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Macroeconomic prospects of the Philippines in 2025-2026: Restoring confidence amid glocal transitions

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Macroeconomic Prospects of the Philippines in 2025-2026: Restoring Confidence amid Glocal Transitions

John Paolo R. Rivera, Mark Gerald C. Ruiz, and Ramona Maria L. Miral

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Macroeconomic Prospects of the Philippines in 2025-2026:
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PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES

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Abstract

This serves as the lead section of the 2024-2025 Philippine Institute for Development Studies (PIDS) Economic Policy Monitor (EPM). It examines the overall performance of the Philippine economy in 2024 and, where data permit, up to the third quarter of 2025. The discussion situates the country's performance within the evolving global, regional, and domestic economic landscape, highlighting developments that shape growth prospects, price stability, and fiscal and external positions as the economy transitions toward upper middle-income country (UMIC) status by 2026 and beyond. Anchored on the descriptive-analytical framework used in prior EPM editions, we present macroeconomic trends and conditions, including projections on growth, inflation, trade, employment, external balances, and financial indicators, all of which are key variables for evidence-based household, enterprise, and policy decisions. As reported by the Philippine Statistics Authority (PSA), the economy expanded by 5.7 percent in 2024, led by continued recovery in industry and services, while headline inflation averaged 3.2 percent, well within the Bangko Sentral ng Pilipinas' (BSP) 2 percent to 4 percent target range. Building on these results, we extend forecasts for 2025 and 2026, examining potential turning points in output and price movements amid emerging risks. Beyond domestic indicators, we also analyze the flow of funds from abroad, labor market developments, public spending efficiency, and business and consumer expectations as proxies for the economy's underlying resilience. Taking off from the themes of earlier EPM editions, we underscore persistent and new vulnerabilities, including inflation volatility, exchange rate fluctuations, fiscal constraints, and external shocks such as US tariff escalation, supply-chain realignments under the Regional Comprehensive Economic Partnership (RCEP), and climate-related disruptions that will determine the country's ability to sustain inclusive, resilient, and investment-led growth in the coming years.

Overall policy direction: As 2026 begins, the central task is to build an economy that is resilient to shocks, insulated from corruption, inclusive in opportunity, and genuinely future-ready. The economy will not pause while government and economic actors attempt to regain their footing; delays in governance reforms translate to lost competitiveness, weaker investor sentiment, and missed opportunities for long-term development. The way forward requires rebuilding trust, confidence, and credibility in public institutions, not through rhetoric or policy blueprints alone, but through credible enforcement of the law and uncompromising integrity in public service. Accountability must be substantive, justice must be demonstrable, and enforcement must be evenhanded. Only under these conditions can the Philippines anchor investor confidence, sustain growth momentum, and move decisively toward its long-term national vision of *AmBisyon 2040*. A stronger, more predictable governance environment is not merely desirable; it is indispensable for an economy aiming to transition into a high-productivity, innovation-driven, and inclusive society.

Disclaimer: The information, data, and analyses presented in this report are current as of 07 November 2025. Developments occurring after this date are not reflected herein and, where referenced, represent forecasts or projections based on the best available information at the time of writing. These remain subject to change or revision as new data and circumstances emerge.

Keywords: development, economic prospects, growth, macroeconomic stability, resiliency, upper middle-income country

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List of Abbreviations

ADB	Asian Development Bank
AE	Advanced Economies
AFF	Agriculture, Fisheries, and Forestry
AI	Artificial Intelligence
AMRO	ASEAN+3 Macroeconomic Research Office
ASEAN	Association of Southeast Asian Nations
ATP	Assembly, Testing, and Packaging
AUD	Australian Dollar
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
BOC	Bureau of Customs
BOP	Balance of Payments
BPO	Business Process Outsourcing
BPS	Basis-Points
BSP	Bangko Sentral ng Pilipinas
BTr	Bureau of Treasury
CFI	Circular Flow of Income
RMB	Chinese Renmimbi
CI	Confidence Index
CO	Capital Outlays
CREATE MORE	Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy
DA	Department of Agriculture
DBCC	Development Budget Coordination Committee
DEPDev	Department of Economy, Planning, and Development
DOF	Department of Finance
DOLE	Department of Labor and Employment
DOTr	Department of Transportation
DPTR	Digital Payments Transformation Roadmap
DPWH	Department of Public Works and Highways
DSWD	Department of Social Welfare and Development
EFT	Electronic Fund Transfer
EMDA	Emerging Markets and Developing Asia
EMDE	Emerging Market and Developing Economies
EO	Executive Order
EODB	Ease of Doing Business
EPM	Economic Policy Monitor
EU	European Union
FDI	Foreign Direct Investment
Fed	Federal Reserve
Fintech	Financial Technology
GCC	Global Capability Centers
GDP	Gross Domestic Product
GFCE	Government final consumption expenditure
GFCF	Gross Fixed Capital Formation
GIR	Gross International Reserves
GVC	Global Value Chains

HFCE	Household Final Consumption Expenditure
IMF	International Monetary Fund
IDR	Indonesian Rupiah
ITP	International Trade Portal
JPY	Japanese Yen
KPO	Knowledge Process Outsourcing
KRW	Korean Won
LFPR	Labor Force Participation Rate
LGU	Local Government Unit
MB	Monetary Board
MFA	Multi-Factor Authentication
MOOE	maintenance and other operating expenses
MSME	Micro, Small, and Medium Enterprises
MTFF	Medium-Term Fiscal Framework
MYR	Malaysian Ringgit
NBQB	Non-Bank Financial Institutions with Quasi-Banking Functions
NEER	Nominal Effective Exchange Rate
NFA	Net Foreign Assets
NG	National Government
NIA	National Income Accounting
NPISH	Non-Profit Institutions Serving Households
NPL	Non-Performing Loan
NSFI	National Strategy for Financial Inclusion
NTA	National Tax Allotment
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OFW	Overseas Filipino Workers
P/E	Price-Earnings
P2B	Person-to-Business
P2G	Person-to-government
P2P	Person-to-Person
PEZA	Philippine Economic Zone Authority
PhilPaSS	Philippine Payment and Settlement System
PHP	Philippine Peso
PIDS	Philippine Institute for Development Studies
PPP	Public-Private Partnerships
PS	Personnel Services
PSA	Philippine Statistics Authority
PSEi	Philippine Stock Exchange Index
RCEP	Regional Comprehensive Economic Partnership
REER	Real Effective Exchange Rate
ROCE	Rapid Onset Climate Events
RRP	Reverse Repurchase
RRR	Reserve Requirement Ratio
SGD	Singapore Dollar
t-bill	treasury bill
THB	Thai Baht

TTH	Travel, Tourism, and Hospitality
UKB	Universal and Commercial Banks
UMIC	Upper Middle-Income Country
UNCTAD	United Nations Trade and Development
US	United States
USD	United States Dollar
VUCAD ²	Volatile, Uncertain, Complex, Ambiguous, Disruptive, Digital
y-o-y	year-on-year

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*John Paolo R. Rivera**, *Mark Gerald C. Ruiz***, and *Ramona Maria L. Miral****

1. Introduction

As the lead chapter of the Philippine Institute for Development Studies (PIDS) Economic Policy Monitor (EPM) 2025–2026, we analyze the Philippine economy’s performance in 2024 and the first three quarters of 2025. We assess key global, regional, and domestic developments shaping the economic outlook, including growth, inflation, and policy projections for 2026, with the objective of informing decisions at the household, enterprise, and policy levels.

The Philippine economy continues to inch closer to upper-middle-income country (UMIC) status, even as it navigates persistent internal and external headwinds. According to the Philippine Statistics Authority [PSA] (2025a), Gross Domestic Product (GDP) grew by 5.7 percent in 2024, led by wholesale and retail trade (5.6%), financial and insurance activities (9.0%), and construction (10.3%). The industry and services sectors expanded by 5.6 percent and 6.7 percent, respectively, while agriculture, forestry, and fisheries (AFF) contracted by 1.6 percent. However, this growth fell short of the government’s target for the second consecutive year (Mangaluz 2025; Maligro 2025), slowing progress toward UMIC classification¹. To reach USD 4,516 per capita by 2025, the economy would have needed to grow by at least 6.7 percent (Fabella 2025). The country missed UMIC status by only USD 26 (Inosante 2025), as Rivera et al. (2024) argued, this milestone remains within reach if the Philippines sustains its momentum through strategic investments, targeted reforms, and a stable macroeconomic environment. Strengthening governance, managing inflation, and boosting investor confidence will be critical in achieving durable growth and economic resilience.

Inflation averaged 3.2 percent in 2024 (PSA 2025b), consistent with the Bangko Sentral ng Pilipinas (BSP) target range of 2 percent to 4 percent, and the lowest since 2020s 2.4 percent (Jocson 2025a). This within-target performance supported the BSP’s shift toward a less restrictive monetary policy stance. As of October 2025, inflation averaged 1.7 percent (PSA 2025c), deemed a manageable level contingent on commodity prices, exchange rates, and domestic supply management. While the BSP’s easing cycle is expected to continue for the rest of 2025 and 2026, its trajectory will depend on global monetary conditions, inflation trends, currency stability, and geopolitical risks (Jocson 2025b; Rivera et al. 2024).

Beyond macro indicators, these developments have clear implications for consumers, enterprises, and policymakers. For consumers, spending patterns have shifted toward value, convenience, and personal well-being, reflecting a growing sophistication in purchasing decisions influenced by economic pressures and technology (Tayao-Juego 2024; Euromonitor 2024). For enterprises, the BSP (2024) reported that business confidence weakened in Q1 2025, with the overall confidence index (CI) dropping to 40.3 percent from 56.8 percent in Q3 2024, and the 12-month outlook declining to 56.4 percent from 58.0 percent. Optimism was tempered by global uncertainty, yet supported by lower inflation, expected rate cuts, election-related demand, and business expansion plans. This moderation persisted through the year. In Q3 2025, BSP (2025a) noted that business confidence softened further to 23.2 percent (from 28.8% in

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¹ The upper middle-income standard ranges from USD 4,516 to USD 14,005 per capita (Fabella 2025).

Q2), although firms anticipated a Q4 rebound driven by holiday spending, with CI rising to 49.5 percent. The 12-month outlook eased to 48.1 percent (from 51.0%), weighed down by seasonal factors (“ghost month,” school spending) and external headwinds such as higher tariffs from the United States (US), geopolitical tensions, and weaker demand. Operating metrics also declined slightly: capacity utilization slipped to 71.1 percent, firms faced tighter liquidity (−17.2%) and slightly constrained credit access (−0.5%), although inflation expectations remained within the BSP’s target. Firms projected the currency at PHP 56.72 to PHP 56.79/USD and planned to increase hiring in Q4 and the next 12 months (employment outlook indices: 18.5% and 26.2%, respectively). However, this cautious optimism has been recently undermined by the sharp depreciation of the PHP, which hovered at PHP 59/USD in late October 2025 and around PHP 58/USD in early November 2025². The abrupt currency weakness, linked by market analysts to capital flight triggered by renewed corruption allegations and eroding investor confidence (Domingo 2025; Gagni 2025; Punongbayan 2025), has heightened uncertainty for both import-dependent industries and financial markets. The resulting rise in input costs, coupled with fragile sentiment, threatens to further dampen business expansion and delay investment decisions heading into 2026.

