

Philippines: Central bank cuts rates 50bp at off-cycle meeting

The Bangko Sentral ng Pilipinas uncorks additional easing to help insulate the economy from the Covid-19 fallout



2.75% policy rate
off-cycle move

BSP uncorks further easing at off-cycle meeting

Bangko Sentral ng Pilipinas (BSP) Governor Benjamin Diokno continued to ease monetary policy, cutting policy rates by 50 basis points on Thursday to help insulate the economy further from the impending fallout from the virus. Diokno's latest rate cut was carried out ahead of the 24 May meeting as the national government extended a lockdown of the main island of Luzon until 30 April. Market reaction to the move was muted given that Diokno had heavily hinted at implementing a "deeper rate cut" at an off-cycle meeting.

Digging deeper into the toolkit

BSP has been proactive in providing stimulus as the Philippines grapples with the spread of Covid-19, forcing the government to implement stringent lockdown measures across the country. On top of cutting rates by 125bp, the central bank has reduced reserve requirements (RR) by 200bp, bought up government bonds in the secondary market and entered into a Php300 billion repurchase deal with the Treasury. We expect Diokno to continue to ease monetary policy, reducing RR by another 200bp before the end of April and cutting policy rates by another 25bp by May. Investors will continue to monitor the size and scope of the fiscal Covid recovery plan now that the lockdown has been extended to the end of the month with government officials flagging a worst case scenario technical recession by the 3Q of the year.