

GLOBAL ECONOMIC UPDATE

US FED HIKES ITS BENCHMARK INTEREST RATE TO 2.25%

The US Federal Reserve has raised its benchmark interest rate by 25 basis points to 2.25% in its last meeting in September 2018, as widely expected. In addition, the Fed signalled of another rate hike in December and 3 more in 2019. With the US CPI rising to a high of 2.9% in July before cooling to 2.7% in August, the Fed's guidance places the probability of a December hike to 76.5%. Note that higher US interest rates may force emerging markets like the Philippines to tighten their monetary policy to defend their respective currencies.



SOURCE: TRADINGECONOMICS.COM | FEDERAL RESERVE

OCTOBER 1, 2018

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BSP RAISES ITS BENCHMARK INTEREST RATE BY 50 BPS TO 4.5%

The Bangko Sentral ng Pilipinas raised its benchmark interest rate by 50 basis points to 4.5% in its last meeting in September 2018, as expected. The central bank also revised its inflation forecast to 5.2% in 2018 (from 4.9%) and to 4.3% in 2019 (from 3.7%). Its recent action came after inflation reached a 12 year high of 6.4% in August. With inflation expected to remain at elevated levels and even surpass August's figure, the central bank is seen to further tighten its monetary policy in the next several months.



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