MNI BSP Preview – Oct 2025

Meeting Date: Thursday 9th Oct 2025

Announcement Time: 0730 BST/14:30 PHST

Link To Statement: Bangko Sentral ng Pilipinas Price Stability - Monetary Policy Decisions (bsp.gov.ph)

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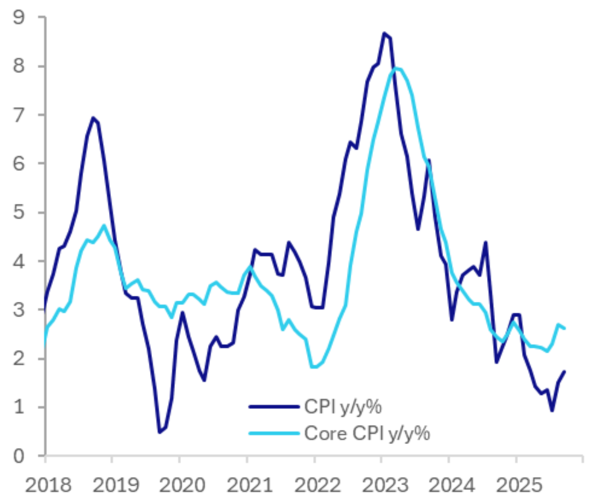
MNI POV (Point Of View): On Hold, But May Ease In Dec

The consensus for tomorrow's BSP meeting outcome is no change from the current 5.00% policy rate. Still, some sell-side expect a 25bps cut, with 6 out of the 25 economists surveyed by Bloomberg forecasting such a move (the remainder see rates holding steady). We sit in the no change camp, although note it may be a reasonably close call between this and a further 25bps cut.

From an inflation standpoint, yesterday's update for September didn't materially change the outlook (BSP said as much after the data printed). Headline CPI y/y is still below the 2-4% target band, but is up from recent cycle lows, see the left hand panel chart below. Core CPI also looks to have found a base, but remains at higher levels compared to the rest of the EM Asia region (see the right hand panel chart below).

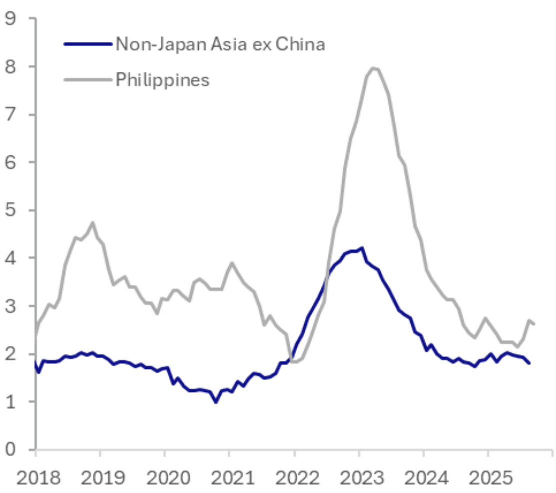
Given this broadly unchanged backdrop and the fact that BSP Governor Remolona turned a little less dovish at the last policy meeting, it doesn't point to a compelling case to ease from an inflation standpoint.

Figure 1: Philippines CPI – Headline and Core Y/Y Up From Recent Lows, But Headline Sub 2-4% Target Band



Source: MNI - Market News/LSEG

Figure 2: Core CPI y/y%



Source: MNI - Market News/LSEG

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Growth updates since the last policy meeting in late August have been fairly limited. Trade growth has slowed but has remained positive in y/y terms. The PMI is back under 50.0, albeit only just. The Philippines unemployment rate fell back to 3.9% in August. This was a sharp retracement from July's 5.3% outcome. At face value this should provide some comfort to the BSP that the July outcome was not the start of a sharp weakening in local labour market conditions.

Recent protests, stemming from corruption concerns, likely add to downside risks to the growth backdrop. Headlines crossed recently from the head of the Philippines military that he had resisted calls (from some retired military officials) to remove President Marcos from office.

These developments have also weighed on offshore investor confidence, with the local stock market CEO making this point in a recent BBG interview. Philippines equities have generally lagged the rest of the region, while PHP FX has also been an underperformer. The Citi PHP NEER is just up from fresh lows back to 2018. USD/PHP is seeing short term resistance in the 58.30/40 region, which may reflect BSP's bias to prevent a sharp move higher in the pair (58.56 marked early August highs).

Hence, whilst downside growth risks may argue for a cut, fresh USD/PHP gains following a further BSP cut, could be an unwelcome development for the BSP. Additionally, the central bank gets an important Q3 GDP update on Nov 7, which comes ahead of the Dec BSP meeting. Hence the central bank may wait to assess growth trends at that meeting (with a window to cut), particularly given a broadly unchanged inflation backdrop in recent months.

