

MNI Central Bank – April 2025

Bangko Sentral ng Pilipinas (“BSP”)

Meeting Date: Thursday April 10, 2025.

Announcement Time: 06:00 GMT/15:00 Manila

Link To Prior Statement: <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7424>

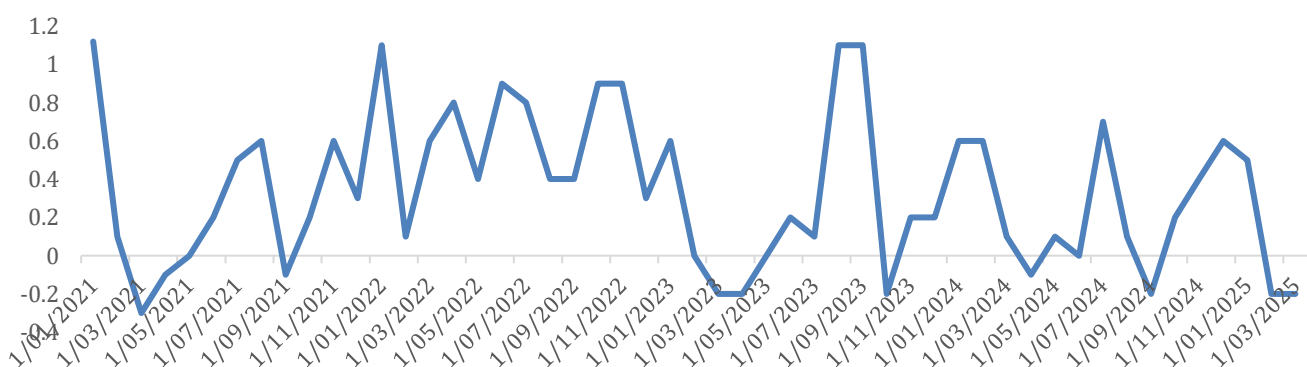
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MNI POV (Point Of View): BSP To Cut as Inflation Dips.

At the last monetary policy committee press release was clear that they anticipate continuing to move to a less restrictive policy settings on the basis of the evolution of data. Inflation remains at the forefront of the BSP's thoughts and since their last meeting there has been a continued decline in CPI. The year-on-year CPI release for March fell to its slowest pace since May of 2020 at +1.8% with the month-on-month figure turning negative at -0.2%.

