MNI Central Bank – August 2025
Bangko Sentral ng Pilipinas ("BSP")

Meeting Date: Thursday August 28, 2025.

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

Link To Prior Statement:
https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7556

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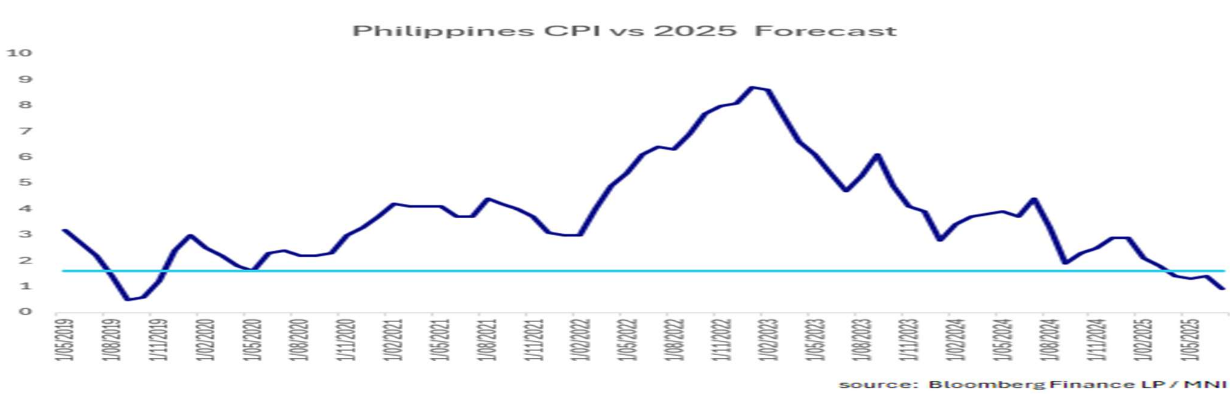
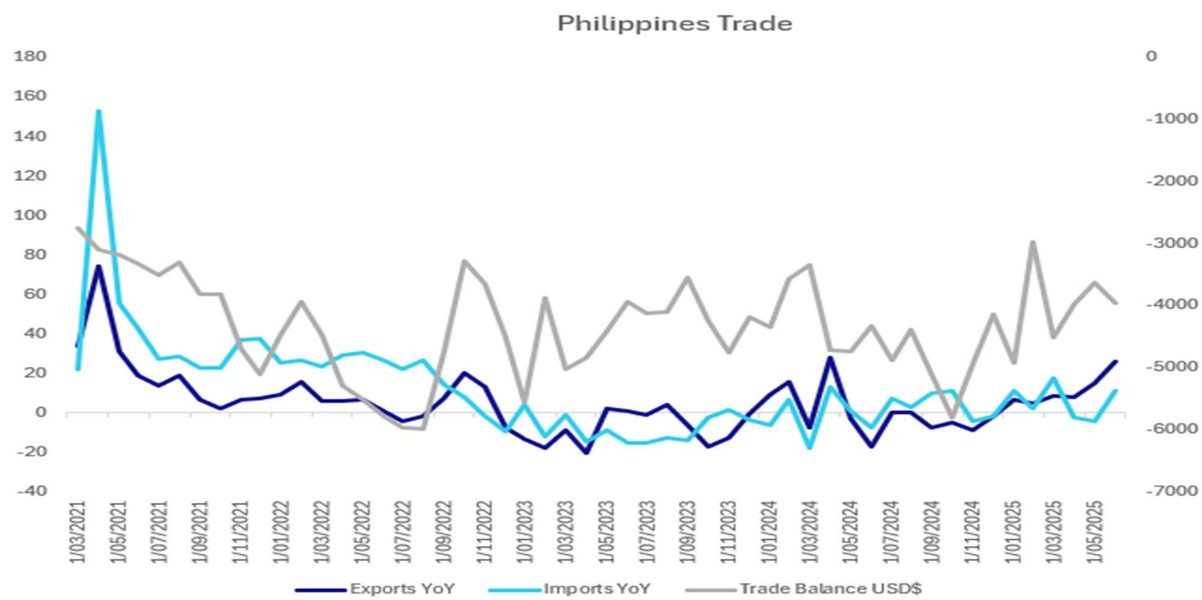
MNI POV (Point Of View): BSP to Cut Further on Slowing Inflation

At the June monetary policy meeting the Monetary Policy Board highlighted the moderation in inflation as a key driver for the decision to cut rates. The Central Bank's revised projection shows average inflation at +1.6 percent in 2025, +3.4 percent in 2026, and +3.3 percent in 2027. Inflation is expected to remain below the +2.0–4.0 percent target range until Q4 2025. In 2026, inflation is projected to rise, primarily due to higher electricity rates and base effects. Since the June meeting the July CPI YoY release fell more than expected. At +0.9% YoY, it was lower than the market forecast of +1.1%, significantly lower than the June result of +1.4% and the lowest print in more than 5-years. This has become a cause for concern for market observers who are suggesting that there is an element of urgency for further rate cuts.