Following the PIDS EPM 2024-2025, which highlighted sources of policy uncertainty, our analysis emphasizes persistent risks, namely the global economic slowdown, inflationary vulnerabilities, currency volatility, climate shocks, governance and political risks, skills mismatches, and geopolitical tensions (Cariaso 2025; Rivera et al. 2024). Addressing these challenges requires coordinated interventions. For households, this entails building financial resilience and adapting to a volatile, uncertain, complex, ambiguous, disruptive, and digital (VUCAD²) economy. For the government, it involves targeted fiscal support, infrastructure acceleration, investment incentives, technology adoption, human capital development, and climate-resilient industrial transformation (Rivera et al. 2024). Collectively, these measures can enhance the country’s risk–return profile and sustain its development trajectory (Banerjee & Dutta 2022; Kirikkaleli 2020).

Against this backdrop, we address four key questions:

1. What happened to the Philippine economy in 2024?
2. What is happening in 2025?
3. What will happen in 2026 and beyond? Is the country still aligned with its pre-pandemic growth path?
4. How can the Philippines accelerate its achievement of UMIC status?

To answer these, we present macroeconomic data and trends to estimate the likely trajectory of the Philippine economy toward 2026. Specifically, our objectives are to:

1. Present national, regional, and global economic updates for stakeholders to manage risks and harness opportunities;
2. Develop data-based forecasts on the country’s economic direction amid internal and external forces; and
3. Identify policy opportunities that promote macroeconomic stability and inclusive growth to fast-track the Philippines’ transition to UMIC status.

We build upon earlier PIDS EPMs using a descriptive-explanatory design. Descriptive analysis utilizes secondary time-series data to trace the behavior of macroeconomic variables, while explanatory analysis identifies causal patterns behind such movements. Together, these

² See https://www.bsp.gov.ph/statistics/external/day99_data.aspx for updated PHP/USD exchange rate.

approaches offer a nuanced understanding of how the Philippine economy performs under various shocks. The report presents historical and projected analyses for 2025-2026, covering growth, inflation, capital flows, employment, fiscal and financial conditions, and sentiment indicators, while highlighting risks from inflation, exchange rate volatility, fiscal sustainability, and external shocks. Following Rivera et al. (2024) and Debuque-Gonzales and Corpus (2023), we classify variables under the domestic demand, trade, employment, monetary, financial, and price blocks. Data is sourced from PSA and BSO through the CEIC Economic Database³.

Finally, after examining macroeconomic performance and outlook, we discuss policy uncertainties and strategic reforms necessary to keep growth on track and achieve UMIC status. We conclude with insights on how households, enterprises, and government can navigate ongoing headwinds through evidence-based, forward-looking policy responses.

Overall, we aim to serve a broad audience, namely policymakers, legislators, planners, financial institutions, media, academe, and the public, by providing timely and rigorous economic analysis. For the public sector, findings guide fiscal, monetary, and trade policymaking; for the private sector, they inform risk management and investment strategies. Ultimately, the report underscores how informed policy coordination and institutional integrity remain central to sustaining growth and development in a volatile global economy.

2. Macroeconomic performance in 2024-2025

Our discussion is anchored on the principles of National Income Accounting (NIA) and guided by the Circular Flow of Income (CFI) model. It monitors the behavior of key macroeconomic variables captured in these frameworks, not only to track their individual trends but also to analyze their interrelationships and responses to internal and external headwinds. By examining how these variables interact within the broader economic system, the report provides a deeper understanding of the economy's overall behavior. Such insights enable both public and private stakeholders to identify emerging opportunities, anticipate risks, and design informed strategies that promote stability, resilience, and sustainable growth.

2.1. Aggregate (domestic) demand block

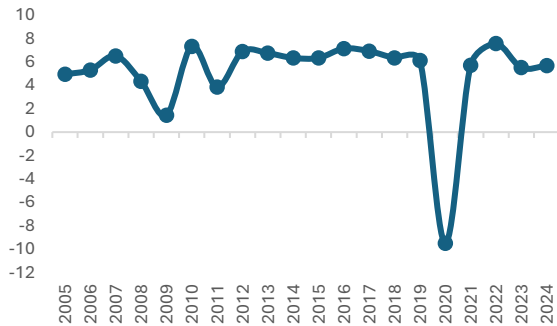
The Philippine economy expanded by 5.7 percent in 2024, a modest improvement from the previous year's performance but still below the revised government target of 6.0 percent to 6.5 percent. From Figure 1, we can see that growth momentum was tempered in the early months by muted private spending, as households continued to adjust to the lingering effects of elevated prices and borrowing costs. The persistence of inflationary pressures during the first half of the year prompted the BSP to maintain a tight monetary stance until clear signs of price de-escalation emerged, paving the way for the onset of a monetary easing cycle toward the latter part of 2024. External trade provided moderate support, as global trade recovery lifted both Philippine exports and imports, which grew by 3.3 percent and 4.2 percent, respectively. Meanwhile, capital formation sustained movement, reflecting the continued implementation of infrastructure projects and gradual recovery of investor confidence despite a challenging external environment. In the first half of 2025, the economy grew by 5.4 percent, slightly lower than the H1 2024 outturn. While pre-election spending (Ruiz et al. 2025) and slower inflation bolstered both private and government consumption, investment activity softened, particularly in the second quarter. Heightened global uncertainty, driven by geopolitical tensions, trade

³ Offers a global database with macroeconomic data from official sources, international institutions, and alternative data to help economists and investors track and analyze global trends. Website: <https://www.ceicdata.com/en>.

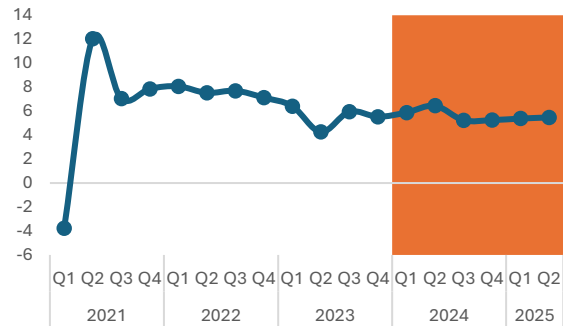
policy disruptions, and weaker external demand, further weighed on export performance. These headwinds highlight the economy’s continued dependence on domestic demand as the primary growth driver, underscoring the need to strengthen investment competitiveness, improve trade resilience, and accelerate reforms that enhance productivity and investor confidence.

Figure 1. GDP growth (in %)

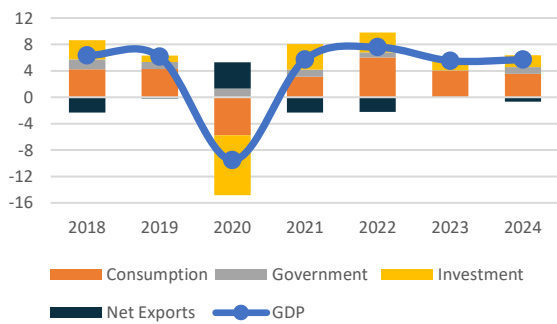
a. GDP, annual



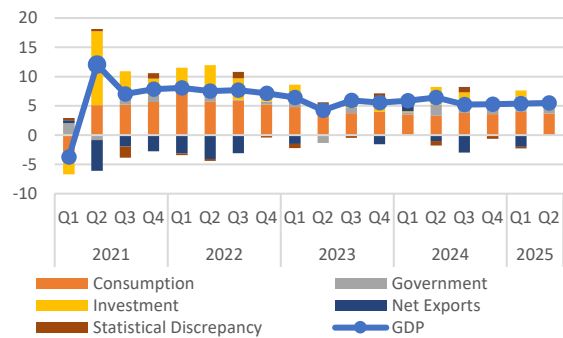
b. GDP, quarterly



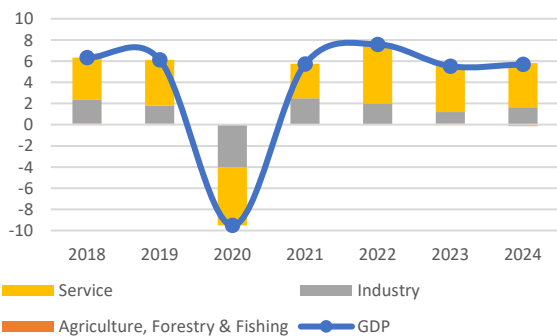
c. By expenditure contribution, annual



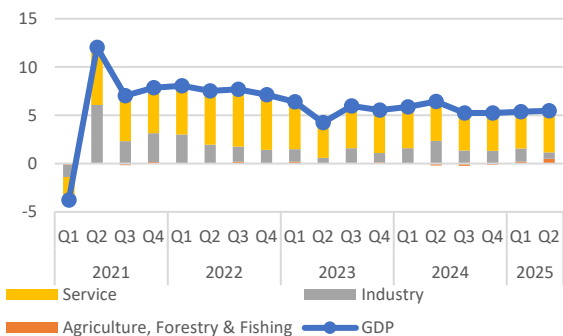
d. By expenditure contribution, quarterly



e. By production contribution, annual



f. By production contribution, quarterly



Source: PSA via CEIC Economic Database

2.1.1. Domestic demand

Household consumption grew by 4.9 percent in 2024, slower than the 5.4 percent expansion in 2023, as elevated prices during the early part of the year eroded consumers’ real purchasing power. From Figure 1, we can see the persistence of inflationary pressures, especially in food and energy, tempered discretionary spending and led to tighter monetary conditions, which constrained credit and household borrowing. As inflation eased toward the

latter part of 2024, the BSP began its monetary policy easing cycle, although the positive effects on consumption and lending were expected to materialize only in subsequent periods. Expenditure data reflect uneven spending patterns across major components: food and non-alcoholic beverages grew by 1.4 percent (from 0.5%), housing, water, electricity, gas, and other fuels by 5.3 percent (from 4.7%), transport by 9.0 percent (from 16.9%), restaurants and hotels by 9.4 percent (from 19.0%), and miscellaneous goods and services by 7.0 percent (from 8.4%). These movements underscore how the normalization of post-pandemic demand and base effects from 2023's elevated consumption levels moderated growth momentum. In the first half of 2025, household final consumption expenditure (HFCE) rose by 5.4 percent, a rebound from 4.7 percent in H1 2024. The pickup was driven by easing inflation, stable labor market conditions, robust overseas remittances, and election-related spending, which collectively supported domestic demand (Ochave 2025; Villanueva 2025). Nonetheless, deVere Philippines Ltd. (2025) projected private consumption and household confidence to remain relatively subdued compared to earlier expectations, citing residual price sensitivity, cautious borrowing behavior, and global uncertainty. Overall, while household spending continues to anchor economic growth, its pace remains vulnerable to inflation dynamics, income growth, and credit conditions. Strengthening consumer confidence will therefore depend on sustained price stability, labor income recovery, and access to affordable financing, which are key ingredients for sustaining inclusive, consumption-led expansion in the medium term.

