

Snap | 14 December 2023

PHILIPPINES

# Philippines central bank leaves key rate untouched to close out the year

BSP kept policy rates unchanged at 6.5% at their last meeting for the year



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

## 6.5% **BSP policy rate**

As expected

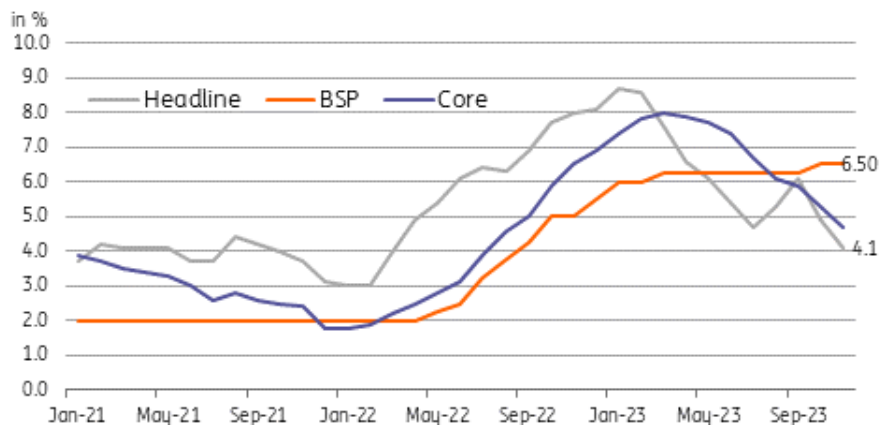
### **BSP maintains policy rate at 6.5%**

The Bangko Sentral ng Pilipinas (BSP) retained policy rates at 6.5% today, in line with market expectations. The BSP continues to use the “risk-adjusted” forecast as opposed to the baseline inflation forecast, which was lowered to 4.2% (from 4.4% previously). For 2025, the central bank expects inflation to settle within target at 3.4%.

BSP Governor Eli Remolona indicated that risks to the inflation outlook remain “substantially tilted to the upside” while also sharing that growth prospects for next year remain “firm”.

Remolona indicated that inflation expectations are now anchored, citing their private sector analysts survey. Previously, the BSP justified their off-cycle rate hike by indicating that consumer expectations for inflation were elevated.

### BSP keeps policy rates untouched as inflation moderates



Source: PSA and BSP

### BSP on hold but not likely to cut anytime soon

Remolona indicated that they would be monitoring the response of households and firms to tighter monetary policy, suggesting they would be waiting to see the impact of previous rate hikes on the inflation path. The central bank will likely extend its pause until inflation is “well-within” target and until inflation expectations are anchored.

We expect the BSP to be on hold well into 2024, with potential rate cuts only likely to be considered towards the end of next year.

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