

INFLATION UPDATE

Upward surprise in September

Higher than expected headline inflation

- Headline inflation accelerated to 7.2% year-on-year (YoY) in September, faster than the 6.1% recorded in August. The latest print is higher than a Bloomberg survey's median estimate of 6.8% but is within the Bangko Sentral ng Pilipinas (BSP)'s 6.4%-7.4% forecast for the month.
- Year-to-date, headline inflation stands at 5.4%, still above the BSP's 3%±1% target band for the full year. On a month-on-month (MoM) basis, inflation accelerated to 1.0% in September, faster than the 0.6% in August.

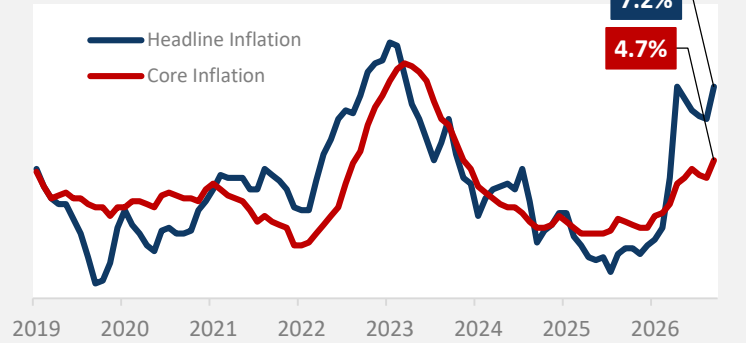
Above-target core inflation

- Core inflation, which excludes volatile food and energy items, accelerated to 4.7% in September 2026 from 4.1% in August. This brings year-to-date core inflation to 3.8%.

Largely driven by food, rent, and oil

- The main contributors to headline inflation were food and non-alcoholic beverages led by rice, vegetables, and fish; housing, electricity, gas and other fuels led by electricity and rentals; and transport led by gasoline and diesel.

PH Inflation Rate (in %)
2018=100



Source: Philippine Statistics Authority

METROBANK FORECASTS

	2025 Actual	2026	2027
Full-year Ave Inflation	1.7%	5.5%	3.5%
Year-end BSP Target RRP	4.50%	5.50%	4.75%

METROBANK'S TAKE

This year's highest

The September inflation print matched April inflation, which is the highest in 2026. Food, rent, and fuel were the highest contributors to the September print. Fuel prices continued to rise year-on-year amid tensions in the Middle East, pushing global crude prices back to March levels, with Brent averaging above USD 100 per barrel in September.

Meanwhile, prices of food, particularly of rice, vegetables, and fish, remained elevated as typhoon-related losses and elevated costs impact production. Furthermore, rice prices, which is the biggest contributor to inflation in September, continue to trend higher year-on-year, with rice inflation recorded at 20.3%, the highest since July 2024. In addition to increased input costs, the higher prices of the grain is also due to a decline in inventory levels, as the country approached the next harvest season in the October to December period. Meanwhile, increased import costs due to higher global rice prices and shipping costs may have also caused the faster price rise during the period.

Second-round effects

Core inflation remained above 4% for the fifth consecutive month in September, reflecting the second-round impact of elevated fuel and food prices on other consumer goods and services. The continued acceleration of prices in the overall commodity basket also confirms that tighter monetary settings have limited impact on supply-driven inflation.

Titled to the upside

Looking ahead, price pressure is titled to the upside with the impact of the super El Niño and the recently approved wage and transport fare hikes providing added upside pressure to headline inflation.

Metrobank forecasts full-year inflation this year to remain above target at 5.5% before easing back within target at 3.5% in 2027 on high base effects. This will provide the BSP with more reason to deliver 50 basis points more in rate hikes this year to bring the target Reverse Repurchase (RRP) rate to 5.50% by year-end, before partially reversing its rate hikes with a cumulative 75 basis points next year to bring the RRP to 4.75% by end-2027.