The Monetary Policy Committee highlighted the uncertainty created from the US trade war and at the time of the last meeting, it was not known what tariffs would be levied. Since then, the US announced a reduction of the tariff rate on Philippine goods from 20 percent to 19 percent following negotiations. Under the agreement U.S exports will be tariff free whilst Philippine exports to the US will incur the tariff. The government suggested that the agreed deal was better than the alternative, framing it to the country as a necessary compromise.

Despite the tariff threat looming over the Philippines since April, exports haven't seen a month of contraction like many of their regional peers. June's export result was the strongest in some time, expanding +26.1% and the current forecast for July (released this Friday) is +10.7%. Imports have been less stable contracting in April and May before rebounding in June by +10.8. The forecast for the July release is +1.0%.



source: Bloomberg Finance LP / MNI

The Monetary Policy Committee spoke of their concern as to rising oil prices in June which was the near term high for WTI. WTI has declined from the 18th June high of US$75.14 bbl to today's price of $64.50, a decline of 14%. Whilst beneficial to the economy, it comes at time when the decline in inflation is gathering momentum.

Market consensus is for a cut this week, with 24 of 24 respondents on the BBG survey forecasting a 25bps reduction. We move with consensus and expect the BSP to cut by 25bps at their next meeting on Thursday given the current outlook for inflation.

Monetary Board reduces Target RRP Rate by 25 basis points

19 June 2025

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 5.25 percent. The interest rates on the overnight deposit and lending facilities were adjusted to 4.75 percent and 5.75 percent, respectively.

The Monetary Board took this action as the outlook for inflation moderated. The inflation forecast for 2025 fell from 2.4 percent to 1.6 percent. Meanwhile, forecasts for 2026 rose marginally from 3.3 percent to 3.4 percent and for 2027 from 3.2 percent to 3.3 percent. Inflation expectations remained well anchored.

The Monetary Board also noted indications of a deceleration in global economic activity, driven primarily by uncertainty over US trade policy and the conflict in the Middle East. This would lead to slower growth in the Philippines. A rise in oil prices, electricity rate adjustments, and higher rice tariffs, would add to inflationary pressures.

On balance, the Monetary Board sees the need for a more accommodative monetary policy stance. Emerging risks to inflation from rising geopolitical tensions and external policy uncertainty require closer monitoring. The Monetary Board will also continue to assess the impact of prior monetary policy adjustments.

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 (cut): “We expect the BSP to lower its policy rate by 25bp to 5.00% at its upcoming policy meeting (Thursday 28 August at 15:00 SGT) as prevailing conditions call for further easing in monetary policy. With rapidly falling inflation, the real policy rate has hovered near a 10-year high despite the BSP lowering the policy rate by 125bp in the current cycle. We expect headline inflation to remain below the BSP’s official target range in the near term, driven by significantly lower rice prices and subdued global commodity prices. On the growth front, external headwinds are intensifying. We expect softening global demand and the implementation of US tariffs to weigh on exports and investment activity in the coming months. These factors, combined with a benign inflation outlook, provide the BSP with room to further recalibrate its policy settings to support domestic demand. In line with recent forward guidance, we think the BSP will deliver two additional 25bp rate cuts before year- end, bringing the terminal policy rate to 4.75%”

DBS (cut): “The Philippine central bank, BSP, is expected to lower the benchmark rate by 25bp to 5%. Despite stronger-than-expected growth in 2Q25, Governor Remolona maintained his dovish guidance in recent comments. Inflation remains on a firm downward trajectory, slowing to 0.9% yoy in July, leaving a significant real rate buffer of over 400bp. Beyond the cut in August, we expect one more reduction in 4Q25, as policymakers tap a period of soft inflation to take a more growth supportive stance. Year-to-date, the peso is marginally stronger than the dollar, keeping a cap on imported pressures, helped also by benign crude prices. “

MUFG (cut) : “The BSP cut rates by 25bps in its policy meeting on 19 June as we and the market anticipated, bringing the policy rate to 5.25%. Nonetheless, this policy meeting was happening in the broader context of the Israel-Iran conflict, with the key market development being the rise in oil to US$77/bbl at the time of writing, from a trough of US$60/bbl earlier this year. From a policy rate perspective, we think that the BSP continues to be biased towards rate cuts at current oil price levels.”

Scotiabank (cut) “BSP Very Likely to Cut. Bangko Sentral ng Pilipinas is expected to cut by 25bps to a new overnight borrowing rate of 5% on Thursday. At its last decision on June 19th when it cut by 25bps, the Board emphasized “the need for a more accommodative monetary policy stance.” Since then, headline inflation has fallen from 1.3% to under 1%, providing cover for Governor Remolona to deliver on his “quite likely” guidance for a rate cut this time and one more in 2025.”

UOB (cut) : “Philippine Central Bank (BSP) (28 Aug, 3pm SGT). According to the Bloomberg survey (as of 22 Aug), all four economists polled expect the BSP to cut the overnight reverse repurchase rate for the third straight meeting by 25bps to 5.00%. Our economist, Jasrine Loke, also expects the 25-bps cut, as the latest downbeat inflation outturns and a moderate economic growth outlook provide additional policy space for the central bank to ease further.”