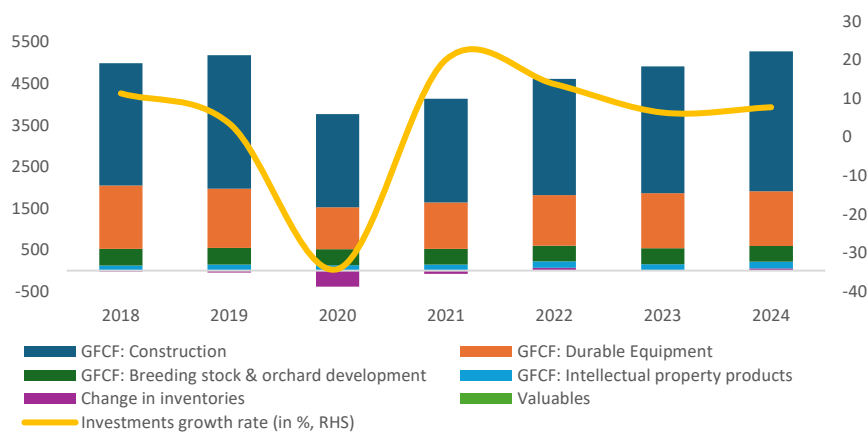
Government final consumption expenditure (GFCE) accelerated sharply by 7.3 percent in 2024, a significant rebound from the 0.3 percent growth recorded in 2023. From Figure 1, the surge was driven by higher spending on personnel services, particularly salary adjustments for government workers, alongside expanded social protection programs, medical assistance, health emergency benefits and allowances, and election-related preparatory activities (Department of Budget and Management [DBM] 2025). These expenditures underscored the government's effort to sustain public sector efficiency and provide continued welfare support amid lingering socioeconomic pressures. During the first half of 2025, government consumption further quickened to 13.1 percent year-on-year (y-o-y), almost double the 7.6 percent growth in H1 2024. This acceleration reflected the implementation of the second tranche of salary adjustments under the government's compensation reform plan, as well as robust maintenance and other operating expenses (MOOE). Spending was sustained despite the election expenditure ban, with exemptions granted for critical programs such as the Department of Agriculture's (DA) PHP 2 per kilogram rice initiative, social welfare programs of the Department of Social Welfare and Development (DSWD), and labor and employment programs under Department of Labor and Employment (DOLE). These developments highlight the government's continued countercyclical fiscal role, stimulating domestic demand through higher consumption spending even as private investment softened and external demand weakened. Moving forward, sustaining fiscal discipline while preserving priority social and infrastructure programs will be key to maintaining macroeconomic stability and growth momentum amid a narrowing fiscal space and increasing calls for targeted support.

Investments picked up in 2024, primarily supported by a 10.4 percent growth in construction, reflecting both public and private sector activity. However, total gross fixed capital formation (GFCF) growth slowed to 6.3 percent, down from 8.2 percent in 2023, as durable equipment and breeding stock and orchard development contracted by 0.5 percent and 1.7 percent, respectively, as seen in Figure 2. The deceleration in capital formation stemmed from weaker external demand, tighter financial conditions, and rising construction costs, which constrained expansion in some capital-intensive industries. Nonetheless, the government's infrastructure outlays increased, as agencies sought to frontload project implementation ahead

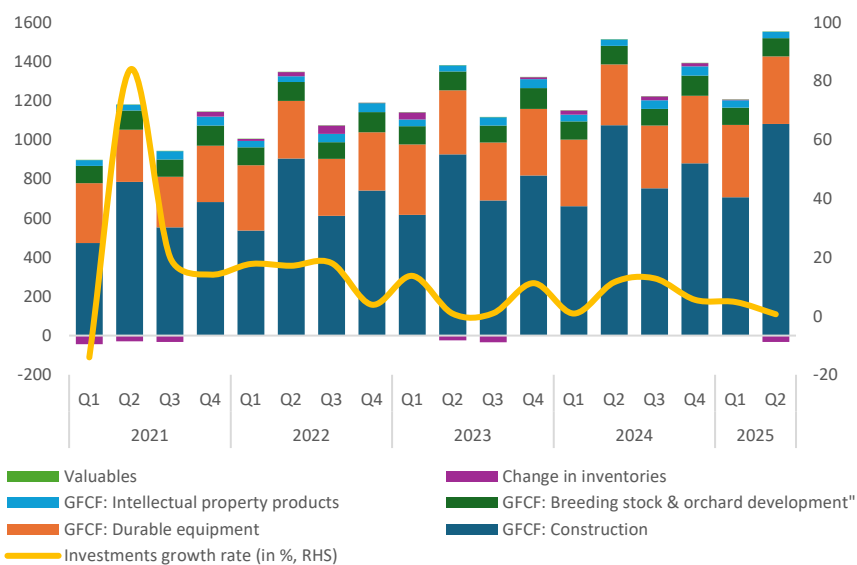
of the 2025 midterm elections (DBM 2025a), ensuring momentum for public construction and support for aggregate demand. In the first half of 2025, capital investment slowed further to 4.3 percent, as government construction contracted by 4.6 percent, partly reflecting the temporary effects of the election spending ban. Despite this, construction under households and non-profit institutions serving households (NPISHs) accelerated by 15.2 percent, while durable equipment investment recovered with a 9.4 percent increase, signaling gradual improvement in private capital spending. Meanwhile, investment by financial and non-financial corporations moderated to 4.7 percent, compared with 10 percent in the same period last year, due to heightened global uncertainty and cautious business sentiment. The overall investment landscape continues to face structural and cyclical constraints, including bureaucratic bottlenecks, project implementation delays, high input costs, and geopolitical risks that deter long-term capital commitments (Ordinario 2025). Strengthening investor confidence through streamlined regulatory processes, enhanced public-private partnerships (PPPs), and macroeconomic stability will be essential to sustain the country's investment momentum and achieve its growth aspirations.

Figure 2. Investments (in billion PHP, constant 2018 prices)

a. Investments, annual



b. Investments, quarterly



Source: PSA via CEIC Economic Database

2.1.2. GDP by major industry

The services sector remained the primary driver of Philippine economic growth in 2024, contributing 4.2 percentage points to the overall 5.7 percent GDP expansion. As can be gleaned from Figure 1, alongside the continued rebound of travel, tourism, and hospitality (TTH) services, the business process outsourcing (BPO) industry sustained its role as a key catalyst of economic activity, benefiting from rising global demand for Artificial Intelligence (AI)-enabled solutions, the shift toward knowledge process outsourcing (KPO), and the expansion of digital and remote service platforms. Among major subsectors, wholesale and retail trade grew by 5.6 percent (from 5.5% in 2023), supported by improved mobility and household demand. Financial and insurance activities rose by 8.9 percent (from 8.7%), driven by credit expansion and digital financial adoption. Professional and business services accelerated to 7.9 percent (from 6.8%), while real estate and ownership of dwellings climbed to 5.1 percent (from 3.9%) amid a pickup in property leasing and housing demand. Meanwhile, accommodation and food service activities and human health and social work both recorded double-digit growth at 10.4 percent and 10.9 percent, respectively, reflecting the sustained recovery of tourism and healthcare spending. The industry sector also strengthened, expanding by 5.6 percent in 2024, up from 3.6 percent the previous year. Manufacturing grew by 3.7 percent (from 1.4%), reflecting gradual normalization of supply chains and firming domestic demand. Construction accelerated to 10.2 percent (from 8.8%) on the back of ramped-up infrastructure projects, while electricity, steam, water, and waste management grew by 7.3 percent (from 5.8%). Mining and quarrying, however, slowed to 1.2 percent (from 2.0%) due to weaker global commodity demand and stricter environmental compliance. In contrast, AFF contracted by 1.5 percent in 2024, weighed down by climate-related disruptions, animal disease outbreaks, and limited local technical assistance (Halili 2025). The sector's performance nonetheless rebounded strongly in early 2025: in the first half of 2025, AFF expanded by 4.5 percent, reversing a 0.9 percent contraction in H1 2024, led by higher crop and poultry output and improved weather conditions.

Overall, for H1 2025, the services sector grew by 6.6 percent (slightly slower than 6.9% in the same period of 2024), while the industry sector moderated to 3.3 percent (from 6.6%). **Despite easing inflation, a more accommodative interest-rate environment, and relatively stable market conditions, investment and trade activity continue to face risks from local risks, global trade uncertainties, a potential post-election slowdown, and typhoon-related disruptions, all of which have dampened business confidence** (Ruiz et al. 2025; BSP 2025b, 2025c; Philippine Economic Zone Authority [PEZA] 2025). To sustain growth momentum, structural and governance reforms must be fast-tracked, focusing on logistics efficiency, food security, energy security, ease of doing business (EODB), and human capital upskilling, areas repeatedly emphasized by Wong (2025) from the ASEAN+3 Macroeconomic Research Office [AMRO], the International Monetary Fund [IMF] (2025a), and Rivera et al. (2024) as essential for unlocking the Philippines' long-term potential growth.

2.1.3. Fiscal performance

Government spending rose by 10.1 percent to PHP 5.9 trillion (around USD 102 billion) in 2024, outpacing the 3.4 percent growth recorded in 2023 and exceeding the PHP 5.7 trillion full-year target (DBM 2025b). From Figure 3, the upturn was driven primarily by higher MOOE, which expanded by 18.4 percent (PHP 168.5 billion) due to the continued rollout of social protection programs, health-related assistance, and election-preparation

disbursements. Similarly, capital outlays (CO) rose by 11.9 percent (PHP 169.1 billion) as implementation and progress billings from major infrastructure projects under the Department of Public Works and Highways (DPWH) and Department of Transportation (DOTr) accelerated. Meanwhile, personnel services (PS) expenditures increased by 6.3 percent, reflecting the first tranche of salary adjustments under Executive Order (EO) No. 64, s. 2024⁴, while allotments to local government units (LGUs) climbed by 7.3 percent due to a higher National Tax Allotment (NTA) share. Interest payments surged by 21.5 percent to PHP 763.3 billion, reflecting higher borrowing costs and maturing debt obligations.

On the revenue side, government collections reached PHP 4.4 trillion (USD 77 billion) in 2024, up 15.6 percent (PHP 595 billion) y-o-y, which is more than double the growth pace of 7.9 percent in 2023. Tax revenues totaled PHP 3.8 trillion, rising by 10.8 percent, led by a 29 percent increase in sales taxes and licenses, 9 percent growth in income and profit taxes, and a 3.9 percent rebound in excise taxes, reversing the declines of 2022-2023. The Bureau of Customs (BOC) generated PHP 916 billion, narrowly missing its PHP 940 billion target (DBM 2025c). Meanwhile, non-tax revenues surged by 56.9 percent to PHP 618 billion, outperforming targets by PHP 168.7 billion, mainly due to one-off remittances and higher Treasury income, which grew 24.5 percent to PHP 283.4 billion (Bureau of Treasury [BTr] 2025a).

The fiscal deficit narrowed to 5.5 percent of GDP in 2024 from 6.2 percent in 2023, as revenue growth (15.6%) outpaced expenditure growth (10.1%). While the expenditure ratio rose slightly from 21.9 to 22.2 percent of GDP, the revenue effort improved to 16.7 percent (from 15.7%), and tax effort edged up to 14.4 percent (from 14.1%). For January 2025 to June 2025, the fiscal deficit reached PHP 765.5 billion, equivalent to 5.7 percent of GDP. Total revenues grew by 5 percent y-o-y, with tax revenues up 10.7 percent, though slightly below program targets. National government (NG) spending reached PHP 3.03 trillion, 11.5 percent higher than in H1 2024. MOOE rose by 20.8 percent, driven by the continuing implementation of social protection and subsidy programs. LGU allotments increased further due to higher NTA allocations and the annual block grant for the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) (DBM 2025d). Rising interest payments reflected new issuances of treasury bills and bonds to finance ongoing fiscal operations. Fiscal authorities expect both revenues and expenditures to stay within full-year targets (BTr 2025b), consistent with the government's Medium-Term Fiscal Framework (MTFF) and the Development Budget Coordination Committee (DBCC) projections of 21.4 percent of GDP in disbursements and 15.9 percent in revenues for 2025 (DBCC 2025).