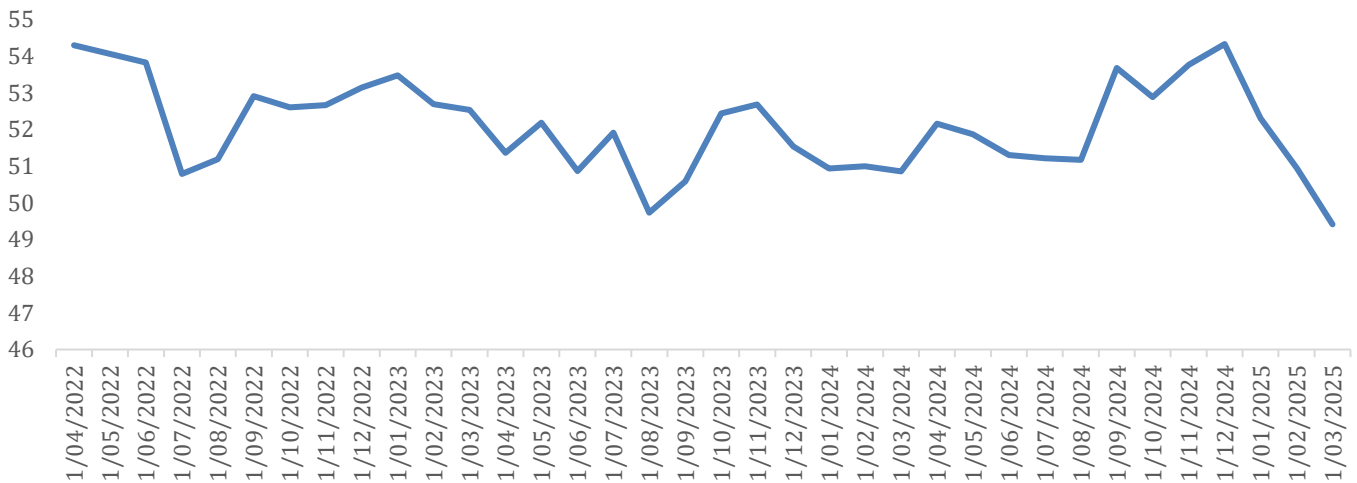
Philippines CPI MoM



The year-on-year release of +1.8% was down from the prior month of +2.1% and below the median forecasts from economists. Core declined also to +2.2%, down from +2.4% in February as domestic demand moderates further. The BSP has an inflation target band of 2% - 4% and whilst the BSP expects that inflation will remain on target, they will be cognizant of the risk from too large a decline and the month-on-month figures serve potentially as an early warning.

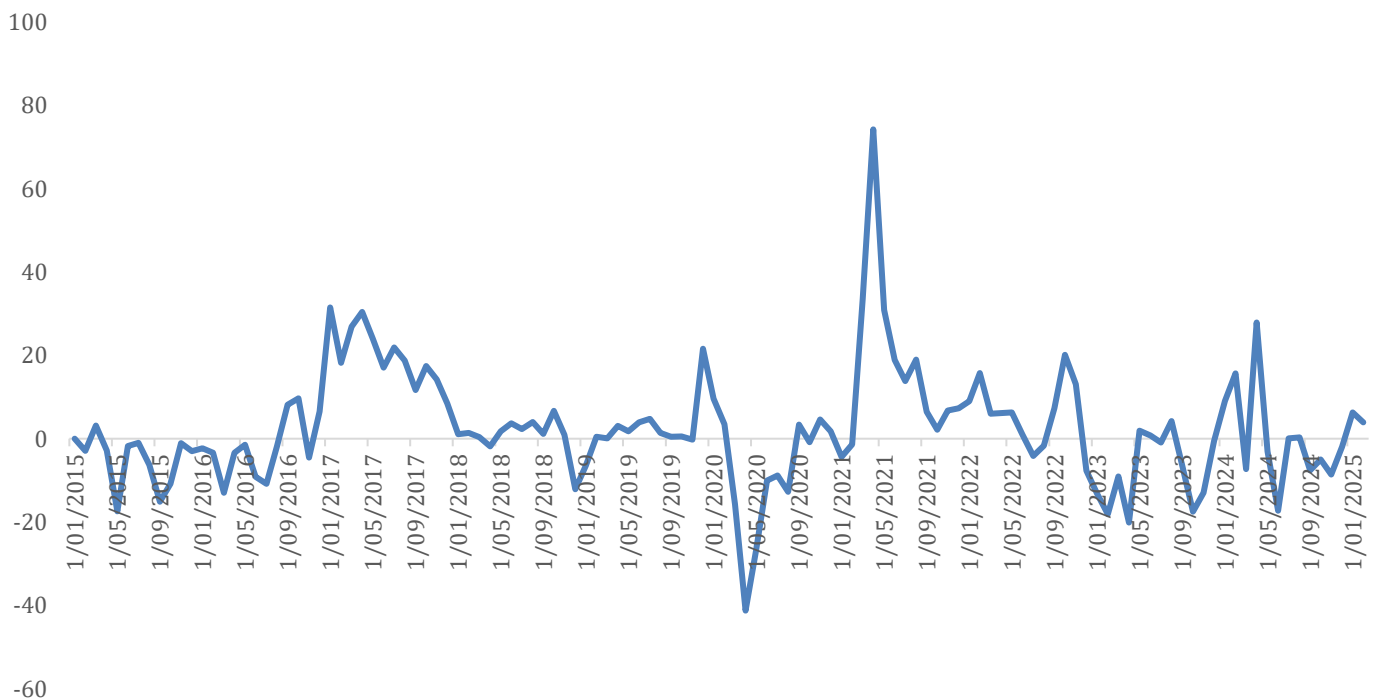
Other data has shown mixed signs, but generally were softer in the period post the last BSP meeting. March's PMI manufacturing slipped into contraction at +49.4, for the first time since August 2023 and the lowest reading since August 2021. Output fell dramatically in March to +48.7, from +51.1 in February to mark the lowest print since January 2022.

