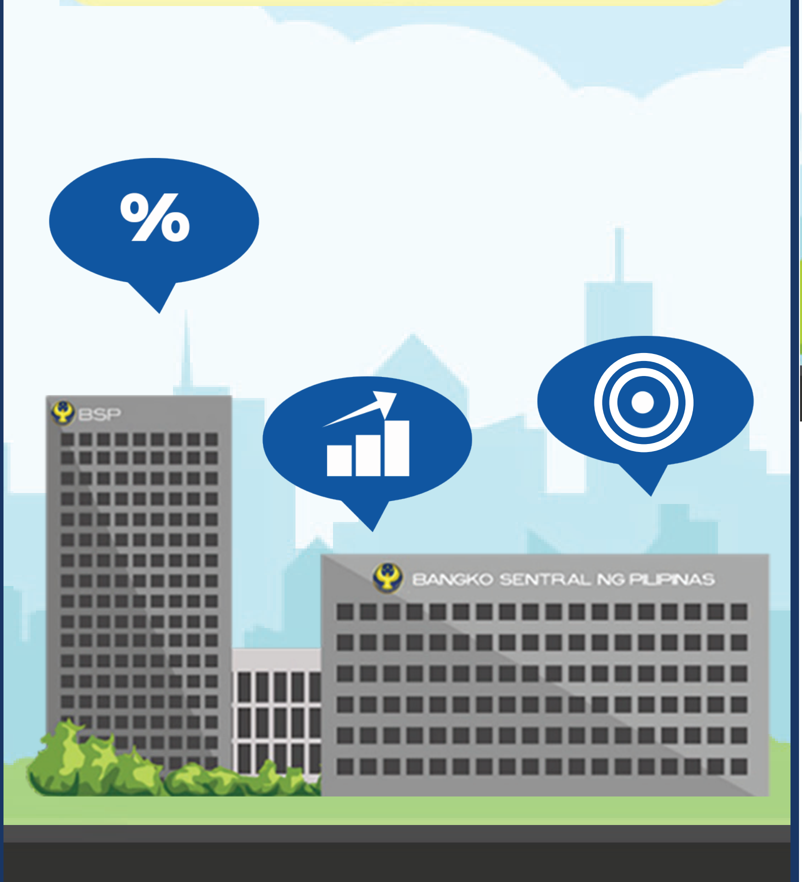
MONETARY POLICY REPORT

FEBRUARY 2023

Visual Summary

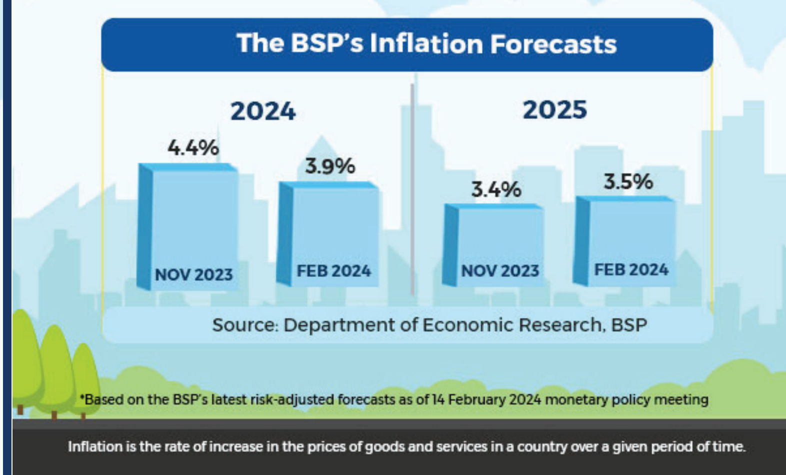
What is the BSP's latest monetary policy decision?

The BSP kept the target reverse repurchase rate at 6.5 percent in February 2024.



During its February 2024 monetary policy meeting, the Monetary Board decided to keep its target reverse repurchase rate at 6.50 percent, in consideration of the improvement in inflation conditions and prevailing risks.

The latest inflation forecasts are now lower for 2024 and relatively unchanged for 2025.*



The latest risk-adjusted inflation forecast for 2024 eased to 3.9 percent, within the BSP's inflation target range, from the 4.4 percent announced in November 2023 Monetary Policy Report (MPR).

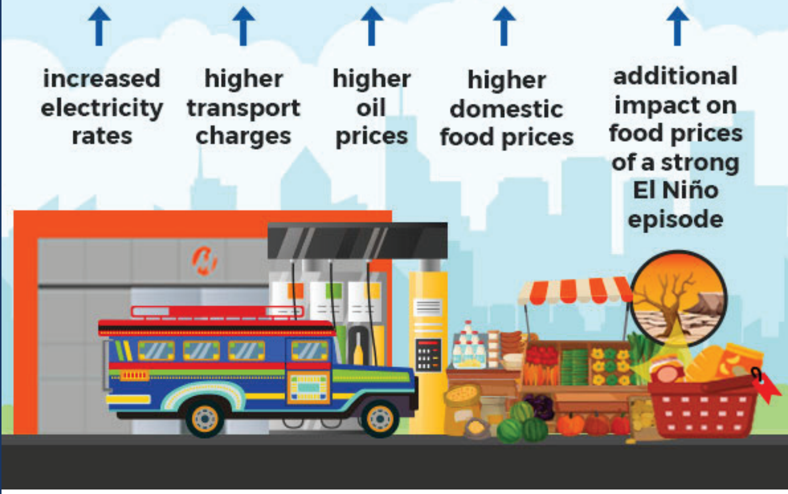
The estimated risks for 2024 have decreased due to the lower likelihood of transport fare adjustments; the more muted impact of higher global oil prices; and the timely extension of Executive Order No. 10.*

Meanwhile, the risk-adjusted inflation forecast for 2025 is relatively steady at 3.5 percent from 3.4 percent. This considers the latest outlook on electricity rates.

