

MNI Central Bank – June 2025

Bangko Sentral ng Pilipinas (“BSP”)

Meeting Date: Thursday June 19, 2025.

Announcement Time: 08:00 GMT/15:00 Manila

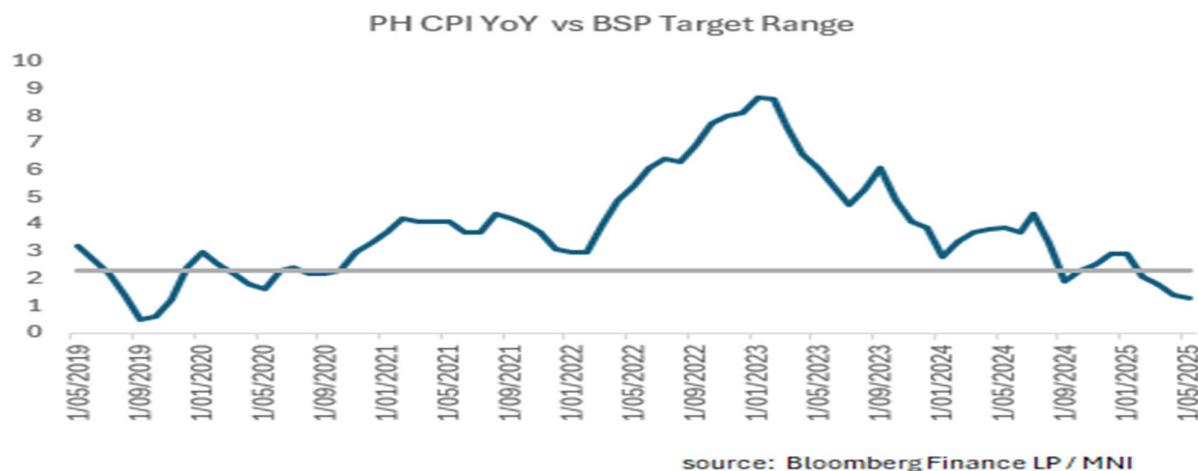
Link To Prior Statement: <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7480>

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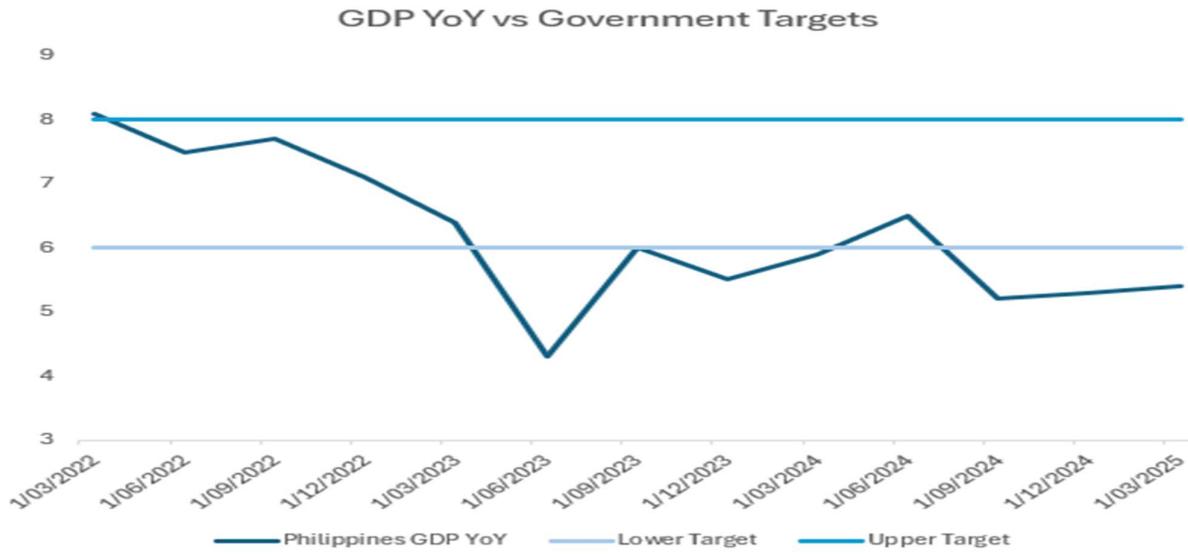
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MNI POV (Point Of View): Back to Back for the BSP

At the Bangko Sentral ng Pilipinas (“BSP”) meeting on monetary policy meeting in April the decision to cut was driven by the outlook on inflation. Their inflation forecasts for 2025 had declined from the forecasts of the February policy meeting. The BSP’s risk-adjusted inflation forecast for 2025 fell from 3.5 percent to 2.3 percent, while the forecast for 2026 declined from 3.7 percent to 3.3 percent. Meanwhile, the risk-adjusted inflation forecast for 2027 stands at 3.2 percent. This single point inflation forecast moves away from the prior range used by the BSP. Since the last meeting April and May data releases were consistent with these forecasts as moderation continues. The year-on-year number moderated and the month-on-month number is negative. May’s year on year release of +1.3% was the lowest in over 5-years and the month-on-month figure was the fourth consecutive negative print.



