

## 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.

### Author

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.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 <http://www.ing.com>.