Philippines Manufacturing PMI



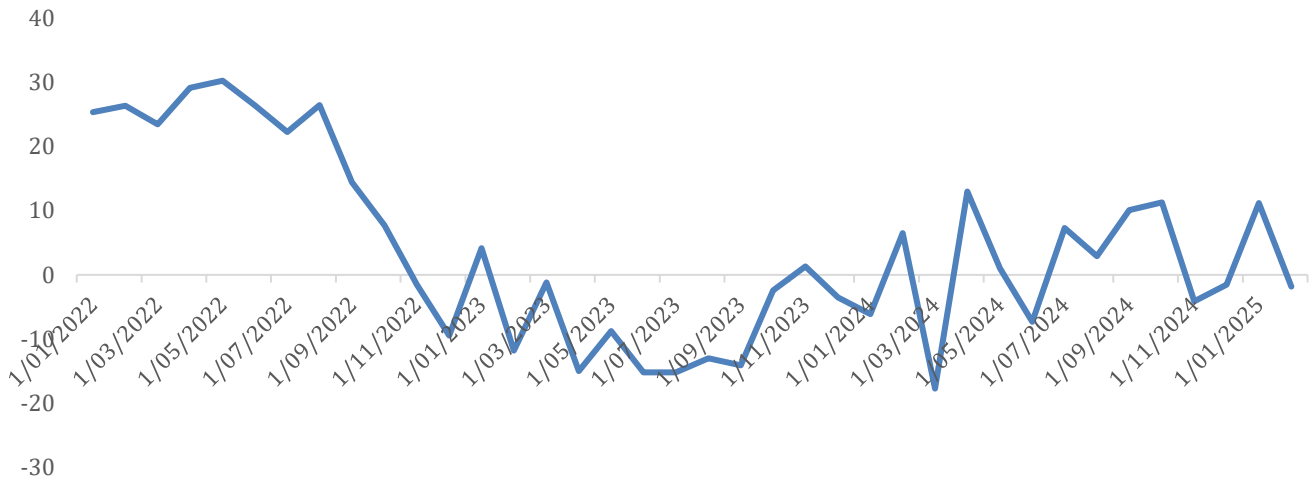
Exports for February were in line with expectations, rising +3.9%, but were down significantly on January's expansion at +6.3%.

