

# Bangko Sentral ng Pilipinas Rate Decision (18 June)

Hike signals higher-for-longer as inflation risks broaden

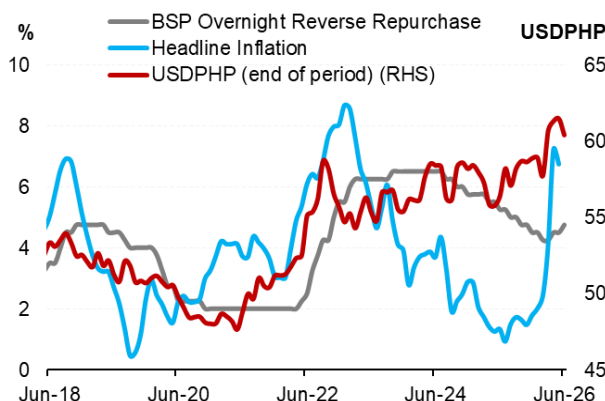
- The Monetary Board of Bangko Sentral ng Pilipinas (BSP) raised its Target Reverse Repurchase (RRP) rate by 25 basis points (bps) to 4.75%, in line with house and market expectations**
  - The overnight deposit and lending facility rates were also raised to 4.25% and 5.25%, respectively.
  - BSP statement:** The Board highlighted that “global oil and fertiliser prices remain elevated,” and continue to pass through to domestic fuel and food prices. Meanwhile, “rising core inflation” points to broadening price pressures and emerging second-round effects, including higher inflation expectations. This suggests a firmer stance compared to the previous statement, with the latest tightening seen as “warranted” rather than “pre-emptive” previously. The BSP also signalled continued vigilance, noting it is “prepared to take further monetary action as needed” to ensure inflation returns to the 3.0% target.
- Policy rationale: Inflation risks remain dominant, with stronger concern over persistence**
  - Inflation:** BSP projections point to a more persistent inflation path. Headline inflation is expected to breach the 4.0% ceiling in 2026 and 2027, as well as to “settle slightly above the 3.0% target” in 2028. This largely as headline inflation remained elevated in May (6.8%; Apr: 7.2%) albeit moderating. Importantly, the BSP now acknowledges second-round effects, with “rising core inflation” and “higher inflation expectations” reinforcing concerns that price pressures are becoming more entrenched over the medium term.
  - GDP Growth:** The BSP adopted a more balanced tone on growth, noting that “measured monetary policy action will also complement fiscal measures in supporting steady consumption and strengthening business sentiment.” This reflects greater confidence in economic resilience even as policy tightening continues.
  - Currency:** The Peso outlook remains supported by the prospect of continued tightening. Higher interest rates and a firmer policy stance should help support the currency, although global oil prices and risk sentiment will continue to drive near-term volatility. Notably, the Peso has weakened by 2.6% YTD to 60.4 (as of 17 June) against the USD, faring slightly better than the Baht (-3.4%) and Rupiah (-6.5%), but below Ringgit (-0.2%).
- Tightening bias remains firm amid persistent inflation pressures**
  - Rate outlook:** The shift in language from “pre-emptive policy action” previously to “monetary policy tightening is warranted” signals a more conviction-driven and reactive stance. With second-round effects now explicitly highlighted, the BSP is likely to keep rates elevated for longer with another hike potentially in August meeting.
  - FX Outlook - USDPHP year-end forecast (58.5; 2025: 58.9):** A continued tightening bias and easing geopolitical tensions following latest development in the US-Iran deal should support the Peso near term. Nonetheless, the Peso’s upside is likely to remain constrained given a hawkish bias from the US Fed. 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
5.75% (+0.25%)	Indonesia	BI Rate	Jun-26
4.75% (+0.25%)	Philippines	Target Reverse Repurchase	Jun-26
1.00% (+0.25%)	Japan	Overnight Call Rate	Jun-26
2.25% (+0.25%)	Euro Area	Key Deposit Facility Rate	Jun-26
4.35% (+0.25%)	Australia	Cash Rate	May-26
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
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
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-25
2.50% (-0.25%)	South Korea	Base Rate	May-25
3.00% (-0.10%)	China	Loan Prime Rate (1Y)	May-25

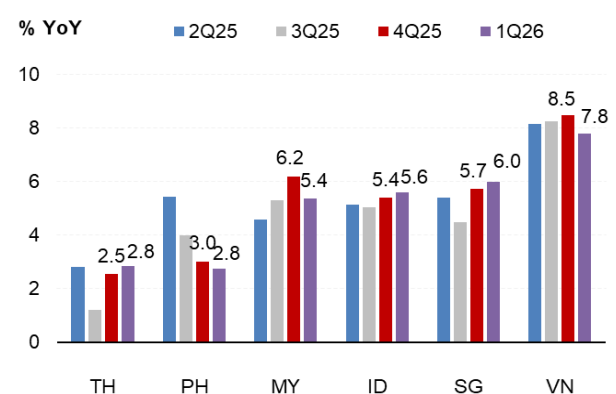
Source: Bloomberg, Kenanga Research

Graph 1: Inflation and Policy Rate trend



Source: Macrobond, Kenanga Research

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



Source: Macrobond, Kenanga Research

19 June 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 checked="" type="checkbox"/>	25 bps hike	25 bps hike
5th	27 Aug (Thu)	<input type="checkbox"/>	25 bps hike	
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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