As of end-December 2024, outstanding NG debt stood at PHP 16.0 trillion, equivalent to 60.7 percent of GDP, slightly higher than 60.1 percent in 2023 as debt stock growth (9.8%) outpaced GDP expansion (8.7%). Domestic borrowings comprised 68.1 percent of total debt, with foreign debt at 31.9 percent. By maturity, long-term obligations made up 80.8 percent, followed by medium-term (14.5%) and short-term (4.7%) instruments. Debt servicing rose by 28.5 percent in 2024, with principal repayments amounting to PHP 1.2 trillion, which is a 33.2 percent increase from 2023.

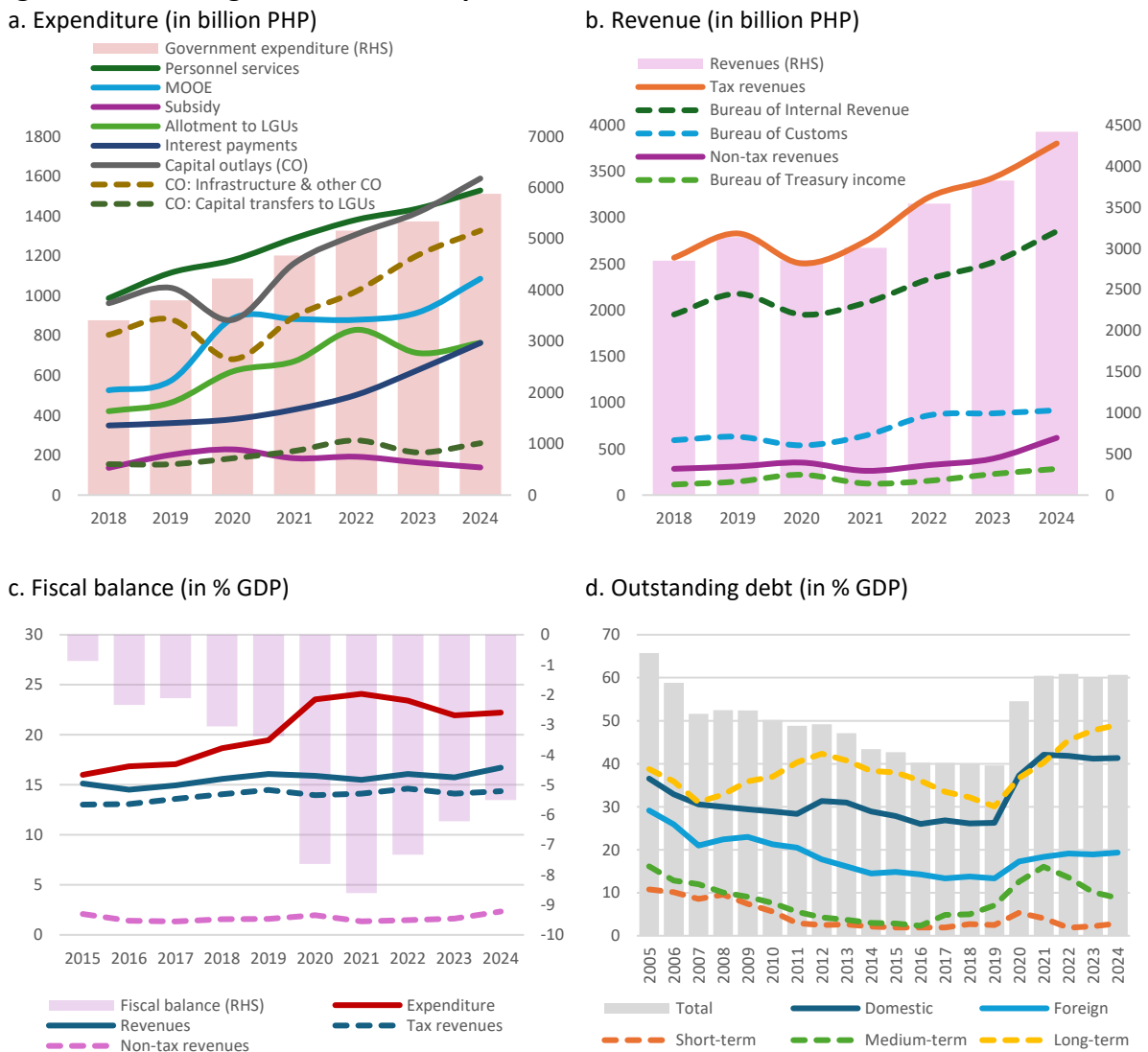
As of June 2025, outstanding NG debt reached PHP 17.3 trillion, reflecting new domestic issuances and valuation effects on foreign-currency denominated obligations amid a modest PHP appreciation. Authorities anticipate a decline in the debt ratio toward the end of

⁴ For details, see <https://www.officialgazette.gov.ph/2024/08/02/executive-order-no-64-s-2024/>.

2025 due to scheduled bond maturities and repayments (BTr 2025c, 2025d), with the Department of Finance (DOF) reaffirming the medium-term goal of returning the debt-to-GDP ratio below 60 percent by 2028 (DOF 2025).

Overall, the Philippines' fiscal performance in 2024-2025 demonstrates a measured return to fiscal consolidation, characterized by strong revenue mobilization, disciplined expenditure management, and proactive debt servicing. The key challenge moving forward lies in maintaining fiscal sustainability while preserving fiscal space for infrastructure, human capital, and climate-resilience investments that will underpin inclusive and sustainable growth.

Figure 3. National government fiscal performance



Source: BTr via CEIC Economic Database

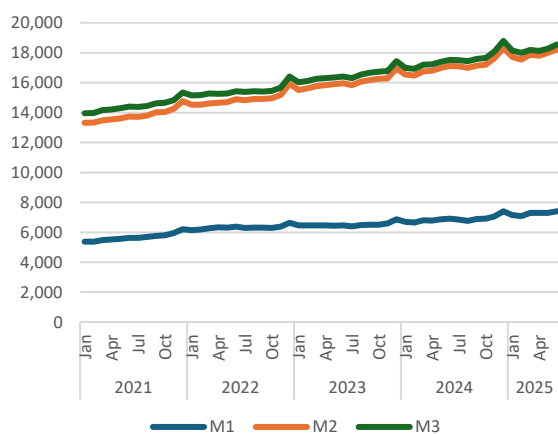
Domestic liquidity (M3) grew by 7.7 percent y-o-y to reach PHP 18.8 trillion (around USD 328 billion) as of end-December 2024, faster than the 6.3 percent expansion recorded in 2023. This level of liquidity was equivalent to 71 percent of GDP, slightly lower than 71.7 percent in 2023, reflecting the stronger pace of nominal GDP growth relative to money supply expansion. From Figure 4, broad money (comprising currency in circulation and transferable, savings, and time deposits) rose by 8.2 percent, from PHP 16.9 trillion in December 2023 to

PHP 18.3 trillion in December 2024. The expansion in liquidity coincided with the BSP's monetary policy easing cycle in the latter half of 2024, following the sustained decline of inflation to within the 2 percent to 4 percent target band. Lower policy rates reduced the cost of borrowing for banks, enabling them to gradually pass on lower lending rates to the public. Moreover, **the reduction in the reserve requirement ratio (RRR) to 7 percent in October 2024 enhanced the banking system's ability to extend credit by freeing up additional funds for lending** (Gonzales 2024). By June 2025, money supply continued to expand, albeit at a slower pace of 5.9 percent y-o-y, increasing from PHP 17.5 trillion to PHP 18.5 trillion. Claims on the domestic sector grew by 10.8 percent, supported by national government borrowings (up 7.7 percent) and a strong rebound in private sector lending, with claims on non-financial corporations and households rising by 11.4 percent. This sustained credit activity signaled improving business and household confidence in the context of lower interest rates. Meanwhile, net foreign assets (NFA) contracted by 1.7 percent y-o-y as of June 2025. The BSP's NFA declined by 2.6 percent, largely due to the PHP's appreciation against the USD, which reduced the PHP value of foreign reserves. In contrast, the banking sector's NFA increased by 7.4 percent, driven by higher holdings of foreign currency-denominated instruments and external placements (BSP 2025d).

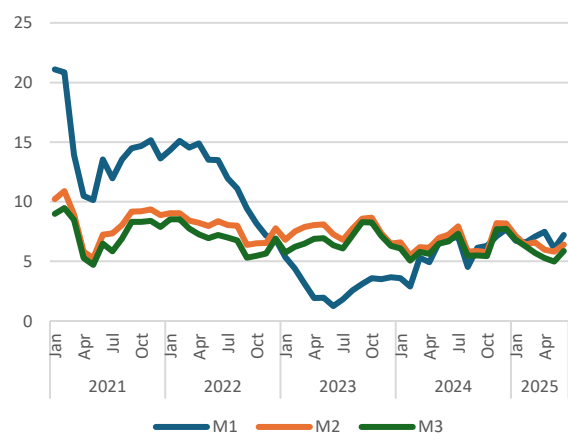
Looking ahead, **further monetary easing measures introduced in early 2025, including an additional RRR reduction in March 2025, are expected to enhance liquidity conditions and lower borrowing costs further in the second half of the year.** These actions are projected to support credit growth, business expansion, and domestic demand, complementing fiscal stimulus efforts as inflation remains contained. Nevertheless, the effectiveness of monetary transmission will depend on the pace of banks' lending rate adjustments, overall credit appetite, and external developments that may influence capital flows and exchange rate dynamics.

Figure 4. Liquidity of money

a. Domestic liquidity (in billion PHP)



b. M1, M2, and M3 % y-o-y growth rates



Note: M1 = narrow money (currency in circulation plus overnight deposits); M2 = broad money (M1 plus deposits with an agreed maturity up to two years plus deposits redeemable at a period of notice up to three months); M3 = domestic liquidity (M2 plus repurchase agreements plus money market fund (MMF) shares/units, plus debt securities up to two years).

Source: BSP via CEIC Economic Database

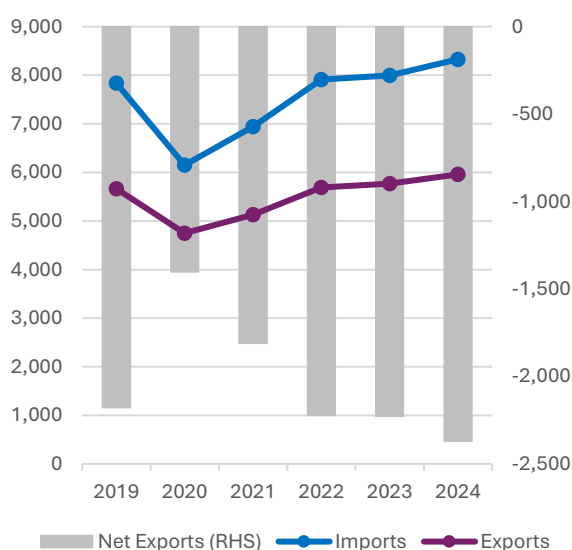
2.2. Trade block

2.2.1. Trade balance

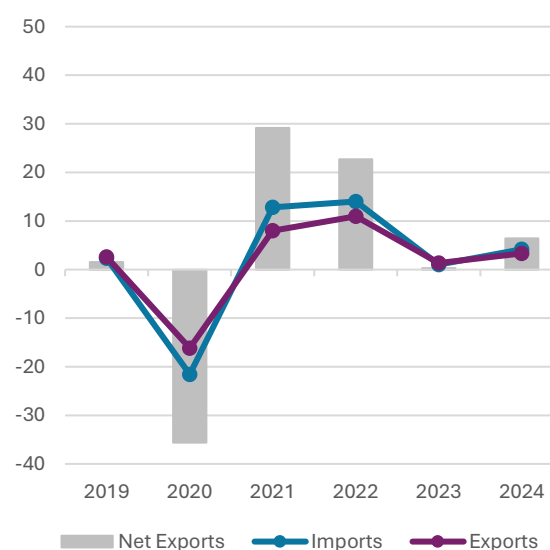
Trade activity accelerated in 2024, with imports rising by 4.2 percent and exports by 3.3 percent, resulting in a 6.5 percent net export growth, as seen in Figure 5. As a characteristic of the Philippine economy, imports continued to outpace exports, sustaining a long-standing trade deficit largely driven by demand for intermediate goods, raw materials, and capital equipment used in domestic production.

