

After off-cycle move, Philippines central bank keeps rates unchanged

The Bangko Sentral ng Pilipinas (BSP) kept policy rates untouched at 6.5% at today's meeting after carrying out an off-cycle move two weeks ago



Bangko Sentral ng Pilipinas (the central bank of the Philippines)

6.5% BSP policy rate

As expected

BSP holds after off-cycle move

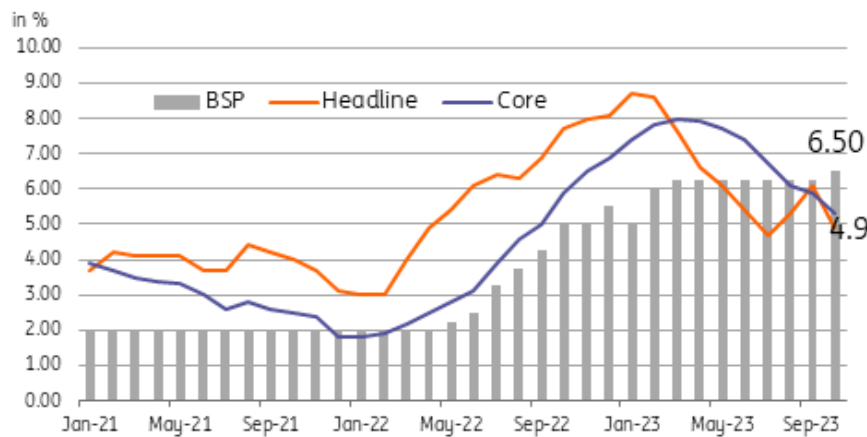
The BSP kept policy rates untouched at 6.5% today after hiking by 25bp two weeks ago at an off-cycle meeting. This move was expected by market participants. BSP deems it appropriate to retain policy settings “tight” until inflation heads toward a target consistent path while remaining ready to tighten further if needed. The central bank believes that the growth outlook remains “intact”

while risks to the inflation outlook remain tilted to the upside.

BSP lowered its 2024 risk-adjusted inflation forecast to 4.4% (from 4.7%) while 2025 inflation is projected to settle at 3.4% (from 3.5%).

BSP reiterated the need for non-monetary intervention to help lower price pressures given that inflation remains largely driven by supply-side factors.

BSP keeps setting untouched for now



Source: Philippine Statistics Authority and BSP

Behind target in 2024, BSP could hike in the near term

Despite today's pause, we believe BSP will remain ready to hike rates in the near term given its latest risk-adjusted inflation forecast of 4.4% for 2024. Given the projected breach in 2024 (based on risk-adjusted forecasts), BSP could have benefited from tightening at today's meeting given the lagged impact of policy actions.

For now, it appears that the central bank is likely to keep policy rates untouched, possibly for the rest of the year while keeping its powder dry for potential tightening should inflation risks flare up again.

Meanwhile, the lagged impact of previous policy rate hikes should continue to weigh on growth well into 2024.

The PHP will likely move sideways but benefit from the hawkish signals coming from the BSP.