

PH CPI YoY for April 2026 at 7.2%

Previous (March 2026): 4.1%

Market Consensus: 5.5%

BDO TIG Estimate: 5.8%

YTD Average: 3.9%

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Philippine headline inflation surprised to the upside in April 2026, printing at 7.2%, a result that caught virtually everyone off guard, including the BSP. The outcome blew past the market consensus of 5.5%, our own estimate of 5.8%, and more strikingly, the upper end of the BSP's own forecast range of 5.6% to 6.4% for the month. The last time inflation ran this hot was mid-2023, when the economy was still unwinding the post-pandemic price surge. April marks the second consecutive month above the target band, but the distance from that band is now so wide that the conversation has fundamentally shifted from when we return to target to how much damage gets done before we do.

The drivers are familiar but the magnitude of the pass through is what surprised.

Transport and fuel remain front and center, with global crude prices staying elevated on the back of the unresolved Middle East conflict. Pump price movements in April produced some nominal relief at the surface level but partial reversals were entirely swamped by the cumulative shock already embedded in the system such that the transport index seen an increase of 21.4% in April from 9.9% in the previous month, and utilities at 8.2% during the month from 4.7% in March.

Electricity costs continued their upward march. Meralco raised rates by PHP0.5335 per kWh to PHP14.3496 per kWh for April, the third consecutive monthly increase. For households and small businesses, the cumulative effect of power rate increases since February is now a sustained and measurable drag on real incomes and operating margins.

Food inflation was broad and severe in April. Food inflation recorded a faster annual increase of 6.1% this month from 2.7% in the previous month. The uptrend in the food inflation in April was mainly driven by the faster annual increase in the index of rice at 13.7% during the month from 3.5% in March.

The peso's continued depreciation compounded all of the above. The currency closed April at PHP61.485 to the dollar, down 73.7 centavos from its March end close, briefly touching a record low of PHP61.567 on April 29. For an economy that imports crude oil, a significant portion of its food requirements, and a wide range of intermediate goods, a structurally weak peso is an active amplifier of imported inflation across every major spending category.

Our View

At 7.2%, headline inflation is running at nearly twice the upper end of the BSP's target band, and the gap between where we are and where policy needs to be is wide enough. The BSP revised its full year inflation forecast upward to 6.3% last April 23 has already blown through that ceiling by nearly a full percentage point. What makes this print particularly concerning is not just the level but what it tells us about the transmission dynamics at work.

Core inflation has been drifting higher for several months, which means the supply shock is no longer staying contained within the energy and food categories where it

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originated. It is spreading into services, wages, and general price setting behavior, and expectations that have shifted are far harder and costlier to bring back down than the price pressures that set them in motion.

The BSP raised its benchmark rate by 25bps to 4.5% at its April 23 Monetary Board meeting, the first hike in over two years. With headline inflation at 7.2%, the real policy rate sits at -2.7%, meaning monetary policy remains deeply stimulative at a moment when the economy urgently needs restraint on the price side. The April hike was a welcome signal, but a signal is not the same as a solution. **We now firmly expect the BSP to hike at the June 18 Monetary Board meeting, and the question is no longer whether it moves but by how much.** A 25bps increment looks insufficient as a standalone response to a print of this magnitude. A 50bps hike at June is a serious possibility and in our view should be on the table. Beyond June, we see cumulative additional tightening of at least 50 basis points before year end as the base case, which would bring the policy rate to 5.5% by December and begin to close the gap between the nominal rate and a policy rate that keeps pace with inflation.

The growth outlook has deteriorated sharply alongside the inflation surprise, and the two are now in direct tension. Private consumption was already showing signs of fatigue before this print. At 7.2% inflation, the erosion of real household purchasing power is no longer a risk scenario. Thus, the BSP's exploration of regulatory relief measures for borrowers in the informal sector signals an awareness of this dimension, but targeted supervisory tools are no substitute for getting inflation itself back under control. **Our previously identified worst case scenario of 5.3% inflation and 3.7% GDP growth for 2026 has been overtaken by events. April alone printed at 7.2%. The formal recalibration of our scenario forecasts is now underway, and it is fair to say the new numbers will be materially more severe than what we had on the table a month ago.** The base case itself needs to be rebuilt around inflation staying above 6% through most of 2H26.

The risks are not balanced. They are skewed heavily to the upside on inflation and to the downside on growth, and the margin for policy error in either direction is thin. An unresolved Middle East conflict, a peso near record lows, commodity prices under structural pressure, and second round effects now visibly in motion are not temporary headwinds. A return to within the 2-4% target band is a 2027 story at the earliest, and even that assumes the BSP moves with sufficient conviction at June and beyond. The June 18 Monetary Board meeting will be watched very closely.

