

The Philippines' central bank keeps rates on hold...again

The Philippines' central bank left policy rates unchanged after the fifth consecutive meeting to support recovery efforts for an economy that is still struggling



The central bank of the Philippines as seen from the CCP Grounds

2.0%

Overnight reverse repurchase rate

Policy rate

As expected

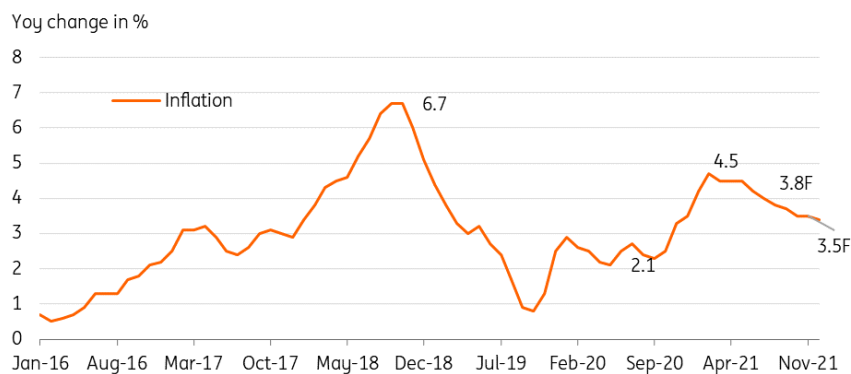
BSP on hold for fifth consecutive meeting

Philippines central bank kept policy rates unchanged for the fifth consecutive meeting, looking past the breach of its inflation target.

Prices surpassed past targets as early as January with pork prices surging due to supply shortages caused by the African swine fever. The government has since implemented an importation program to help stabilise supplies with food prices stabilising according to authorities.

Bangko Sentral ng Pilipinas believes the economic recovery remains “tentative due to Covid-19” while adjusting its inflation forecast to 4% for 2021 (from 3.9%) due to the pickup in oil prices.

Philippine inflation set to decelerate in coming months



Source: Philippine Statistics Authority and ING estimates

On hold for a little longer

Governor Diokno reiterated his pledge to provide policy support to the economic recovery “for as long as needed” with economic momentum still weighed down by relatively high Covid-19 cases. With price pressures fading and inflation set to slide back within target in the coming months, we expect the central bank to extend its pause for the balance of the year with a possible rate hike by the middle of next year.

Meanwhile, we expect the Philippine peso to remain under pressure in the near term on concerns about the timing of Federal Reserve tapering with the central bank likely holding off hiking rates to jumpstart stalling bank lending and revive the ailing economy.