*Executive Order No. 10–Extending the Temporary Modification of Rates of Import Duty on Various Products Under Section 1611 of Republic Act No. 10863, Otherwise Known as the "Customs Modernizationand Tariff Act"

The risks to the inflation outlook have eased relative to the previous MPR round but continue to lean toward the upside.

Upside risks:
Factors that may cause inflation to exceed the BSP's forecasts

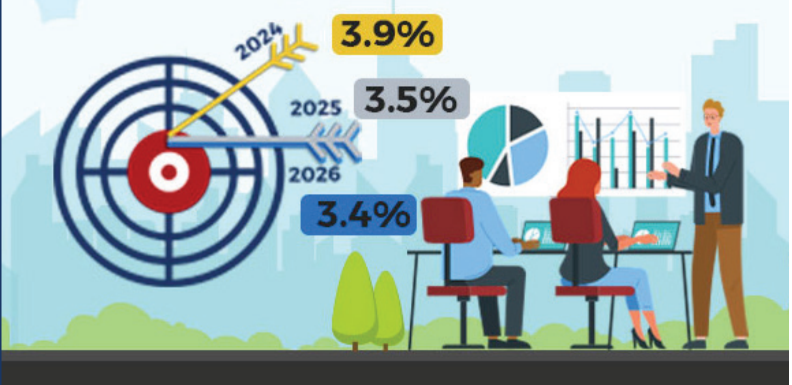


Factors that could cause inflation to exceed the latest forecasts include lingering pressures on transport charges, increased electricity rates, higher oil and domestic food prices, and the additional impact on food prices of a strong El Niño episode.

Downside risks:
Factors that may cause inflation to settle below the BSP's forecasts

On the other hand, the effective implementation of government measures to combat the impact of El Niño could lower inflation.

Inflation expectations have moved to within the inflation target range.



Results of the BSP's Survey of External Forecasters* for February 2024 show that the mean inflation forecasts for 2024 and 2026 remained unchanged at 3.9 percent and 3.4 percent, respectively, compared to the January 2024 survey round.

Meanwhile, the mean inflation forecast for 2025 increased slightly to 3.5 percent from 3.4 percent.

Analysts expect inflation to remain manageable in 2024 and settle within the BSP's target range of 2 to 4 percent.

*Survey of 24 analysts/economists from the private sector conducted from 6-12 February 2024

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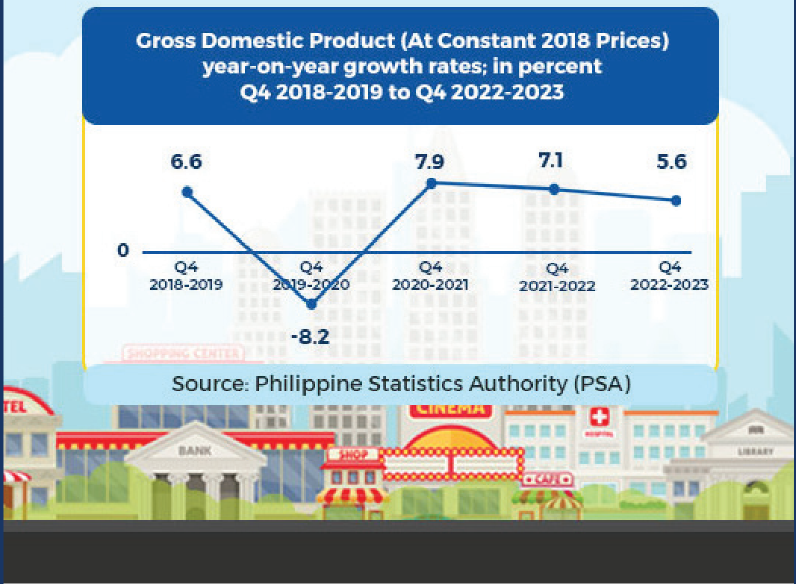
Domestic economic growth prospects remain intact over the medium term.



Gross domestic product (GDP) grew by 5.6 percent in Q4 2023 from 7.1 percent in Q4 2022, driven by firm domestic demand.

The impact of the BSP's prior monetary policy tightening is expected to manifest fully in 2024. Nevertheless, domestic economic growth prospects are seen to remain intact.

The projected GDP growth path is supported by the improved global growth outlook and decline in global crude oil prices. Structural reform measures that improve investment climate and economic sentiment in the country could also support medium-term growth.

The BSP remains ready to adjust its monetary policy settings as necessary in keeping with its primary mandate to safeguard price stability.

Inflation could slow down in the upcoming months if there are no new supply shocks.

The BSP continues to support the national government's non-monetary measures to address supply-side pressures on prices.

The BSP remains ready to adjust its monetary policy settings as necessary in keeping with its primary mandate to safeguard price stability.

View the full 2024 February Monetary Policy Report at https://www.bit.ly/MPR_Feb2024