

## BSP cuts rates in the Philippines amid increasing growth worries

In a dovish turn, the Philippines' central Bank, the BSP, has cut rates by 25bp to 4.75%, citing softening growth and subdued inflation. Infrastructure spending concerns and corruption scandals add downside risks to our 2026 GDP outlook. The chances of a final 25bp rate cut in December have increased meaningfully



BSP Governor, Eli Remolona, with the Dutch Queen last year

The BSP surprised markets by cutting its policy rate by 25bp to 4.75%. The tone of the decision was clearly dovish, reflecting a combination of benign inflation dynamics and a deteriorating growth outlook. The Monetary Board signalled room for a more accommodative stance, citing both lower-than-expected inflation and emerging downside risks to growth.

While inflation has remained low - headline inflation in September was below the BSP's target band - the more significant driver appears to be concerns around growth. We've previously highlighted that any additional easing would require clear signs of economic weakness. Today's rate cut seems to have been triggered by mounting concerns over the likelihood of slowing public infrastructure spending, particularly in the wake of corruption scandals involving flood control projects.

According to government estimates, the Philippine economy may have lost as much as £1.48 billion over the past two years due to corruption in these schemes. Historical precedent suggests that increased scrutiny following such scandals often leads to a sharp pullback in government spending, posing further downside risks to growth.

Looking ahead, we will continue to monitor high-frequency indicators—particularly those related to business sentiment and government capital expenditure—for further signs of economic softening. Risks to our 2026 GDP growth forecast of 5.8% are clearly tilted to the downside. In addition to concerns about public infrastructure spending, lingering uncertainty over the impacts of tariffs on investment further compounds the risk.

Given this backdrop, we believe the likelihood of the final 25bp rate cut, currently pencilled in for the first quarter of next year, being brought forward to December has increased meaningfully.

The BSP appears relatively unconcerned about recent depreciation pressures on the PHP, likely due to contained inflation and expectations of rate cuts by the Fed later this year, which should help keep rate differentials broadly stable.

We believe robust foreign investor inflows into the debt market, combined with anticipated Fed easing, could provide near-term support for the PHP. Additionally, while any reduction in fiscal spending may weigh on GDP growth, it could help narrow the current account deficit, offering further support to the currency.

## Author

### Deepali Bhargava

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).