Figure 5. Trade statistics

a. Value (in billion PHP)



b. % y-o-y



Source: PSA via CEIC Economic Database; authors' computations.

In 2024, services exports remained the primary growth driver, as seen in Figure 6. The business services subsector, which includes the Information Technology – Business Process Management (IT-BPM) industry, expanded by 9.3 percent, up from 3.0 percent in 2023. The IT-BPM sector posted USD 38 billion in revenues and employed 1.82 million workers by year-end (Desiderio 2025), underscoring the country's competitiveness in knowledge process outsourcing and digital services amid rising global demand for AI-driven and automation-support solutions. In contrast, travel services slowed markedly to 3.6 percent growth (from a high base of 103.6% in 2023), as the rapid post-pandemic rebound in TTH began to normalize.

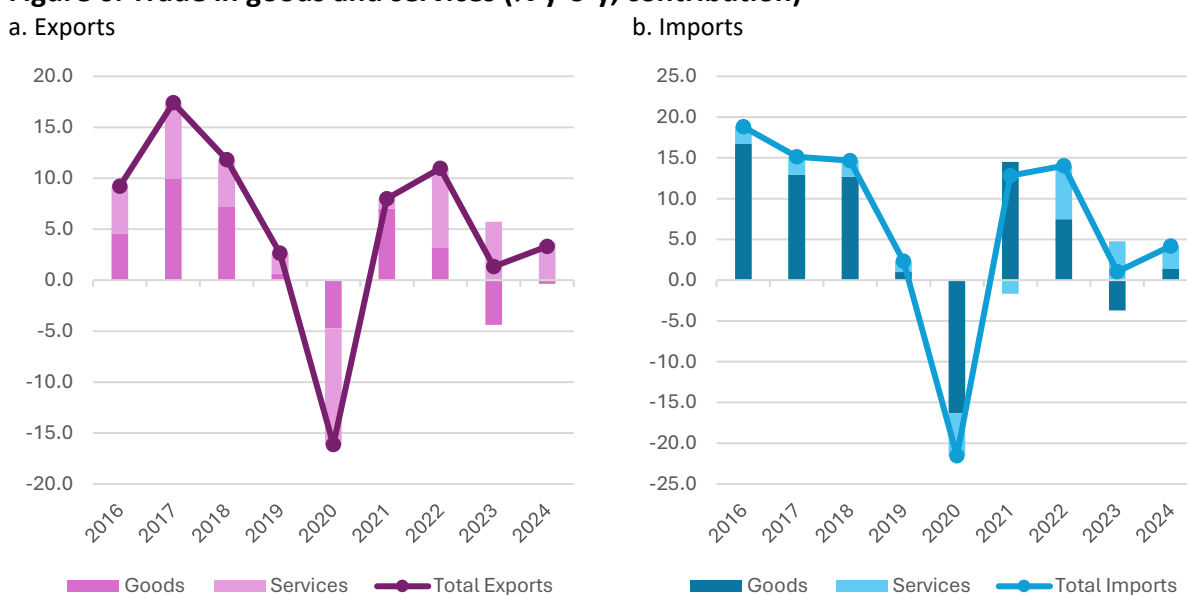
Merchandise exports were led by electronics, which contracted by 4.4 percent (an improvement from -9.7% in 2023), and other manufactured goods, which fell by 4.3 percent (from +12.9%). The partial recovery in electronics reflected stabilizing global supply chains and renewed orders for semiconductors and components. However, ongoing US-China technology tensions and, more recently, the tariff measures announced by the Trump administration, including the proposed 100 percent tariff on imported semiconductors, created renewed uncertainty for the Philippines' export sector.

While the Philippines was not immediately included in the tariff's initial application, the policy's chilling effect on global semiconductor trade has already begun to manifest. Philippine electronics exports, deeply embedded in US supply chains, face potential demand

reallocation and investment hesitation from multinational manufacturers adjusting to shifting tariff regimes. This, in turn, could suppress future export orders and discourage reinvestment in assembly and packaging operations, which account for over 60 percent of the country’s total merchandise exports.

On the import side, both goods and services contributed to trade expansion. Service imports, largely driven by outbound travel-related spending, rose by 21.1 percent (from 73.0% in 2023), as outbound tourist departures reached 15.1 million in 2024 (Patinio 2025). The miscellaneous services category surged by 54.1 percent (from 10.2%), reflecting higher spending on logistics, consultancy, and overseas education. Among goods imports, electronics rebounded by 7.3 percent (from -12.2%) due to strong demand for intermediate components, while transport equipment contracted by 14.5 percent (from +3.5%), mirroring slower capital investments and delivery bottlenecks.

Figure 6. Trade in goods and services (% y-o-y, contribution)



Source: PSA via CEIC Economic Database; authors’ computations.

Trade performance in 2025 displayed marked quarterly variations. Exports grew by 7.0 percent in Q1 and 4.4 percent in Q2, while imports expanded by 10.3 percent and 2.9 percent, respectively. This translated into a 19.1 percent increase in net exports in the first quarter but a 0.7 percent contraction in the second, as external headwinds intensified.

In Q1 2025, **growth was supported by telecommunications services**, which expanded by 7.3 percent (from 16.9%), supported by offshore demand for digital infrastructure and connectivity solutions. By Q2, however, the combined slowdown in travel services (3.5% from 14.5%) and manufacturing exports (-18.6% from 6.0%) weighed down total export growth. Electronics exports rose modestly (6.7% from 15.9%), while other manufactured goods expanded strongly by 37.0 percent in Q1 and 25.2 percent in Q2, suggesting ongoing diversification of export markets. Meanwhile, imports were dominated by travel-related expenditures, which grew by 20.4 percent in Q1 and 21.7 percent in Q2, alongside a rebound in goods imports, particularly electronics (14.2% in Q1; ~9.0% in Q2) and transport equipment (33.3% from -25.3%),

reflecting catch-up in domestic investment and logistics spending following earlier election-related constraints.

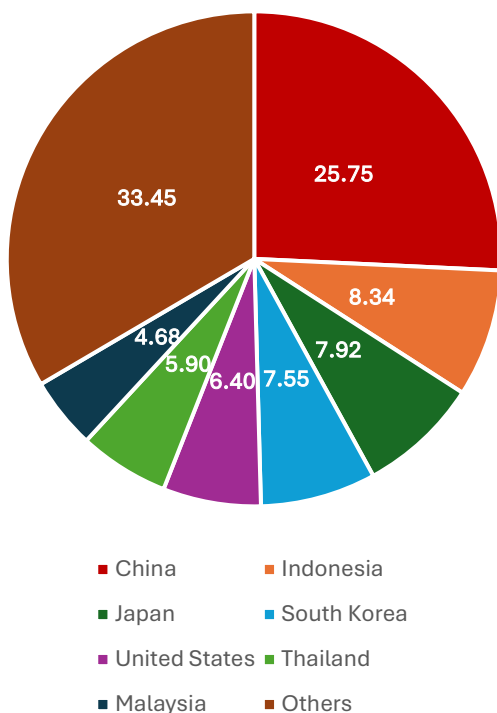
2.2.2. Trading partners and external linkages

In 2024, China remained the Philippines’ largest source of imports, with a total value of USD 34.5 billion, accounting for 25.8 percent of total inbound shipments, as seen in Figure 7. This marked an increase from 23.3 percent in 2023, underscoring the country’s continued reliance on Chinese intermediate goods, raw materials, and capital equipment used in manufacturing, electronics, and construction. Other key import partners included Indonesia, Japan, Korea, and the US, which collectively held a 28.3 percent share of total imports. This composition reflects the Philippines’ strong integration into Asian regional production networks, particularly for energy, industrial inputs, and technology-related goods.

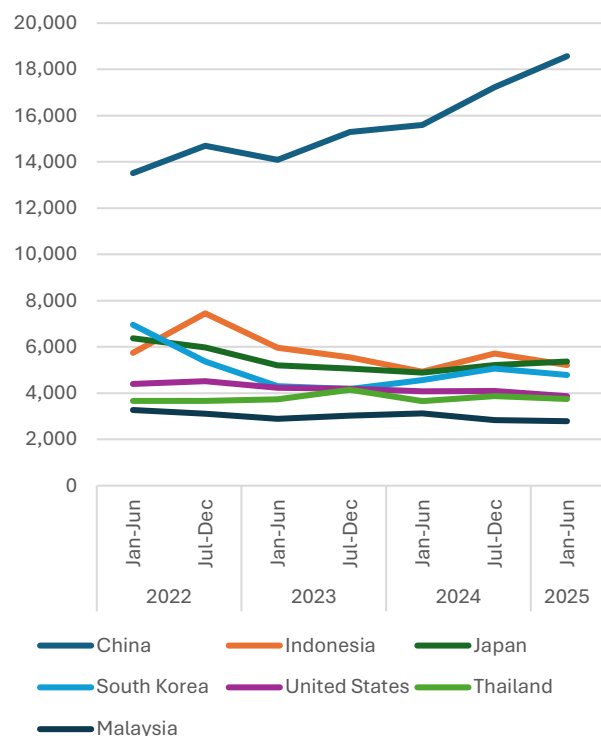
On the export side, the Philippines’ top markets in 2024 were the US, Japan, Hong Kong SAR, and China. Exports to the US registered a slight uptick from 2023, supported by resilient demand for semiconductors, electronic components, and IT-enabled services. Export values during the first half of 2025 also exceeded those of the same period in the previous year, reflecting momentum from early-year orders and the steady recovery of services exports.