For guidance, below is the policy meeting schedule for both the BSP and the Fed in 2026:

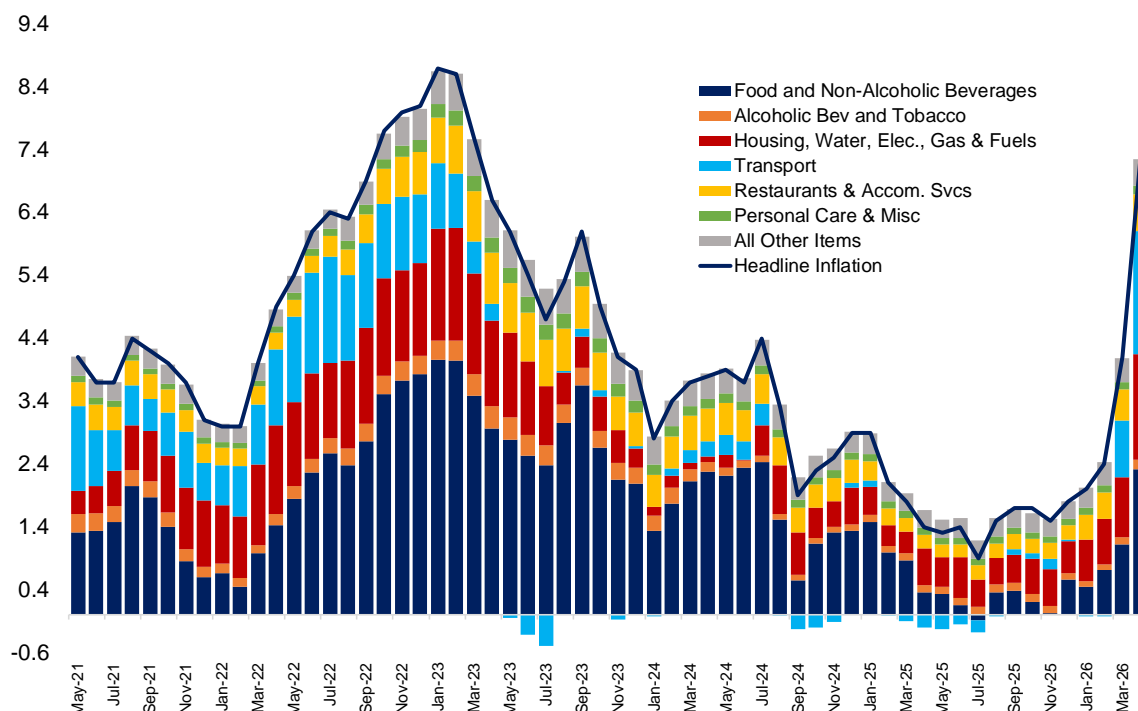
	FED	BSP
Jan	27-28 <i>(unchanged: 3.50-3.75%)</i>	
Feb		19 <i>(cut: 4.25%)</i>
Mar	17-18*	26 <i>(offcycle; unchanged: 4.25%)</i>
Apr	28-29	23 <i>(hike: 4.50%)</i>
May		
Jun	16-17*	18
Jul	28-29	
Aug		27
Sep	15-16*	
Oct	27-28	22
Nov		
Dec	8-9*	17

*Meeting associated with a Summary of Economic Projections

Table 1: Inflation, by Component % YoY Change

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
Headline Inflation %yoy	1.4	1.3	1.4	0.9	1.5	1.7	1.7	1.5	1.8	2.0	2.4	4.1	7.2
Food and Non-Alcoholic Beverages	0.9	0.9	0.4	-0.2	0.9	1.0	0.5	0.1	1.4	1.1	1.8	2.9	6.0
Food Products	0.7	0.7	0.1	-0.5	0.6	0.8	0.2	-0.3	1.2	0.7	1.6	2.8	6.1
Non-Alcoholic Beverages	3.1	3.3	3.7	4.0	4.2	4.3	4.3	4.0	4.1	4.5	4.4	4.3	4.4
Alcoholic Beverages and Tobacco	3.7	3.8	3.8	4.2	4.2	4.1	4.0	3.6	3.3	3.1	3.1	3.7	4.8
Non-Food	1.7	1.5	1.9	1.4	1.8	2.0	2.3	2.4	2.0	2.5	2.8	4.9	8.2
Clothing & Footwear	1.6	1.6	1.7	1.8	1.7	1.7	1.8	1.8	2.2	2.3	2.4	2.6	2.8
Housing, Water, Elec., Gas & Fuels	2.9	2.3	3.2	2.2	2.1	2.1	2.7	2.9	2.5	3.3	3.5	4.7	8.2
Furnishings, HH, Equipment	2.1	2.0	2.1	2.1	2.4	2.4	2.4	2.0	1.9	2.3	2.9	3.1	3.5
Health	2.4	2.4	2.4	2.6	2.9	2.8	2.7	2.7	2.7	3.0	3.2	3.4	3.8
Transport	-2.1	-2.4	-1.6	-2.0	-0.3	1.0	0.9	1.7	0.3	-0.2	-0.3	9.9	21.4
Info & Comms.	0.3	0.4	0.4	0.5	0.6	0.6	0.7	0.7	0.7	0.8	0.7	0.7	0.9
Recreation, Sports, & Culture	2.2	2.2	2.2	2.2	2.1	2.1	1.9	2.1	2.0	2.2	4.6	4.7	4.9
Education Services	4.2	4.2	5.3	4.3	3.0	3.0	3.0	3.0	3.0	2.9	2.9	2.9	2.9
Restaurants & Accommodation Services	2.3	2.0	2.1	2.3	2.3	2.4	2.4	2.6	2.4	4.0	4.4	5.0	6.0
Financial Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personal Care & Misc Goods & Services	2.5	2.5	2.4	2.3	2.5	2.4	2.5	2.4	2.2	2.6	2.8	2.9	3.3
Core Inflation %yoy	2.2	2.2	2.2	2.3	2.7	2.6	2.5	2.4	2.4	2.8	2.9	3.2	3.9

Figure 1: Contribution to YoY Headline Inflation



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