With the inflation profile as it is, unsurprisingly the GDP outlook is softening and currently sits below the government target. The Philippine Government has set a target of 6 to 8 per cent annual growth from 2025 to 2028, supported by continued infrastructure investments, an enhanced business environment and increased national competitiveness. The Philippine economy posted 5.4% year-on-year growth in Gross Domestic Product (GDP) for the first quarter of 2025, bringing the total GDP level to P5. 477 trillion in real value. This growth rate is lower than the 5.9% recorded in the same reporting period in 2024.



Source: Bloomberg Finance LP / MNI

Exports seemed to have weathered the trade war / tariff shock up until April, with the risk being that the soon to be released May numbers could be volatile. The April export growth of +7.0% exceeded market estimates of +1% with manufactured goods supporting the result yet likely indicative of rushing orders to get out ahead of tariffs. Other sectors within the export data were extremely volatile.

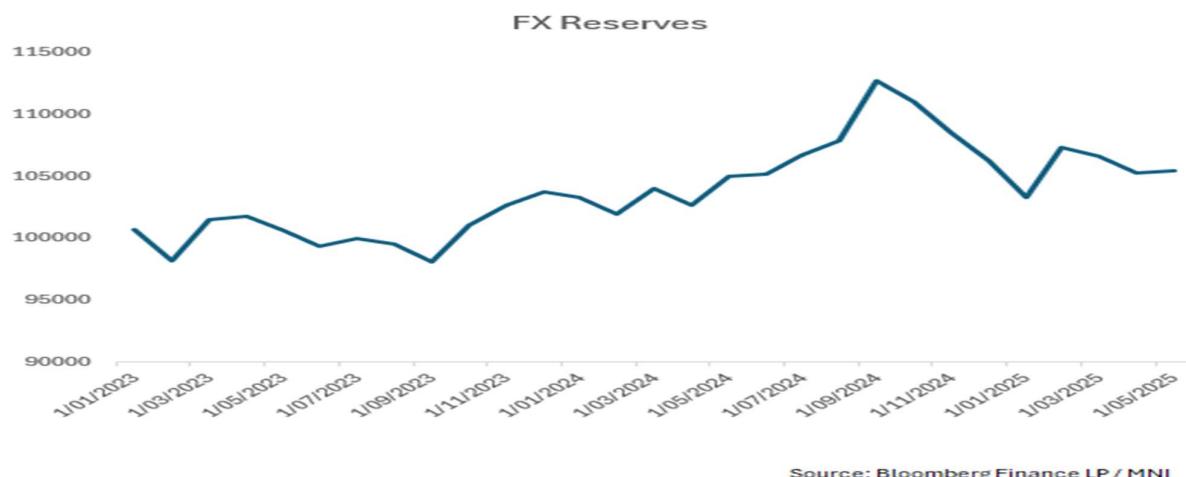


Source: Bloomberg Finance LP / MNI

More pressing, and a likely driver to the rate cutting decision at the last month was the decline in imports. April saw a significant contraction in imports of -7.2%, from the huge expansion of +17.8% the month prior. Whilst traditionally volatile and seasonal, the import data as a proxy for the domestic consumer will be watched carefully in setting monetary policy.



The Peso remains a laggard relative to its regional peers. Whilst most regional peers have experienced a strong period over the last 1 and 3 months, the Peso's rally has lagged. The Peso is the worst regional performer over the last month, down -1.8% with peers such as the Thai Baht up +1.6% and Rupiah +.88%. Over 3-months the Peso has gained +0.95% whilst the Thai Baht has gained +3.00% and the Indonesian Rupiah +0.70%. FX Reserves suffered a significant drawdown in late 2024 on intervention however in recent months have showed signs of stabilisation.



Market consensus is strongly in favour of a back-to-back cuts by the BSP. Of the 30 estimates on Bloomberg only one is suggesting no change, with all others forecasting a reduction in the BSP Overnight Borrowing rate by 25bps to 5.25%. Market consensus also suggests that the BSP Standing Overnight Deposit Facility rate will be lowered by 25bps to 4.75%.