Figure 7. Top trade partners

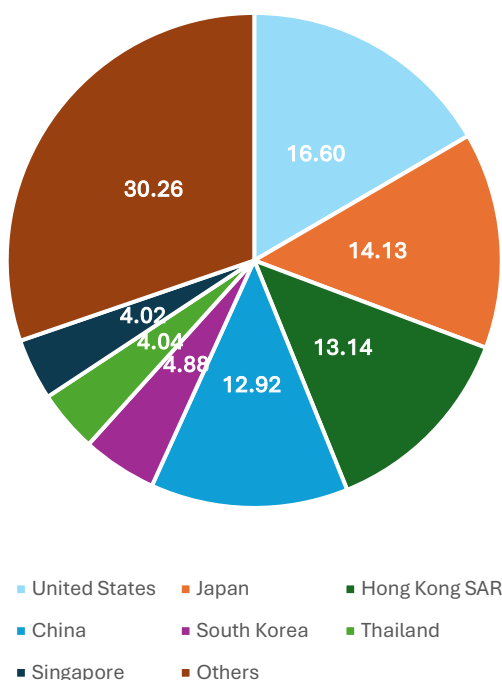
a. Import partners, share of total (2024)



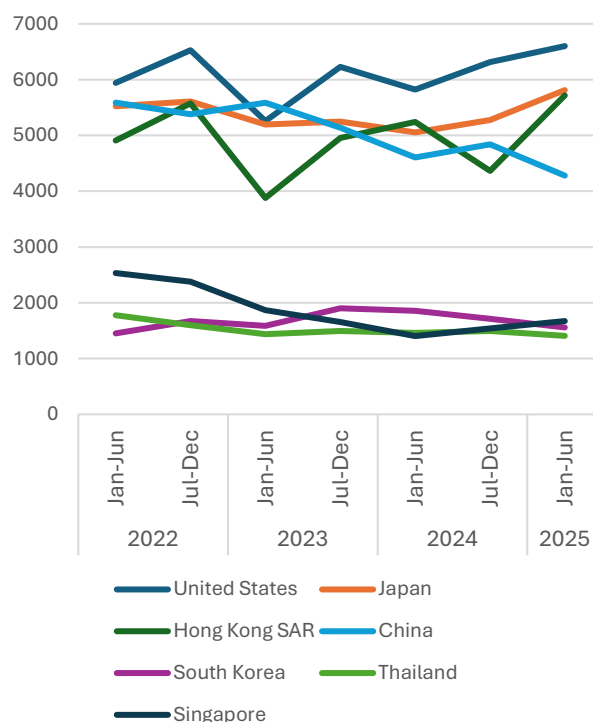
b. Value of imports (in million USD)



c. Export partners, share of total (2024)



d. Value of exports (in million USD)



Source: PSA via CEIC Economic Database.

However, this outlook has begun to soften following the tariff measures announced by the Trump administration in April 2025, which include the imposition of higher tariffs, up to 100 percent, on imported semiconductors (Cabalza et al. 2025). Although the Philippines has not been explicitly targeted, the spillover effects on global supply chains are likely to dampen electronics exports, given the country’s role as a major assembly and testing hub for US-linked semiconductor firms. Uncertainty surrounding future export orders and potential investment delays from multinational electronics companies could moderate the sector’s contribution to GDP in the latter half of 2025.

Beyond goods trade, service exports, particularly in outsourcing, may also come under strain from the proposed *Keep Call Centers in America Act of 2025*, which seeks to discourage US firms from offshoring customer support operations (Chi 2025). The measure, though still under congressional review, could affect the Philippine IT-BPM industry’s employment and revenue prospects, given that about 60 percent of IT-BPM clients are US-based. If enacted, it may prompt a strategic shift among local BPO firms toward non-US markets in Europe, the Asia-Pacific, and the Middle East, and accelerate the industry’s transition to higher-value KPO and AI-integrated services.

As seen from Table 1, despite external headwinds, the Philippine economy demonstrated relative resilience in 2024, diverging from the global slowdown. While world output growth eased from 3.5 to 3.2 percent, and the ASEAN-5 average moderated from 4.7 to 4.3 percent, the Philippines posted an uptick from 5.5 to 5.7 percent, driven largely by domestic demand and the robust services sector. This contrasts with the weaker performance of key trading partners: China’s growth slowed amid property market stress and subdued exports; the United States cooled under tighter financial conditions; and Japan’s expansion nearly stalled, slipping from 1.5 percent to 0.08 percent.

Given this divergence, **sustaining the Philippines’ growth trajectory in 2025 and beyond will depend on how effectively it navigates the changing global trade environment.** The slowdown among major trading partners, which together account for more than 50 percent of the country’s exports, poses downside risks to external demand. A prolonged US-China technology confrontation, compounded by new tariff measures and rising protectionist sentiment, could weigh on both merchandise and services exports.

To mitigate these risks, **the Philippines must diversify its export markets and upgrade its participation in global value chains (GVCs).** Strengthening trade and investment linkages within the Association of Southeast Asian Nations (ASEAN) and the Regional Comprehensive Economic Partnership (RCEP) economies, expanding bilateral economic agreements with emerging partners in South Asia and the European Union (EU), and investing in innovation, logistics, and digital infrastructure will be crucial to sustaining external resilience.

Table 1. Growth in key country groups and economies (% y-o-y)

	2017-2019	2020-2021	2022	2023	2024	2025f	2026f
World	3.43	1.97	3.65	3.49	3.29	2.79	2.96
Emerging Market and Developing Economies (EMDE)	4.36	1.02	2.95	1.74	1.80	1.38	1.51
Emerging Markets and Developing Asia (EMDA)	6.10	-0.17	5.49	4.07	4.63	3.97	3.95
ASEAN-5	4.81	2.65	4.13	4.69	4.28	3.70	3.89
Advanced Economies (AE)	2.22	3.63	4.68	6.05	5.30	4.54	4.60
The Philippines	6.46	-1.90	7.58	5.52	5.69	5.48	5.76
Malaysia	5.02	-1.07	8.86	3.56	5.11	4.1	3.8
Indonesia	5.09	0.82	5.31	5.05	5.03	4.65	4.67
China	6.55	5.45	3.11	5.38	5	3.95	3.96
Singapore	3.13	2.97	4.11	1.82	4.39	2.01	1.88
Taiwan	3.05	5.07	2.68	1.12	4.3	2.85	2.5
US	2.63	1.95	2.51	2.89	2.8	1.83	1.74
Hong Kong SAR	1.66	-0.05	-3.68	3.21	2.54	1.52	1.86
Thailand	3.51	-2.25	2.63	2.01	2.53	1.8	1.6
Korea	2.77	1.96	2.73	1.4	2.03	1.03	1.45
Japan	0.64	-0.74	0.94	1.49	0.08	0.55	0.58

Source: IMF (2025b); authors’ computations.

We can see that the external sector remains a pillar of resilience but also a source of vulnerability for the Philippine economy. While the services trade surplus, particularly from IT-BPM and digital outsourcing, continues to offset part of the merchandise deficit, the evolving global trade environment, marked by US protectionism, slowing Chinese demand, and heightened geopolitical uncertainty, poses significant downside risks.

The Trump administration’s tariff escalation threatens to reshape global semiconductor value chains, potentially diverting investments away from existing production hubs, including the Philippines (Aldaba, 2025). Unless strategic measures, such as bilateral trade engagement, export diversification, and domestic value-chain upgrading, are accelerated, the country’s electronics export base could face margin compression and slower volume growth.

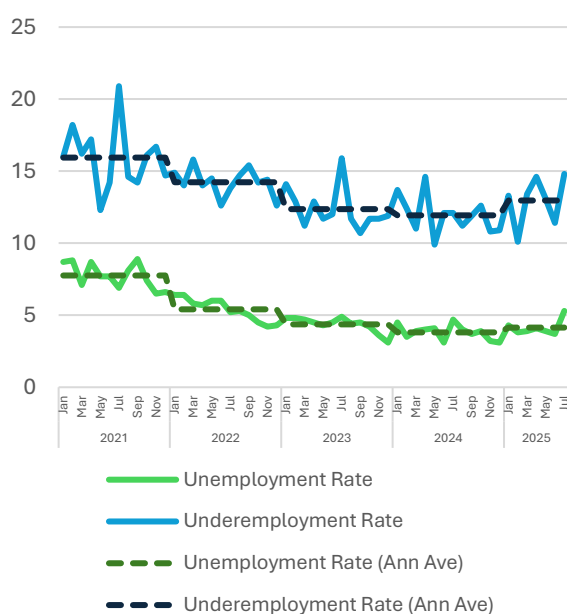
To mitigate these risks, **policymakers must deepen market diversification within ASEAN, the EU, and RCEP partners, pursue targeted incentives for advanced manufacturing, and enhance trade facilitation measures to retain competitiveness.** Concurrently, sustained investment in digital infrastructure and services export capacity can help cushion the external shock and maintain the Philippines’ foothold as a regional hub for knowledge-intensive industries.

2.3. Employment block

2.3.1. Employment, unemployment, and underemployment

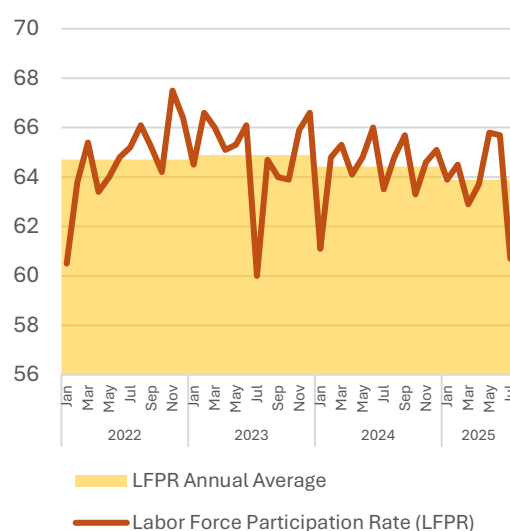
As shown in Figures 8 and 9, **the Philippine labor market has remained broadly resilient in the short to medium term.** Both unemployment and underemployment rates have steadily declined since their pandemic-era highs in 2021, though the pace of improvement slowed between 2023 and 2024. The unemployment rate eased from 4.4 percent to 3.8 percent, while underemployment fell from 12.4 percent to 11.9 percent, reflecting a still-expanding but gradually stabilizing labor market. However, data for January to July 2025 indicated a temporary uptick. Unemployment rose to 4.1 percent and underemployment to 13.0 percent, marginally higher than the corresponding 2024 averages of 4.0 and 12.3 percent, respectively. This short-term rise, peaking in July 2025, is largely seasonal, coinciding with the typhoon season, academic-year transitions, and temporary hiring slowdowns in agriculture and services (Fuentes 2025a). Based on historical patterns, the fourth quarter typically brings a rebound in labor demand, as businesses expand operations and hire additional workers to meet holiday consumption and tourism activity. The key question is whether the expected year-end recovery will be sufficient to offset the mid-year weakness and maintain full-year averages within the sub-4 percent unemployment threshold achieved in 2024.

Figure 8. Unemployment and Underemployment



Source: PSA via CEIC Economic Database; authors’ computations.

Figure 9. Labor Force Participation Rate



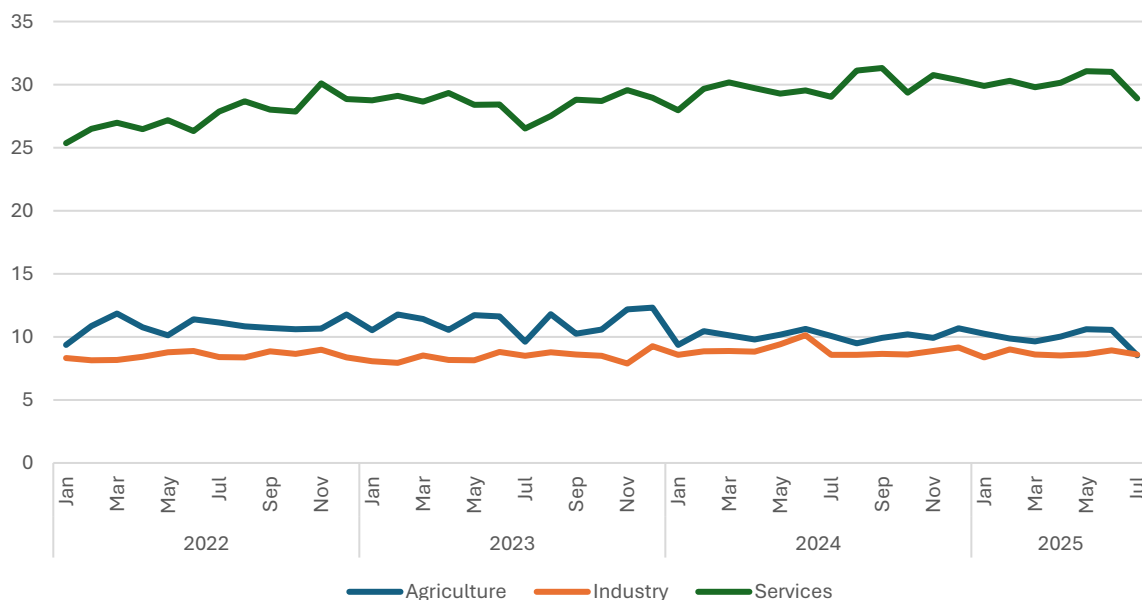
Source: PSA via CEIC Economic Database; authors’ computations.

