

Bangko Sentral ng Pilipinas Rate Decision

Surprise 25bps pre-emptive hike signals a higher-for-longer rate path

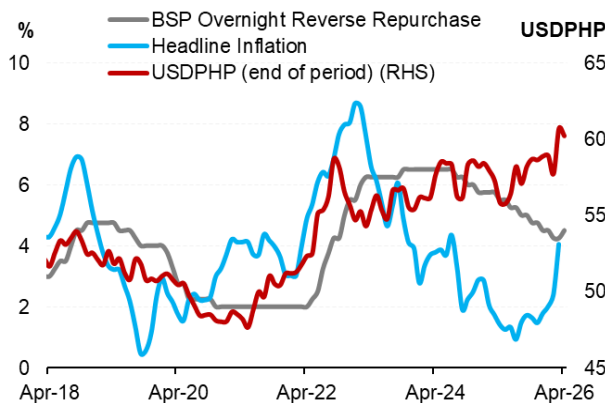
- The Monetary Board of Bangko Sentral ng Pilipinas (BSP) raised its Target Reverse Repurchase (RRP) rate by 25 basis points (bps) to 4.50%, against market expectations**
 - The overnight deposit and lending facility rates were also raised to 4.00% and 5.00%, respectively.
 - BSP statement:** The Board noted that “the inflation outlook has deteriorated,” citing rising global oil and fertiliser prices linked to the Middle East conflict, alongside a continued uptrend in core inflation. The decision marks a clear shift to pre-emptive tightening. The BSP also stressed that it “stands ready to take all necessary monetary actions,” reinforcing its commitment to anchoring inflation expectations and containing second-round effects.
- Policy rationale: Inflation risks now dominate, outweighing near-term growth concerns**
 - Inflation:** BSP projections now point to a higher inflation path, with average headline inflation expected to breach the 4.0% upper tolerance band in 2026 and 2027. The rise in core inflation also signals broadening price pressures beyond food and energy. The Board flagged that inflation expectations have risen further, increasing the risk of de-anchoring.
 - GDP Growth:** While the BSP acknowledged that tighter policy could weigh on economic activity, it assessed that a “measured increase” in rates would still support economic recovery over the medium term. The Board views price stability risks as more pressing than near-term growth, particularly given the risk of entrenching inflation over an extended period.
 - Currency:** The Peso has weakened 2.3% YTD to 60.21 (as of 22 April), faring slightly better than the Baht (-2.4%) and Rupiah (-3.2%), while the Ringgit (+2.6%) has outperformed the region.
- Tightening bias has increased amid elevated oil prices**
 - Rate outlook:** We view the latest rate hike as unnecessary given the limited effectiveness of monetary policy against supply shocks. That said, risks are now skewed toward rates staying elevated or tightening further should inflation expectations fail to stabilise, particularly if the Middle East conflict drags on. The BSP has clearly prioritised inflation control over short-term growth.
 - FX Outlook - USDPHP year-end forecast (58.5; 2025: 58.9):** With the BSP back in tightening mode, the Peso should find firmer footing. Global risk sentiment and higher oil prices will continue to drive near-term volatility, but higher rates and a more hawkish policy stance reduce downside risks for Peso. Hence, we maintain our view of a gradual appreciation into year-end, barring a sharp escalation in geopolitical tensions.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
4.50% (+0.25%)	Philippines	Target Reverse Repurchase	Feb-26
4.10% (+0.25%)	Australia	Cash Rate	Mar-26
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
0.75% (+0.25%)	Japan	Overnight Call Rate	Dec-25
3.75% (-0.25%)	UK	Base Rate	Dec-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.25%)	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

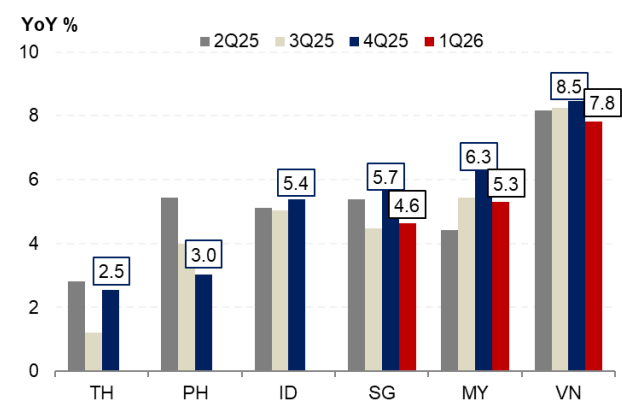
Source: Bloomberg, Kenanga Research

Graph 1: Inflation and Policy Rate trend



Source: Macrobond, Kenanga Research

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



Source: Macrobond, Kenanga Research

24 April 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	26 March (Thu) – Off-cycle meeting	<input checked="" type="checkbox"/>	No change	No change
3rd	23 April (Thu)	<input checked="" type="checkbox"/>	No change	25 bps hike
4th	18 Jun (Thu)	<input type="checkbox"/>	50% probability of 25 bps hike	
5th	27 Aug (Thu)	<input type="checkbox"/>	No change	
6th	22 October (Thu)	<input type="checkbox"/>	No change	
7th	17 December (Thu)	<input type="checkbox"/>	No change	

Source: Bangko Sentral ng Pilipinas, Kenanga Research

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