We see no obstacle to a rate cut and expect a reduction in the Overnight and Deposit Facility Rates by 25bps.

Monetary Board Maintains Target RRP Rate

April 10, 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 5.50 percent. The interest rates on the overnight deposit and lending facilities were accordingly adjusted to 5.0 percent and 6.0 percent, respectively.

The latest inflation forecasts have declined from the forecasts of the February policy meeting. The risk-adjusted inflation forecast for 2025 fell from 3.5 percent to 2.3 percent, while the forecast for 2026 declined from 3.7 percent to 3.3 percent. Meanwhile, the risk-adjusted inflation forecast for 2027 stands at 3.2 percent. Inflation expectations also remain within target.

The risks to the inflation outlook have also eased and continue to be broadly balanced from 2025 to 2027. Upside pressures come from possible increases in transport charges, meat prices, and utility rates. Meanwhile, downside risks are linked to the continuing effects of lower tariffs on rice imports and the expected impact of weaker global demand.

The Monetary Board noted the more challenging external environment, which would dampen global GDP growth and pose a downside risk to domestic economic activity.

On balance, the more manageable inflation outlook and the risks to growth allow for a shift toward a more accommodative monetary policy stance.

Looking ahead, the BSP will continue to take a measured approach in deciding on further monetary easing. The BSP will remain data-dependent in its pursuit of price stability conducive to sustainable economic growth and employment.

Sell-Side Analyst Views

Bank of New York (cut) “ We see the Bangko Sentral ng Pilipinas (BSP) delivering a back-to-back rate cut by 25bp to 4.75% at the June meeting, prompted by the lower inflation trajectory. We expect BSP to maintain a dovish stance and continue to take a measured approach in deciding on further monetary easing. Beyond the June meeting, we see room for another 50bp rate cut in H2 2025, depending on domestic growth recovery and continuing inflation, where a sustained backup of crude oil and food prices might reverse the current downward trend in inflation.”

DBS (cut) : “Bangko Sentral ng Pilipinas (BSP) (June 19): BSP is expected to lower rates by 25bp this week to 5.25%. With inflation rising by the slowest pace in six years of 1.3% yoy in May, real rate buffer is significant. Add to this, incoming activity-based indicators have been mixed besides the overhang of global uncertainties. This is likely to strengthen the case to lower rates further this quarter, followed up by another likely rate cut in 3Q, which will take the terminal rate to 5% this year.”

Goldman Sachs (cut) : “Bangko Sentral ng Pilipinas meeting (June 19): We expect the Bangko Sentral ng Pilipinas (BSP) to cut the policy rate by 25bp to 5.25% at the June meeting (Bloomberg consensus: 5.25%). Headline CPI inflation has fallen below the lower band of the BSP's inflation target range of 2-4% in the past three months and is likely to remain soft in the coming months, given lower global commodity prices, a stronger PHP, and an indefinite delay in domestic transportation fare hikes. Meanwhile, high global trade uncertainty is likely to weigh on domestic investment, resulting in softer growth relative to last year. With room to ease the policy rate, low inflation, and headwinds to growth, we expect the BSP to lower its policy rate at its meeting next week.”

JPMorgan (cut) : “Ongoing disinflation reinforces our dovish rates outlook; continue to expect another 75bp of cuts by year end: Besides food and energy prices, broader inflationary pressures as proxied by core CPI also remain benign and supportive of policy rate cuts. Indeed, with headline inflation now below 1.5%, the real policy rate now stands at an elevated 4% and we expect it to rise to 4.5% in the coming months as inflation declines further. Even deflated by core inflation, real rates stand above 3% in an environment of clear and potentially serious downside growth risks and below-target inflation (Figure 5). This reinforces our conviction that the BSP will deliver a steady stream of 25bp rate cuts at each of its three meetings through October (June, August, October) to take the policy rate to 4.75%.”

UOB (cut) “Philippine Central Bank (BSP, 19 Jun, 3pm SGT) – According to the Bloomberg poll (as of 13 Jun), all 6 analysts surveyed, expect BSP to cut the overnight reverse repurchase (RRP) rate by another 25bps to 5.25% (from the current 5.5%). Our economist, Jasrine Loke, also expects a 25-bps cut in this meeting, backed by the May's low inflation outturn while higher positive real interest rates, which are at almost 10-year high, also give the central bank plenty of room to ease. “

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