

Snap | 19 February 2026

Philippines' central bank delivers expected rate cut paired with uncertain guidance

The Bangko Sentral Pilipinas delivered an expected 25bp rate cut but offered cautious and uncertain forward guidance as the recovery in growth remains softer than anticipated. Elevated real rates and subdued confidence keep the risks tilted towards further easing



BSP Headquarters in Manila

Expected BSP rate cut comes with cautious, uncertain forward guidance

The BSP lowered its target rate by 25bp to 4.25%, in line with both our expectations and the broader consensus. The tone of the decision was noticeably more uncertain, reflecting a softer than expected growth recovery. This shift led the BSP to remove language suggesting it was “nearing the end of easing,” resulting in a more neutral stance. The BSP also expressed reasonable concern around soft consumer and business sentiment, resulting from weak government spending.

BSP stays data-dependent, but confidence takes centre stage

Looking ahead, further easing will depend heavily on how quickly confidence returns. Confidence is increasingly becoming a core driver of the BSP's policy reaction function. While the BSP's latest inflation forecasts were nudged slightly higher – to 3.6% in 2026 and 3.2% in 2027 (from 3.2% and 3% previously) – inflation is still expected to remain largely contained. The upward revision mainly reflects one off supply side factors such as adjustments in electricity rates, the flexible rice pricing mechanism, and base effects, all of which should have only a transitory impact on inflation.

Muted growth outlook leaves door open for more policy easing

Real rates remain elevated at around 2.25% even after today's rate cut, with the latest inflation print at roughly 2%. This keeps monetary conditions tighter than what current economic momentum seems able to absorb.

We recently trimmed our 2026 GDP growth forecast further to 5.2% with risks skewed to the downside. The latest 4Q data shows that soft government spending has become a more persistent drag, weighing not only on fiscal outlays but also on business and household confidence. We expect this pressure to persist at least through the first half of 2026, given ongoing investigations and unresolved political uncertainty that continue to dampen sentiment.

Against this backdrop of softer demand, elevated real rates, and lingering confidence issues, the door remains open for additional monetary easing. The risk of further monetary policy easing is likely to keep the peso weaker vs the US dollar.

Author

Deepali Bhargava

Regional Head of Research, Asia-Pacific

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.