Philippines Exports Y/Y



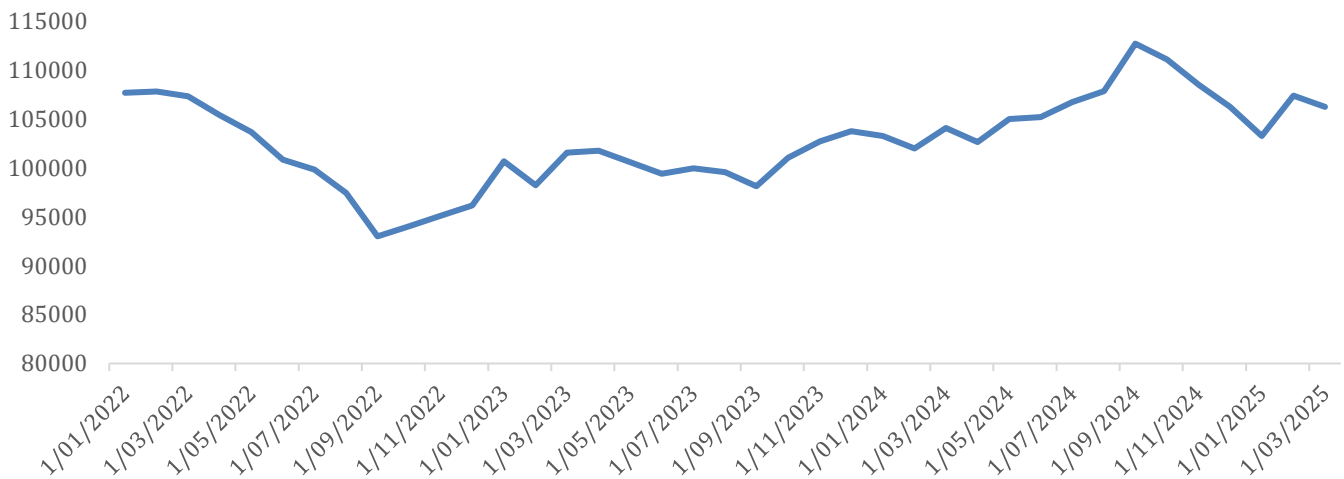
Even more concerning will be the decline in imports which rose just +1.8% y/y versus +11.2% prior against an estimate of +9.7%; posing a real concern as to the state of domestic demand despite employment holding up and overseas remittances remaining stable.

Philippines Imports Y/Y



The currency appears to present no immediate barrier to cut, given its performance relative to peers over the last three months. Of its regional peers the Peso is the best performer having gained +1.4% in the last three months compared to the rupiah's decline of -4%, the baht of -2.9% and the ringgit of -1.7%. The FX reserve decline since the September peak suggests that the BSP is willing to support the currency through the use of reserves. That said on a historical basis, reserves are sufficient to continue to support.

Philippines FX Reserves



Economists on BBG are aligned in their thinking for tomorrow's meeting. Of the 28 estimates provided, 26 are predicting a cut.

Based on the decline in inflation, we expect that the BSP will deliver a 25bps reduction tomorrow.

Monetary Board Maintains Target RRP Rate

February 13, 2025

At its monetary policy meeting today, the Monetary Board decided to keep the BSP's Target Reverse Repurchase Rate at 5.75 percent. The interest rates on the overnight deposit and lending facilities thus remain at 5.25 percent and 6.25 percent, respectively.

The latest inflation forecasts are not materially different from the previous forecasts in December. For 2025, the risk-adjusted inflation forecast rose to 3.5 percent from 3.4 percent in the previous meeting. The risk-adjusted forecast for 2026 is unchanged at 3.7 percent. Inflation expectations remain within the target range.

The risks to the inflation outlook have become broadly balanced for 2025 and 2026. Nonetheless, upside pressures are seen to come from the utilities sector. The impact of lower import tariffs on rice remains the main downside risk to inflation.

The Monetary Board noted that domestic growth prospects continue to be firm. However, uncertainty over global economic policies and their impact on the domestic economy has increased significantly.

On balance, uncertainty about the outlook for inflation and growth warrant keeping monetary policy settings steady. Before deciding on the timing and magnitude of further reductions in the policy interest rate, the Monetary Board deems it prudent to await further assessments of the impact of global policy uncertainty and the potential effects of the actual policies.

Looking ahead, the BSP anticipates continuing its measured shift to less restrictive monetary policy settings, even as previous policy adjustments further work their way through the economy. The BSP will remain data-dependent in ensuring price stability conducive to sustainable economic growth and employment.

