

# Bangko Sentral ng Pilipinas Rate Decision

Maintains 6.50% policy rate amid inflation risks

- The Monetary Board of Bangko Sentral ng Pilipinas (BSP) in its second Monetary Board meeting for the year retained its Target Reverse Repurchase (RRP) rate at 6.50%. It was within expectations

- The interest rates on overnight deposit and lending facilities were also kept at 6.00% and 7.00%, respectively.
- **BSP statement:** "The Monetary Board deems it appropriate to maintain the BSP's tight monetary policy settings." BSP also repeat, "BSP remains ready to adjust monetary policy settings as necessary, in keeping with its primary mandate to safeguard price stability."

- **Upside risk on the inflation outlook persists, while domestic growth trajectory is expected to remain intact**

- **GDP:** BSP expects domestic growth momentum to remain intact over the medium term as reflected by the latest demand indicators though overall activity continues to gradually respond to tighter financial conditions.
- **Inflation:** Risk-adjusted inflation forecast for 2024 edged up to 4.0% from 3.9% previously, indicating that the inflation outlook is now expected to reach the upper end of the government's target range of 2.0% - 4.0%. However, BSP keeps its estimate for 2025 unchanged at 3.5%. The upside risks to inflation are mainly attributable to several factors: higher transport charges, elevated food prices, higher electricity rates, and global oil prices. It also added that "potential minimum wage adjustments could also give rise to second-round effects." Though upside risks linger, the inflation outlook seems balanced as BSP stated that "expectations have remained broadly anchored".
- **Currency:** As of April 5, most regional currencies depreciated against the US Dollar compared to the end of 2023. The peso fell by 2.1% to 56.59, but this is relatively lower than the depreciation in other regional peers, such as baht (-4.6%), ringgit (-3.3%) and rupiah (-3.1%).

- **BSP might maintain the current policy setting for an extended period, depending on shifts in US Fed policy**

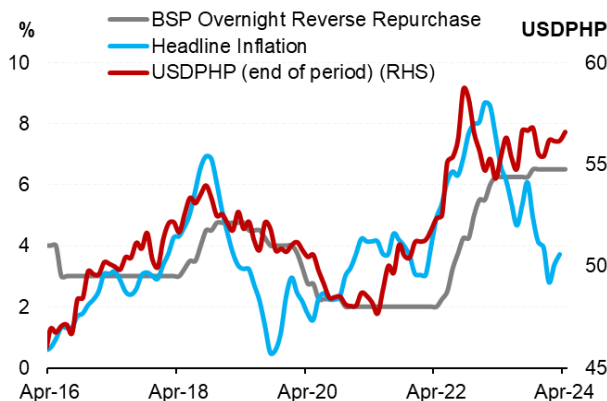
- We maintain our view that the central bank is expected to keep its policy rate unchanged in the 1H24. This outlook is based on the inflation risk leaning towards the upside and a weaker peso, due to a stronger US dollar, potentially complicating policy easing. However, we still believe there is ample room for BSP to cut interest rates in a bid to boost economic growth, given that the current restrictive monetary policy stance which is at a 16-year would inevitably impact consumer spending, subsequently reducing growth potential. Nevertheless, BSP might wait for a US Fed policy shift due to the peso hitting a five-month low.
- USDPHP year-end forecast (54.4; 2023: 55.4): For now, we maintain our year-end forecast given the uncertainty over the US Fed policy direction. Our current assumption is mainly based on the expectation of a policy shift by the US Fed as we expect rate cuts to be implemented in the 2H24, while China's gradual economic recovery is expected to lend some support.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
0.00 - 0.10% (+0.10%)	Japan	Overnight Call Rate	Mar-24
4.35% (+0.25%)	Australia	Cash Rate	Nov-23
6.50% (+0.25%)	Philippines	Target Reverse Repurchase	Oct-23
6.00% (+0.25%)	Indonesia	7-Day Reverse Repo Rate	Oct-23
2.50% (+0.25%)	Thailand	Repo Rate	Sep-23
4.50% (+0.25%)	Euro Area	Fixed Rate	Sep-23
5.25% (+0.25%)	UK	Base Rate	Aug-23
3.45% (-0.10%)	China	Loan Prime Rate (1Y)	Aug-23
5.25% - 5.50% (+0.25%)	USA	Funds Rate Target	Jul-23
5.50% (+0.25%)	New Zealand	Official Cash Rate	May-23
3.00% (+0.25%)	Malaysia	Overnight Policy Rate	May-23
1.875% (+0.125%)	Taiwan	Discount Rate	Mar-23
3.50% (+0.25%)	South Korea	Base Rate	Jan-23

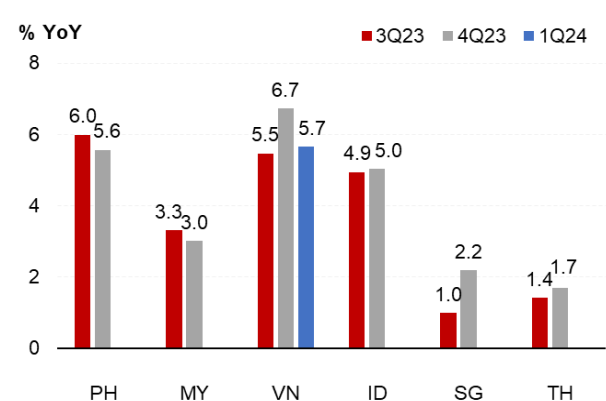
Source: Bloomberg, Kenanga Research

Graph 1: Inflation and Policy Rate trend



Source: Macrobond, Kenanga Research

Graph 2: ASEAN-5 (+VN) GDP Growth



Source: Macrobond, Kenanga Research

09 April 2024

**Table 2: BSP Monetary Policy Meeting Schedule for 2024/ KIBB Outlook**

No.	Date		KIBB Research Outlook	BSP Decision
1st	15 February (Thu)	<input checked="" type="checkbox"/>	No change	No change
2nd	8 April (Mon)	<input checked="" type="checkbox"/>	No change	No change
3rd	16 May (Thu)	<input type="checkbox"/>	No change	
4th	27 June (Thu)	<input type="checkbox"/>	No change	
5th	15 August (Thu)	<input type="checkbox"/>	25 bps cut	
6th	17 October (Thu)	<input type="checkbox"/>	25 bps cut	
7th	19 December (Thu)	<input type="checkbox"/>	25 bps cut	

Source: Bangko Sentral ng Pilipinas, Kenanga Research

**For further information, please contact:**

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

**Nurul Hanees Hairulkama**  
Economist  
[nurulhanees@kenanga.com.my](mailto:nurulhanees@kenanga.com.my)

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)