

# Bangko Sentral ng Pilipinas Rate Decision

Cuts policy rate to 4.25% as growth persist, April easing still in play

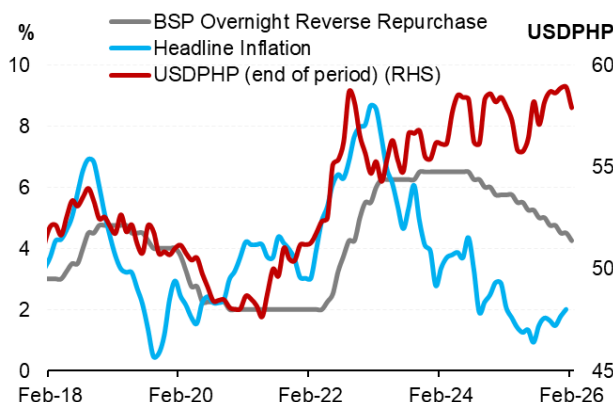
- The Monetary Board of Bangko Sentral ng Pilipinas (BSP) cut its Target Reverse Repurchase (RRP) rate by 25 basis points (bps) to 4.25%, at its first meeting of the year, in line with expectations**
  - The overnight deposits and lending facility rates were also lowered to 3.75% and 4.75%, respectively.
  - BSP statement:** “The Monetary Board will continue to be vigilant and guided by incoming information, specifically data on inflation.” It underscored that the BSP will ensure “overall policy settings remain in line with our pursuit of price stability conducive to sustainable growth and employment.” The tone signals a shift toward data-dependence. While the Board remains open to further easing, it is no longer pre-committing to additional cuts, reducing visibility on the easing path.
- Policy rationale: Weaker consumer sentiment drags GDP, while inflation gradually climbs**
  - Inflation:** The Board noted that “the outlook for inflation remains manageable” but acknowledged that inflation forecasts for 2026 have “risen slightly... due mainly to supply-side pressures, which are likely to be temporary.” Despite this, the Board emphasized that “inflation expectations remain firmly anchored,” with inflation projected to return “close to the 3.0% target by 2027.”
  - GDP Growth:** The Board highlighted that “economic growth has undershot the BSP’s expectations due to weaker domestic demand.” While it sees potential for a rebound later this year, it cautioned that “growth will depend largely on how quickly confidence recovers.”
  - Currency:** The Peso has strengthened by 1.6% YTD to 57.9 (as of 18 February), trailing the Ringgit (+3.9%) but outperforming the Baht (+1.0%), and Rupiah (-1.3%).
- Growth concerns support the case for an additional rate cut, but rising inflation risks may limit easing bias**
  - Rate outlook:** While the Board’s tone has turned less dovish, we still see room for BSP to deliver another 25 bps cut in April, with a 50% probability. Growth risks remain elevated, while inflation pressures, though rising, appear manageable. Confidence and investment sentiment have been dampened by alleged corruption in government projects. This weighed on GDP last quarter and could spill into early this year. The policy rate remains above both the pre-pandemic level of 4.0% and the estimated long-term neutral rate of 4.03%, suggesting room for modest easing.
  - FX Outlook - USDPHP year-end forecast (58.5; 2025: 58.9):** The Peso is likely to stay soft near term, given BSP’s easing bias to support growth. Rising domestic risks, such as weaker investment sentiment and political noise may cap gains, though we expect gradual strengthening towards year-end.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
4.25% (-0.25%)	Philippines	Target Reverse Repurchase	Feb-26
3.85% (+0.25%)	Australia	Cash Rate	Feb-26
0.75% (+0.25%)	Japan	Overnight Call Rate	Dec-25
3.75% (-0.25%)	UK	Base Rate	De-25
1.25% (-0.25%)	Thailand	Repo Rate	Dec-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.50%)	New Zealand	Official Cash Rate	Nov-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
4.75% (-0.25%)	Indonesia	BI Rate	Sep-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-25
2.00% (-0.25%)	Euro Area	Key Deposit Facility Rate	Jun-25
2.50% (-0.25%)	South Korea	Base Rate	May-25
3.00% (-0.10%)	China	Loan Prime Rate (1Y)	May-25

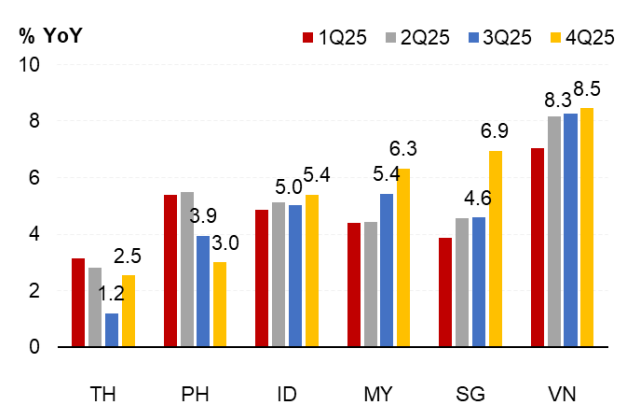
Source: Bloomberg, Kenanga Research

Graph 1: Inflation and Policy Rate trend



Source: Macrobond, Kenanga Research

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



Source: Macrobond, Kenanga Research

20 February 2026

**Table 2: BSP Monetary Policy Meeting Schedule for 2026/ KIBB Outlook**

No.	Date		KIBB Research Outlook	BSP Decision
1st	19 February (Thu)	<input checked="" type="checkbox"/>	25 bps cut	25 bps cut
2nd	23 April (Thu)	<input type="checkbox"/>	50% probability of 25 bps cut	
3rd	18 Jun (Thu)	<input type="checkbox"/>	No change	
4th	27 Aug (Thu)	<input type="checkbox"/>	No change	
5th	22 October (Thu)	<input type="checkbox"/>	No change	
7th	17 December (Thu)	<input type="checkbox"/>	No change	

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)

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**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)