

Philippines

BSP delivers a 25bp hike

- Bangko Sentral ng Pilipinas (BSP) raised its policy rate by 25bps to 4.50% at its 23 April meeting. Consensus is split down the middle between a 25bp hike and a hold for the BSP.
- The BSP noted that the outlook for inflation has deteriorated with its latest projection now indicating a “higher inflation path” at 6.3% and 4.3% in 2026 and 2027.
- We revise our call to add two 25bps in rate hike for 2026, taking the policy rate to 5.00% by year-end.

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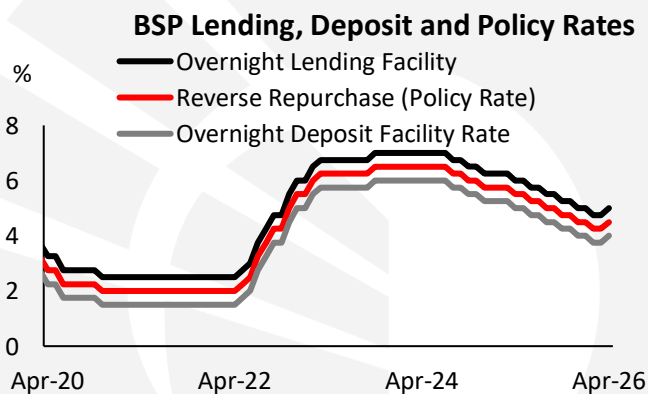
BSP raised its policy rate by 25bps to 4.50% at its 23 April meeting. Consensus is split down the middle between a 25bp hike and a hold for the BSP; we expected a hold, but it was a close call. Concurrently, the overnight deposit and lending rates were adjusted to 4.00% and 5.00%, respectively.

BSP turned decisively more hawkish citing shifts in its assessment to inflation. Specifically, BSP Governor Eli Remolona noted that CPI inflation had risen, raising the risk of de-anchoring inflation. In addition, the decision was characterised as “timely and preemptive policy action to safeguard price stability” and “intended to anchor inflation expectations and contain the buildup of second-round effects.”

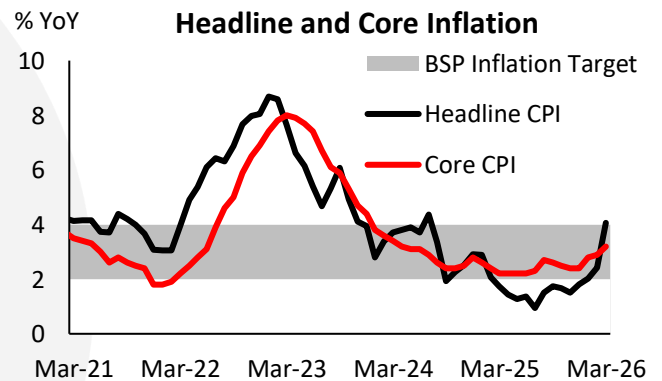
BSP revised higher its headline CPI projection to 6.3% and 4.3% in 2026 and 2027, respectively, compared to the previous forecast of 5.1% and 3.8%. This shows that inflation is unlikely to return to the 2-4% target range even in 2027. BSP Deputy Governor Zeno Abenoja explained that the shift in the inflation forecast reflects “the broadening price pressure across the CPI. Global oil prices will have impact on transport costs. The increase in fertilizer prices will have a knock-on impact on food prices.” We expect the direct impact from the ongoing war in the Middle East to cause significant disruptions to domestic energy costs and supply chains. With inflation expected to remain elevated, we revise higher our headline CPI forecast to 5.8% and 4.5% in 2026 and 2027, respectively, from 3.9% and 3.0%.

BSP expects GDP growth to remain soft at 4.3% YoY in 2026 compared to 4.4% in 2025, before accelerating to “closer to 6%” in 2027. BSP Deputy Governor Zeno highlighted that “most of the growth this year will be coming from the second half and that fiscal policy will contribute in the recovery, extending to 2027.” BSP also noted that the measured increase in its policy rate “will still accommodate economic recovery over the medium term.”

BSP Governor Remolona noted that “further rate hikes part of calculation, depending on data.” The Governor indicated that this is unlikely a one and done hike. This has led us to revise our call to add two 25bps in rate hike for 2026, taking the policy rate to 5.00% by year-end.



Source: Bangko Sentral ng Pilipinas, CEIC, OCBC Group Research.



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