish and other seafood, along with meat and other food commodities. Additionally, transport inflation, due to the higher costs of gasoline, diesel, and other passenger transport by road, had a double-digit increase. The cost of transporting agricultural goods from farms to urban markets rose sharply, forcing retailers to hike prices.
- The most significant factor in the higher-than-expected inflation print in April was the surge in global oil prices following the escalation of the US-Iran crisis. While some fuel rollbacks occurred late in the month, the massive spike in gasoline and diesel prices led to second-round effects on food. Elevated commodity prices is still expensive relative to the same period last year.

Main sources of upside pressure

1	**FOOD AND NON-ALCOHOLIC BEVERAGES** • 6.0% YoY inflation rate and a 37.3% share to uptrend • Due to faster inflation of cereals and cereal products, fish and other seafood, along with meat and others.
2	**TRANSPORT** • 21.4% YoY inflation rate and a 33.1% share to uptrend • Due to faster inflation of gasoline, diesel, and other passenger transport by road
3	**HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS** • 8.2% YoY inflation rate and a 23.9% share to uptrend • Due to faster inflation of LPG and rentals

Major contributors to overall headline inflation

1	**FOOD AND NON-ALCOHOLIC BEVERAGES** • 6.0% YoY inflation rate, with a 2.3-percentage point (ppt) contribution to overall inflation • Due to higher prices of cereals and cereal products, fish and other seafood, and vegetables, tubers, etc.
2	**TRANSPORT** • 21.4% YoY inflation rate, with a 1.9-ppt contribution • Due to higher prices of gasoline, diesel, and other passenger transport by road
3	**HOUSING, WATER, ELECTRICITY, GAS, AND OTHER FUELS** • 8.2% YoY inflation rate and 1.7-ppt contribution • Due to higher prices of LPG, rentals, and electricity

INFLATION UPDATE

“Slowflation” emerging

METROBANK’S TAKE

Sticky oil prices

Recent pump price rollbacks, driven by relatively softer global oil prices during the two-week US-Iran ceasefire, were capped as renewed threats of military action pushed global oil prices higher. The Department of Energy (DOE) announced potential pump price hikes beginning next week.

Given the country’s heavy reliance on Middle Eastern oil imports, continuous upward trajectory in global prices is expected to result in even higher local pump prices, with second-round effects expected to continuously spill over into the broader commodity basket.

Government measures – including subsidies to low-income households aimed at mitigating the impact of rising costs from elevated oil prices – remain insufficient.

El Niño to strain local supply

Beyond rising fuel-related input costs, tightening agricultural supply amid El Niño risks is adding further upward pressure on prices, with rice inflation reaching double-digit levels. Meanwhile, fisheries also reported lower catch volumes in the past quarter, according to Philippine Statistics Authority Undersecretary Dennis Mapa.

With expectations of high global oil prices and the occurrence of El Niño conditions, Metrobank expects food commodity prices to continue rising in the near term.

More expensive imports

The higher USD/PHP exchange rate would continue exerting pressure on imports, leading to higher prices for imported inputs and final goods, exacerbating inflation pressures.

“Slowflation”

Given higher-than-expected inflation in April and renewed risks of further escalation in US–Iran tensions, Metrobank revised its full-year average headline inflation forecast to 7.0% this year and 4.0% next year. However, should the US and Iran reach a settlement, an earlier-than-expected decline in global oil prices could follow, allowing Philippine headline average inflation to ease to 6.4% this year, before averaging 4.4% in 2027.

“Slowflation” — characterized by slow economic growth alongside high inflation — limits the scope for further policy tightening by the Bangko Sentral ng Pilipinas (BSP). With this, we maintain our view that the BSP will deliver at least one more 25-bp rate hike this year, bringing the target reverse repurchase (RRP) rate to 4.75% by year-end. Looking ahead, easing inflation pressures next year should open room for the BSP to reverse course and begin an easing cycle to help support economic growth.

BSP RISK-ADJUSTED FULL-YEAR AVERAGE INFLATION FORECAST

	as of Feb 2026	as of March 2026	as of April 2026
2026	3.6%	5.1%	6.3%
2027	3.2%	3.8%	4.3%

METROBANK FULL-YEAR AVERAGE INFLATION FORECAST

2024 Actual	2025 Actual	2026	2027
3.2%	1.7%	7.0%	4.0%

METROBANK YEAR-END TARGET RRP RATE FORECAST

2024 Actual	2025 Actual	2026	2027
5.75%	4.50%	4.75%	4.25%

Related articles: 1) [Inflation Preview: Global oil crisis stokes prices | Metrobank Wealth Insights]

INFLATION UPDATE

"Slowflation" emerging

ANNEX

HEADLINE INFLATION OF MAIN COMMODITY ITEMS	April 2026 (in %)
All Items	7.2
Food and non-alcoholic beverages	6.0
Alcoholic beverages and tobacco	4.8
Clothing and footwear	2.8
Housing, water, electricity, gas, and other fuels	8.2
Furnishings, household equipment, and routine household maintenance	3.5
Health	3.8
Transport	21.4
Information and communication	0.9
Recreation, sport, and culture	4.9
Education services	2.9
Restaurants and accommodation services	6.0
Financial services	0.0
Personal care, and miscellaneous goods and services	3.3

Legend

Lower vs last month | Higher vs last month