March 26, 2026

Research and Market Strategy Department

# POLICY RATE UPDATES

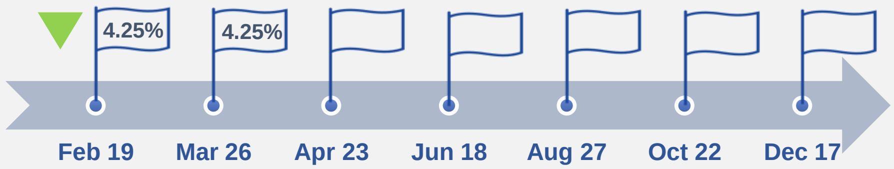
## Off-cycle pause to reassure

*BSP Target Reverse Repurchase Rate*
**4.25%**

*Metrobank Year-end 2026 Forecast*
**4.00%**

*Current Target RRP Rate – Fed Funds Rate Differential*
**50 bps**

**2026 BSP Monetary Board Meetings**




The Bangko Sentral ng Pilipinas (BSP) held an off-cycle meeting on March 26, 2026, but ultimately decided a pause was most appropriate. The BSP kept rates at 4.25% despite projecting a breach in the inflation target for the year.

Governor Eli Remolona Jr. said monetary policy is likely ineffective against the current surge in oil prices. He also indicated that a rate hike may derail the country's growth prospects.

The BSP continues to monitor data developments and second round effects that may surface if headline inflation soars.

We expect the BSP to remain data driven. Rate hikes are still possible in the future should inflation expectations become de-anchored, or if people believe high inflation will continue.

| INFLATION FORECASTS | | 2026 | 2027 |
|---|---|---|---|
| METROBANK FORECAST | *as of Mar 2026* | 5.3% | 3.0% |
| BSP FORECAST | *as of Mar 2026* | 5.1% | 3.8% |
| | *as of Feb 2026* | 3.6% | 3.2% |
| | *as of Dec 2025* | 3.2% | 3.0% |

## METROBANK'S TAKE

### Inflation: Global price pressures kick in

Although the Philippine government is taking measures to soften the impact of higher global oil prices, the magnitude of the increases is still expected to cause an acceleration in overall inflation through higher domestic prices and, ultimately, higher food and services costs.

In line with the BSP's forecast, Metrobank maintains its view that full-year headline inflation will breach the upper band of the BSP's 2%-4% full-year target in 2026, but will normalize and move back within target in 2027.

### BSP RRP: A data-driven approach

Considering expectations of above-target inflation for the full year, Metrobank projects two 25-basis-point hikes this year, bringing the target reverse repurchase (RRP) rate to 4.75% by end-2026.

While price stability remains the BSP's main mandate, the first policy rate hike is unlikely to be delivered in the upcoming April meeting, as a rate hike early in the year could further dampen this year's already weak growth prospects. As such, we forecast that the BSP will deliver the first rate hike as early as June, noting that the projected fiscal rebound in the latter half of 2026 could offset the negative impact of the less accommodative policy environment on economic growth.

Meanwhile, within-target inflation in 2027 will provide the BSP with enough leeway to reverse its policy action with two 25-bp rate cuts, especially as growth prospects improve during the period. These will bring the target RRP to 4.25% by end-2027.