Sell-Side Analyst Views

ANZ (cut) : “We expect the Bangko Sentral Pilipinas (BSP) to lower its policy rate by 25bp to 5.50% at its upcoming monetary policy meeting (Thursday 10 April at 15:00 SGT). Inflation in the Philippines has remained close to the lower bound of its official 2.0% to 4.0% target range in 2025 and the near-term inflation outlook remains benign. Alternatively, GDP data showed a persistent weakness in private consumption and investment growth. Furthermore, the BSP highlighted global trade policy uncertainty as a key concern at its previous meeting. The US has now announced a relatively low reciprocal tariff of 17% on the Philippines. Given that there is room for further negotiations on this tariff, we don't think it will deter the BSP from cutting the policy rate. We maintain our forecast of a cumulative 50bp of cuts in 2025.”

BNY (cut) : “The BSP is expected to cut 25bp to 5.50%. However, the central bank is expected to maintain a cautious approach due to global and domestic uncertainties that could fuel inflation, stressing the need for prudence given economic instability, particularly regarding growth and financial stability. The BSP has previously reduced rates by 75bp but paused in February due to external policy uncertainties. The projected balance of payments deficit for the Philippines, coupled with a widening current account deficit, and the interconnected trade relationships with Indonesia hit, with tariffs of 32%, could limit PHP gains, potentially driving inflation higher. This justifies the cautious stance to mitigate these risks and stabilize the economy at future meetings.”

GS (cut) “Bangko Sentral ng Pilipinas meeting (April 10): We expect the Bangko Sentral ng Pilipinas (BSP) to cut the policy rate by 25bp to 5.50% at the April meeting (Bloomberg consensus: 5.50%). Headline CPI inflation fell further in March to below the BSP's inflation target band of 2-4%, largely owing to lower rice inflation. We expect Philippine CPI inflation to remain subdued this year as global commodity prices are likely to remain soft. Meanwhile, the outlook for growth has dimmed given the more aggressive-than-expected US tariff measures. While the direct impact on the Philippines is likely to be limited, a slower global economy could weigh on the Philippines' real GDP growth. We have recently trimmed our forecast of Philippines' real GDP growth to 5.7% in 2025. As the balance of risk shifts from inflation to growth, we expect the BSP to resume its monetary policy easing cycle in April.”

HSBC (cut) “inflation has largely surprised on the downside, with room to ease even further on the back of lower rice prices US tariffs on the Philippines were relatively benign vs the tariffs imposed on the country's ASEAN peers Due to better domestic and external conditions, we expect the BSP to cut policy rates by 25bp next week”

ING (cut) : “Ideal conditions for rate cut in the Philippines as inflation falls below target March's below-target CPI inflation and the global growth uncertainty caused by US tariffs strengthen our expectation of a rate cut by the Bangko Sentral ng Pilipinas (BSP) in next week's policy review. This view is further supported by a stable local currency and high policy rates”

OCBC (cut) : “According to the Bloomberg survey (05 Apr), the majority of economists polled (12 of 14) expects the BSP to cut its overnight borrowing rate by 25-bps to 5.50% while 6 of the 7 economists polled also expect the BSP standing overnight deposit rate to be cut by 25-bps to 5.00%. In comparison, our economist Jasmine Lok, expects the BSP to continue with a prudent pause on 10 Apr while further assessing the real impact of the US 18% reciprocal tariffs on the Philippine trade and economy as well as the secondary effects from global trade and investment linkages. That said, the possibility of an interest rate cut on Thu cannot be fully ruled out should the central bank shift its focus to domestic growth momentum due to heightened external risks with contained inflation expectations.”

UOB (cut) : “The BSP is expected to lower rates by 25bp this week to backstop domestic growth, amidst a challenging global outlook. Inflation in March was well within the target range. The Philippine government meanwhile downplayed risks to exports citing the comparatively lower 17% reciprocal tariff on Philippines, vs most regional peers. Electronic exports that form bulk of the shipments are likely to be impacted, apart from apparel, footwear and textile products. The country aims to push for higher farm exports to the US, seeking to displace countries in the region which have higher rates.”

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