BSP August 28th 2025 Policy Statement

At its monetary policy meeting today, the Monetary Board decided to reduce the BSP's Target Reverse Repurchase (RRP) Rate by 25 basis points to 5.0 percent. The interest rates on the overnight deposit and lending facilities were adjusted to 4.5 percent and 5.5 percent, respectively.

The outlook for inflation is broadly unchanged. The inflation forecast for 2025 settled at 1.7 percent. The forecasts stand at 3.3 percent for 2026 and at 3.4 percent for 2027. Inflation expectations also remain well-anchored. Meanwhile, possible electricity rate adjustments and higher rice tariffs could raise inflationary pressures over the policy horizon.

The Monetary Board observed that domestic demand has held firm. However, the impact of US policies on global trade and investment continue to weigh on global economic activity. This could temper the outlook for the Philippine economy.

Emerging risks will continue to require close monitoring. The Monetary Board will determine the monetary policy response based on the evolving outlook for inflation and growth.

Going forward, the BSP will safeguard price stability by ensuring monetary policy settings are conducive to sustainable economic growth and employment.

Sell-Side Analyst Views

ANZ (Unchanged): "We expect the BSP to keep its policy rate on hold at 5.00% at its upcoming meeting on Thursday 9 October at 14:30 SGT. The BSP has so far lowered rates by a cumulative 150bp in the current cutting cycle. At its last meeting, the central bank characterized the current policy rate as appropriate given manageable inflation and output near potential. However, real rates remain restrictive amid subdued inflation. We think that the BSP will wait for the Q3 GDP data, out in November, before cutting rates by another 25bp in December."

BNY (25bps Cut): "Worsening macro developments argue for further monetary policy easing. We expect BSP to deliver the fourth straight rate cut to 4.75%, while the consensus calls for status quo. The pace of easing, if any, into 2026 is likely to be more constrained with projected higher inflation, driven by the normalization of food prices. Rice inflation, at –17.0% y/y, and the latest risk-adjusted inflation for 2025, 2026 and 2027 are at 1.7%, 3.3% and 3.4%, respectively, as of August 2025."

DBS (Unchanged): "After lowering rates in August, BSP governor Remolona's remarks pointed to a "slightly less" dovish stance than before when the central bank had undertaken back-to-back cuts. With growth expected to hold up and inflation forecasts adjusted higher but within targets, the economy is likely seen in a near goldilocks state. We expect the benchmark rate to be held unchanged at 5% on Oct 9, though see the possibility of one last rate cut in this cycle in December, following the US Fed's rate reductions."

Goldman Sachs (Unchanged): "We expect Banko Sentral Pilipinas (BSP) to keep the policy rate unchanged at 5.00% at the October meeting (Bloomberg consensus: 5.00%). The key developments since the last BSP meeting are the anti-corruption protests in the last week of September, following which the PHP depreciated by around 2%. The forward guidance from the BSP at the August meeting was less dovish than before, where the Governor noted that policy rates are at the "goldilocks" level, but indicated the possibility of one more rate cut in the year, if activity data remains soft. Given our expectation of slower global growth in 2H CY25 and a dovish Fed outlook (vs. market pricing), we continue to expect BSP to cut policy rates by another 50bp in the cycle – 25bp each at the December 2025 meeting and in Q1 2026 – taking the terminal rate to 4.50%."

ING (Unchanged): "The Bangko Sentral ng Pilipinas' (BSP) monetary policy decision on Thursday will be challenging amid risks of rising food inflation over the next few months due to the impact of typhoons on the food supply. Moreover, the recent depreciation in the Philippine peso (PHP) against the USD is likely to have the BSP treading even more carefully. While we have a 25 bp rate cut in our fourth-quarter forecast profile, risks on the horizon lead us to believe the BSP will likely delay acting until December, keeping the policy rate unchanged at 5% this week."

MUFG (Unchanged): "The BSP is expected to remain on hold, having already delivered successive rate cuts. The central bank has recently adopted a more cautious tone on further easing, particularly as the Philippine peso has weakened. This suggests a pause in easing as BSP monitors inflation and external vulnerabilities."

UOB (Unchanged): "Our economist, Jasrine Loke, expects BSP to take a pause in Oct after introducing three back-to-back cuts so far this year. This will allow BSP to assess the effects of past monetary policy adjustments on the domestic economy while monitoring external developments before resuming its rate cut again in Dec. A modest inflation outlook and persistent downside risks to growth continue to provide room for BSP to further loosening its monetary policy stance in the near term. However, based on the Bloomberg survey (as of 3 Oct), expectations are very mixed."