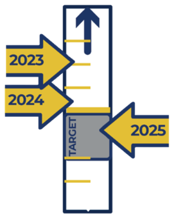
# MONETARY POLICY REPORT

NOVEMBER 2023

## Visual Summary

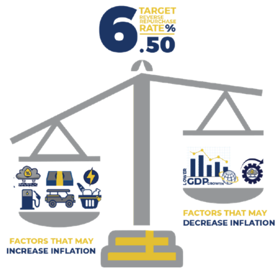
# In summary:


The Bangko Sentral ng Pilipinas (BSP) kept its target reverse repurchase rate at 6.5 percent.



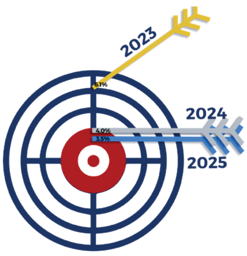

The BSP's latest baseline estimates show that the average inflation for 2023 could reach 6.0 percent, higher than the 5.6-percent announced in the Monetary Policy Report (MPR) in August.

Nevertheless, average inflation is seen to settle within the 2.0-4.0 percent target range in 2024 and 2025 at 3.7 percent and 3.2 percent, respectively.




Risk factors that could cause inflation to exceed the forecasts include the potential impact of higher transport charges, electricity rates, and international oil prices, as well as higher-than-expected minimum wages in areas outside the National Capital Region.

Conversely, lower inflation might result from a weaker-than-expected recovery of the global economy as well as government measures to reduce the effect of El Niño weather conditions.




Results of the BSP's Survey of External Forecasters in November 2023 showed steady inflation forecasts for 2023 and 2025 at 6.1 percent and 3.5 percent, respectively. For 2024, the inflation forecast is lower at 4.0 percent from 4.1 percent, previously.


The faster-than-expected economic growth of 5.9 percent in Q3 2023 suggests that the economy's growth prospects remain intact over the policy horizon.

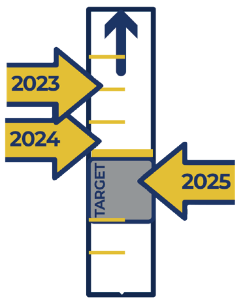

The BSP remains prepared to raise interest rates, if necessary, to bring inflation towards the 2.0-4.0 percent target range over the medium term.

The Monetary Board also continues to support the government's measures to mitigate the effects of supply shortages on inflation.

## *The BSP maintains the target reverse repurchase rate at 6.5 percent.*


During its monetary policy meeting on 16 November 2023, the Monetary Board maintained the target reverse repurchase rate at 6.5 percent. Keeping monetary policy settings unchanged will allow previous policy rate adjustments to work their way through the economy while the BSP continues to monitor developments that could affect its outlook for inflation.

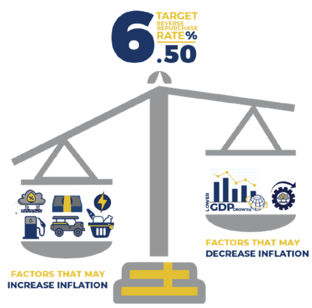
## *The latest projections suggest that price increases for goods and services will slow down and meet the targets by 2024 and 2025.*




The BSP estimates average inflation to reach 6.0 percent in 2023, higher than the 5.6-percent forecast as of the August 2023 MPR. Meanwhile, for 2024 and 2025, inflation is projected to settle within the target range at 3.7 percent (from 3.3 percent) and 3.2 percent (from 3.4 percent), respectively.

The inflation forecasts for 2023 and 2024 were adjusted upwards due to the higher-than-expected inflation outturns, higher inflation estimates over the near term, approved transport fare increase, impact of moderate El Niño weather conditions, and a rise in global crude oil prices.

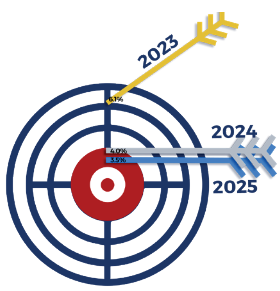
## *However, risks factors could cause inflation to deviate from the forecasts.*




Factors that could cause inflation to exceed the latest estimates for 2023 to 2025 include the potential impact of rising transport fares, electricity rates, and higher oil prices, as well as the higher-than-expected minimum wages in AONCR.

Conversely, the lower-than-expected global economic growth as well as government measures to mitigate the potential effects of El Niño could result in lower inflation.

## *Private sector economists expect inflation to remain elevated in 2023.*




Results of the BSP's Survey of External Forecasters in November show that inflation expectations for 2023 remain steady at 6.1 percent, while that for 2024 has decreased to 4.0 percent from 4.1 percent previously. For 2025, the inflation forecasts of private-sector economists were unchanged at 3.5 percent, well within the government's target range.

Analysts expect inflation to remain elevated in the near term, with risks to the inflation outlook still leaning to the upside due mainly to supply-side factors and second-round effects.

## *Economic growth prospects stay firm despite below-target output in 2023.*


The economy expanded  by 5.9 percent in Q3 2023, faster than the 4.3-percent growth in the previous quarter, but still below the government's 6.0-7.0-percent target for the year.

Nevertheless, the faster-than-expected GDP growth outturn in Q3 2023 suggests that the country's growth prospects over the policy horizon remain intact.

## *The BSP will closely monitor factors that could affect its outlook for inflation and economic growth.*


The BSP will continue to monitor developments affecting the outlook for inflation and growth while remaining ready to adjust monetary policy settings as needed to bring inflation to within the target range, in accordance with its mandate to maintain price stability.

The Monetary Board continues to deem it necessary to maintain monetary policy settings sufficiently tight for the time being until a sustained downtrend in inflation becomes fully evident, and inflation expectations are firmly anchored.

## *The BSP kept the target reverse repurchase rate steady at 6.5 percent...*

***This means...***

Banks are expected to maintain their current lending rates. This will keep the cost of borrowing relatively steady.

Maintaining the current policy interest rate is considered appropriate at this time since the forecasts for inflation are lower. By keeping the policy interest rate steady, the BSP will also be able to allow previous policy rate increases to work their way through the economy, while assessing how firms and households continue to respond to higher interest rates.

***View the full 2023 November Monetary Policy Report***
***https://www.bit.ly/MPR_Nov2023***