Meanwhile, the labor force participation rate (LFPR) has exhibited a gradual downtrend, declining from 64.9 percent in 2023 to 64.4 percent in 2024, and further to 63.9 percent in the early months of 2025. While this may partly reflect statistical normalization following the pandemic-era surge in job-seeking, it also raises structural concerns. The decline suggests that fewer Filipinos are actively entering or remaining in the labor market, potentially due to early retirement, return to education, increased caregiving responsibilities, or migration abroad. Though the immediate economic impact appears modest, the long-term implications are more serious. A sustained decline in participation could constrain labor supply, particularly in key sectors such as manufacturing, construction, and IT services, thereby limiting potential output growth. This demographic shift also coincides with an aging workforce and changing worker preferences, where many are opting for gig work, hybrid employment, or overseas opportunities.

To ensure inclusive labor market growth as quantity of employment does not necessarily translate to quality of employment, policies must focus on labor market activation and human capital retention. Key interventions include (1) expanding upskilling and reskilling programs to align workers with digital and green economy demands; (2) strengthening employment facilitation systems to match skills with emerging industries; (3) improving social protection and childcare systems to support women’s labor participation; and (4) encouraging productive migration linkages that allow overseas employment without eroding domestic human capital. If managed well, these measures can help sustain employment gains while addressing structural challenges in participation and productivity, ensuring that the labor market remains a cornerstone of the country’s long-term growth trajectory.

2.3.2 Employment by sector

Figure 10. Employment by sector (in million persons)



Source: PSA via CEIC Economic Database; authors’ computations.

The structural transformation of the Philippine labor market continued to unfold in 2024 and 2025, characterized by the dominance of the services sector and the continued contraction of agriculture, as seen in Figure 10. These trends reaffirm the long-standing

trajectory of a developing economy transitioning from agriculture toward services, driven by urbanization, demographic change, and technological adaptation. Recent effects of rapid onset climate events (ROCE) (i.e., natural calamities, such as typhoons, earthquakes, and El Niño-induced droughts) have further reinforced this reallocation by disproportionately affecting rural livelihoods and agricultural output, accelerating labor movement toward service-oriented activities in urban and peri-urban areas.

The services sector remained the largest employer, expanding by 5.9 percent in 2024 and accounting for 61.1 percent of total employment, equivalent to 29.9 million jobs, an increase from 59.3 percent (27.6 million) in 2023. From January to July 2025, its share rose further to 61.8 percent, indicating sustained momentum despite a slower macroeconomic environment. Growth within services was driven largely by wholesale and retail trade, which continues to absorb a significant portion of low- to mid-skilled workers, as well as by the steady recovery of accommodation, transport, and information services. The expanding digital and platform economy, underpinned by e-commerce and business outsourcing, has also opened new employment opportunities, particularly for younger and tech-savvy workers.

In contrast, **the agriculture sector continued to lose employment share, reflecting both cyclical and structural challenges** (Rivera and Tullao Jr. 2023). The sector's workforce declined by about 10 percent from 2023 to 2024, as its share fell from 20.2 percent (11.1 million workers) to 18.2 percent in 2024, and further to 17.6 percent (9.9 million) in early 2025. This contraction highlights the persistent vulnerability of rural employment to climate shocks, low productivity, limited mechanization, and insufficient extension services. Many displaced agricultural workers have transitioned into informal services or construction, often at the cost of lower job security and earnings. The erosion of agricultural employment poses a long-term risk to food security, rural incomes, and inclusive growth, especially if not matched by productivity-enhancing interventions.

Meanwhile, **the industry sector exhibited a fluctuating yet slightly positive trajectory.** Its share of total employment rose from 17.5 percent in 2023 to 18.3 percent in 2024, before easing to 17.8 percent in the first half of 2025. Within the sector, construction and manufacturing remained the principal job generators, supported by infrastructure programs and the rebound of domestic demand. However, employment growth in industry has not kept pace with output expansion, suggesting that automation and capital-intensive production are tempering labor absorption capacity.

Overall, **these shifts underscore the dual challenge of structural transformation.** While services expansion reflects modernization and diversification, it also exposes gaps in job quality, productivity, and formality. The continuing decline of agricultural employment, without a commensurate rise in high-productivity industry jobs, suggests a risk of premature de-industrialization, where labor shifts to low-value services rather than high-value manufacturing. Addressing these imbalances will require targeted sectoral strategies, including (1) enhancing rural and agri-business productivity through mechanization, climate-resilient infrastructure, and digital agriculture; (2) deepening industrial diversification and encouraging investments in higher-value manufacturing and green industries; and (3) professionalizing and formalizing service employment, particularly in retail, logistics, and digital platforms, to raise income quality and labor protection. If strategically managed, these structural transitions can enhance the country's employment resilience, productivity base, and inclusive growth trajectory over the medium term.

2.4. Monetary block

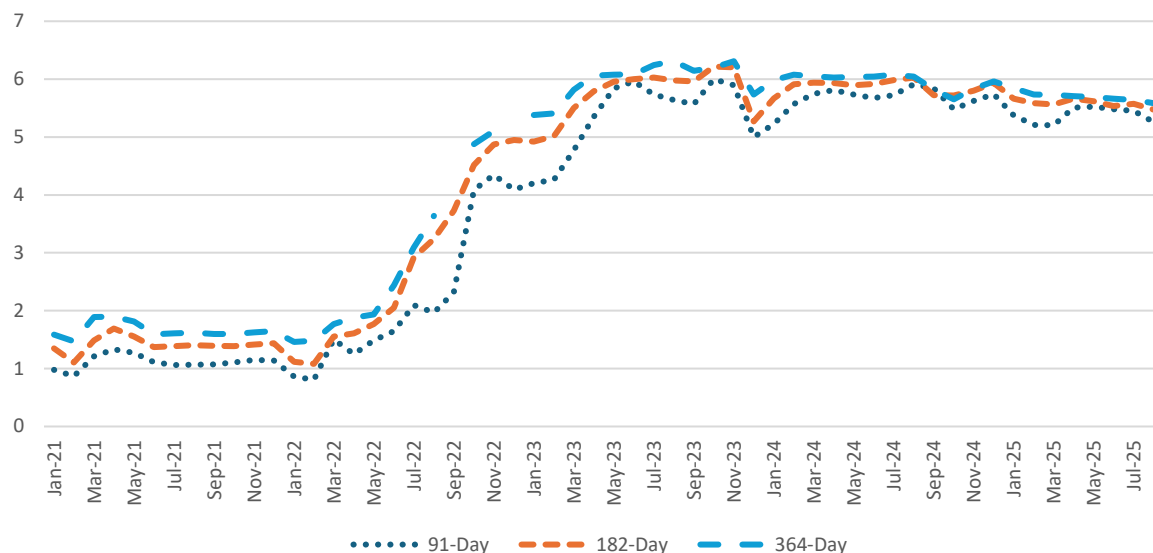
2.4.1. Treasury bill rate

As shown in Figure 11, **treasury bill (t-bill) rates trended slightly downward in late 2024 following BSP's shift toward a monetary policy easing cycle amid slowing inflation.** Earlier in the year, policy rates remained elevated, keeping t-bill yields relatively high. In periods of high inflation, investors typically demand higher returns to offset the erosion of real yields, leading to increased government borrowing costs. Thus, the BTr had to balance financing requirements with market expectations as it continued to auction off short-term securities to fund ongoing fiscal programs.

By the end of 2024, the government successfully raised about PHP 3.1 trillion through government securities, of which roughly PHP 1.4 trillion (USD 28 billion) came from t-bill issuances. This robust issuance reflected the state's commitment to frontload financing for infrastructure and social expenditure while maintaining market liquidity. As inflation eased and monetary conditions loosened, investors displayed renewed confidence in PHP-denominated assets, helping to stabilize yields despite elevated global uncertainty.

During the first half of 2025, **t-bill yields continued to ease, supported by a series of policy rate cuts, lower inflation readings, and strong investor appetite for short-dated securities.** Auctions were consistently oversubscribed, signaling ample liquidity in the financial system and sustained trust in government creditworthiness. As of June 2025, t-bill issuances reached PHP 860.3 billion, consistent with fiscal plans for short-term borrowing (BTr 2025e).

Figure 11. Treasury bill rates



Source: BSP via CEIC Economic Database

The **BSP's parallel reduction in the RRR further enhanced liquidity in the banking system, lowering funding costs for banks and stimulating demand for government**

securities. Consequently, short-term yields compressed, while the yield curve began to normalize, reflecting expectations of continued monetary accommodation and stable inflation.

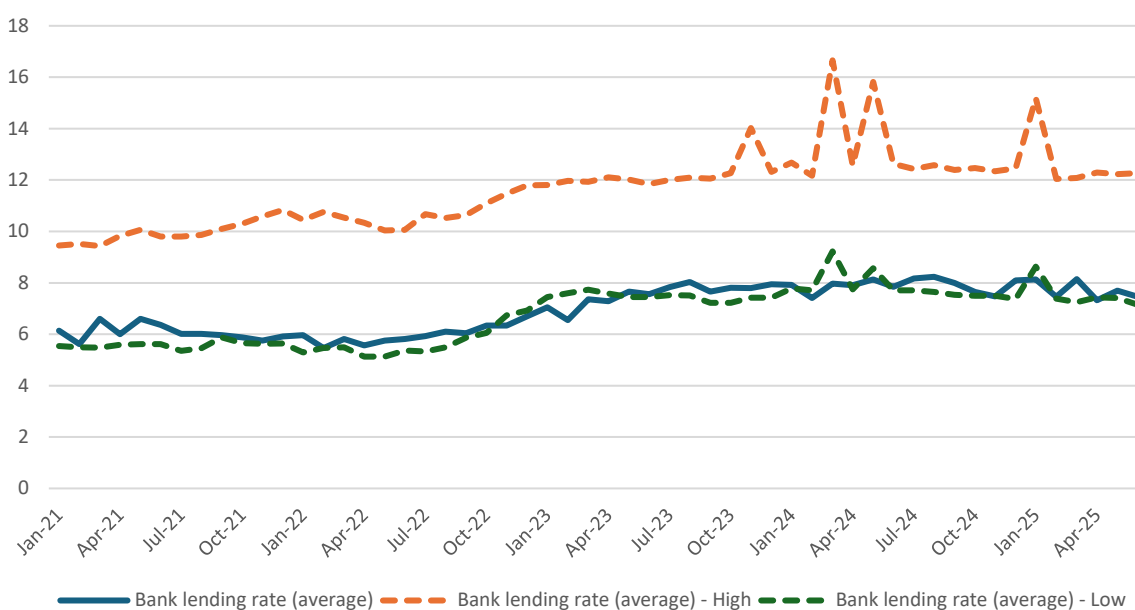
From a policy standpoint, **these developments underscore a healthy coordination between fiscal and monetary authorities characterized by the government’s active debt management complementing the BSP’s calibrated easing, ensuring adequate liquidity while preventing abrupt shifts in interest-rate dynamics.** However, global factors, such as US policy normalization, geopolitical tensions, and shifts in foreign portfolio flows, remain potential sources of volatility.

