

# Monetary policy summary

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**The Monetary Board (MB) maintained the target reverse repurchase (RRP) rate at 5.75 percent at its monetary policy meeting on 13 February 2025.** Correspondingly, the interest rates on the overnight deposit and lending facilities were maintained at 5.25 percent and 6.25 percent, respectively.

**The MB projects inflation to remain within the target range over the policy horizon.** The baseline forecasts for both 2025 and 2026 are at 3.5 percent. Disinflation towards the midpoint of the target range is anticipated in the first half of 2025. This is supported by the expected decline in rice prices stemming from tariff reductions. However, inflation is projected to briefly exceed the upper bound of the target range in late 2025 before gradually returning to the midpoint in 2026.

**The risks to the inflation outlook have become broadly balanced:**

**Upside Risks:**

- Upward adjustments in electricity rates
- Higher transport charges
- Elevated pork prices

**Downside Risks:**

- Potential spillover effects on domestic rice prices from lower import tariffs

Should these risks materialize, average inflation could settle at 3.5 percent in 2025 and 3.7 percent in 2026.

**Inflation expectations remain well-anchored.** The February 2025 BSP Survey of External Forecasters (BSEF) indicates that analysts anticipate within-target inflation from 2025 to 2027. The risks are perceived as broadly balanced, with headline inflation expected to remain low and manageable over the medium term.

**The outlook for domestic growth remains to be firm, albeit with some moderation.** GDP growth is expected to settle near the lower bound of the government's target, reflecting lower-than-expected Q4 2024 GDP outturn and increase in oil prices. However, these are partly offset by lower real interest rates, resulting from the recent policy rate cut and higher inflation projections. Uncertainties surrounding global economic policies, particularly the impact of potential US tariffs, pose additional downside risks to domestic growth.

**Given the assessment of the risks to the inflation and growth outlook, the MB decided to maintain the current monetary policy settings.** The Board deems it prudent to await further assessments of the impact of global policy uncertainty and their potential effects before deciding on further policy rate adjustments.

Looking ahead, the BSP anticipates a continued measured transition towards less restrictive monetary policy settings, while allowing previous policy adjustments to continue working their way through the economy.