Sustaining investor confidence will thus hinge on credible fiscal consolidation, transparent debt issuance strategies, and effective communication of the BSP’s policy trajectory. If maintained, these conditions will help preserve low borrowing costs, enhance market stability, and support the country’s broader macroeconomic recovery and investment momentum into 2026.

2.4.2. Bank lending

As shown in Figure 12, **bank lending rates remained relatively elevated throughout most of 2024, reflecting the tight monetary policy stance and elevated inflation during the first half of the year.** The sustained high-interest rate environment made borrowing more costly for both enterprises and households, dampening credit demand and moderating consumption and investment. These conditions aligned with the BSP’s intent to curb inflationary pressures and anchor expectations by constraining excess liquidity. However, by the latter part of 2024, the BSP began its monetary easing cycle as inflation moderated, and growth risks re-emerged. Policy rate cuts gradually filtered into the financial system, paving the way for lower interbank and lending rates. As banks reduced placements in the BSP’s overnight facilities, more funds became available for lending to the productive sectors of the economy.

Figure 12. Bank lending rate



Note: High and low rates refer to the average quoted high and low lending rates of universal and commercial banks (UKBs).

Source: BSP via CEIC Economic Database

Total loans outstanding, net of reverse repurchase (RRP) agreements, reached PHP 13.1 trillion in December 2024, expanding by 12.2 percent y-o-y. **Loans for production activities, which account for about 85 percent of total credit, grew by 10.8 percent, driven by increased borrowing from wholesale and retail trade, manufacturing, real estate, and construction.** Meanwhile, **consumer loans surged by 25 percent, reflecting households' improved financial confidence and easier access to credit cards, motor vehicle loans, and salary-based loans.** By June 2025, total loans further increased to PHP 13.5 trillion, with production loans up 11.1 percent and consumer loans up 24 percent year-on-year. The strong consumer credit expansion can be attributed to continued policy rate reductions, which lowered financing costs and stimulated pre-election household spending on durable goods and services. The improving labor market and stable inflation bolstered repayment capacity and lending appetite.

These developments indicate that monetary transmission mechanisms are operating effectively, with policy easing beginning to translate into greater credit availability. Nonetheless, the pace of loan growth remains contingent on banks' risk perceptions and borrowers' investment sentiment. Global factors, such as rising US tariffs and geopolitical uncertainties, could indirectly affect credit markets by influencing business expansion plans, import costs, and investment financing needs.

Moving forward, **the key policy challenge lies in sustaining credit growth without reigniting inflationary pressures.** The BSP and financial regulators must continue balancing financial stability with growth support, ensuring that liquidity remains sufficient while maintaining prudence in credit risk management. A stable and well-calibrated monetary environment will be crucial in fostering productive lending, stimulating domestic investment, and sustaining the country's inclusive growth momentum through 2026.

2.4.3. Key policy rate

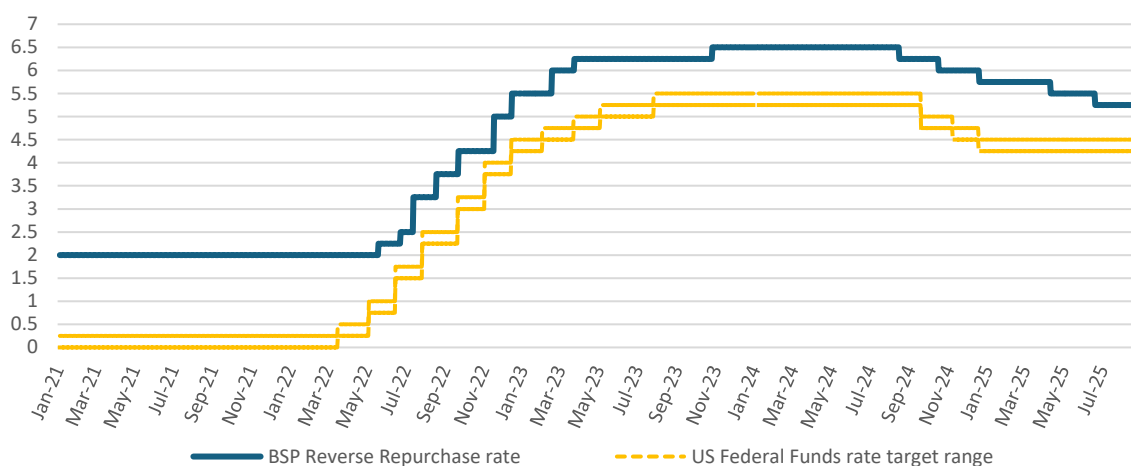
The BSP maintained a tight monetary policy stance through most of 2024, keeping the RRP rate at 6.5 percent until the start of the easing cycle in August 2024. Persistent inflationary pressures in the first half of the year prompted the Monetary Board (MB) to sustain its contractionary stance to temper domestic demand and anchor inflation expectations. As inflation began to decelerate in mid-2024, the BSP initiated a measured easing cycle with a 25-basis-point (bps) rate cut in August, followed by additional 25-bps reductions in October and December, ending the year with an RRP rate of 5.75 percent, as seen in Figure 13. This policy pivot was supported by easing price pressures, a stable exchange rate, and a softer outlook for domestic consumption and investment. In 2025, the BSP maintained rates during the February meeting before resuming the easing cycle in April, June, August, and October, each by 25 bps, bringing the policy rate down to 4.75 percent by the end of the period. According to the BSP (2025e), this gradual normalization reflected its data-dependent and risk-sensitive approach, acknowledging both weaker domestic demand due to infrastructure bottlenecks and heightened uncertainty from US trade and investment policies, including the Trump administration's tariff measures, which have weighed on business sentiment and global growth prospects.

The interest rate differential between the Philippines and the US Federal Reserve's (Fed) effective rate narrowed during the first half of 2025, as the BSP advanced its rate cuts while the Fed held steady within the 4.25 to 4.50 percent target band. This reduced the spread from 142 bps to 67 bps, lowering the relative advantage of PHP-denominated assets. The narrowing differential initially raised concerns about potential capital outflows and PHP

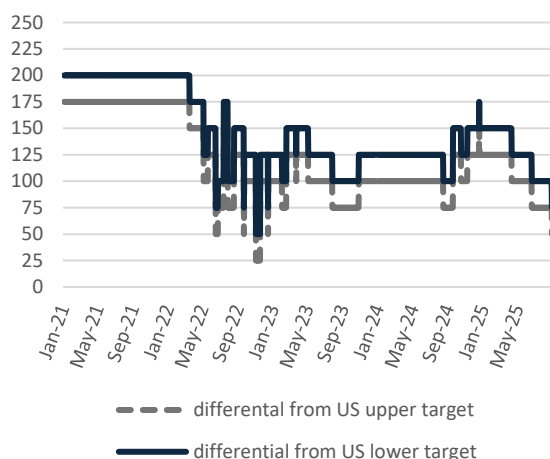
depreciation, but these did not materialize as the PHP continued to appreciate modestly against the USD (Chan 2025a). In September 2025, the Fed enacted its first rate cut of the year by 25 bps, shortly before the BSP implemented its own adjustment in October. The synchronized easing helped maintain relative stability in the rate spread and minimize exchange-rate volatility. The BSP has consistently emphasized that it does not target a specific differential but remains mindful of external developments to preserve monetary and financial stability. A spread above 100 bps, according to market analysts, remains adequate to deter speculative capital outflows while supporting the PHP’s resilience.

Figure 13. Philippine and US key policy rates

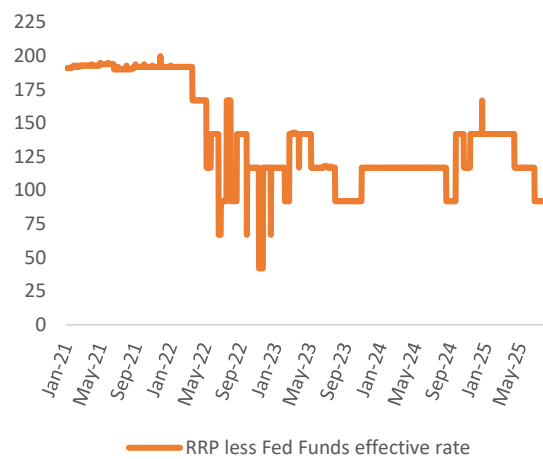
a. BSP target reverse repurchase (RRP) rate vis-à-vis Fed’s rate



b. Differential of BSP RRP and Fed Funds target range (in bps)



c. Differential of BSP RRP and Fed Funds effective rate (in bps)



Source: BSP and Fed via CEIC Economic Database; authors’ computation.

Complementing its rate policy, **the BSP also employed RRR adjustments to enhance liquidity transmission.** In October 2024, it implemented an initial reduction, followed by a more expansive cut in March 2025, aimed at injecting liquidity and stimulating bank lending to households and firms. Specifically, the RRR for UKBs and non-bank financial institutions with quasi-banking functions (NBQBs) was reduced by 200 bps (from 7% to 5%). For digital banks, the ratio was cut by 150 bps (from 4.0% to 2.5%), while thrift banks saw a 100-bps

reduction (from 1.0% to 0%). These adjustments released additional funds into the financial system, allowing banks to expand credit and support investment activity. By lowering funding costs, the BSP aimed to reinforce monetary accommodation while ensuring sufficient liquidity to sustain private sector expansion and public infrastructure financing.

Taken together, **the BSP's actions reflect a carefully calibrated normalization strategy, transitioning from tight to accommodative policy without jeopardizing price stability.** The gradual pace of easing was intended to support economic recovery, enhance credit transmission, and restore confidence amid external uncertainty. Nevertheless, the evolving global environment, marked by US protectionist trade policies, volatile oil prices, and geopolitical tensions, continues to shape domestic monetary conditions. The BSP's challenge is to maintain policy flexibility by sustaining growth-supportive conditions while guarding against renewed inflation and exchange-rate pressures. A credible, data-driven approach, coupled with coordination between monetary and fiscal authorities, will be key to anchoring expectations and guiding the economy toward stable, inclusive, and investment-driven growth through 2026.

2.4.4. Reserves

The Philippines' gross international reserves (GIR) stood at USD 106.3 billion as of end-December 2024, marking a 2.4 percent y-o-y increase. As seen in Figure 14, this growth, though positive, was moderate compared to the 7.9 percent expansion in December 2023 and 5.6 percent in November 2024, reflecting the narrower overall balance of payments (BOP) surplus during the year. The smaller surplus was largely driven by weaker trade inflows and rising external debt servicing, partly offset by resilient remittance inflows and earnings from BPO and TTH.

At this level, the GIR was equivalent to 7.3 months of imports and 3.4 times the country's short-term external debt, comfortably above the internationally accepted adequacy thresholds (at least three months of imports or one year of short-term external debt⁵). These indicators suggest that the Philippines continued to maintain a strong external liquidity buffer, capable of shielding the economy from near-term shocks in foreign exchange markets, commodity price volatility, and capital flow reversals.

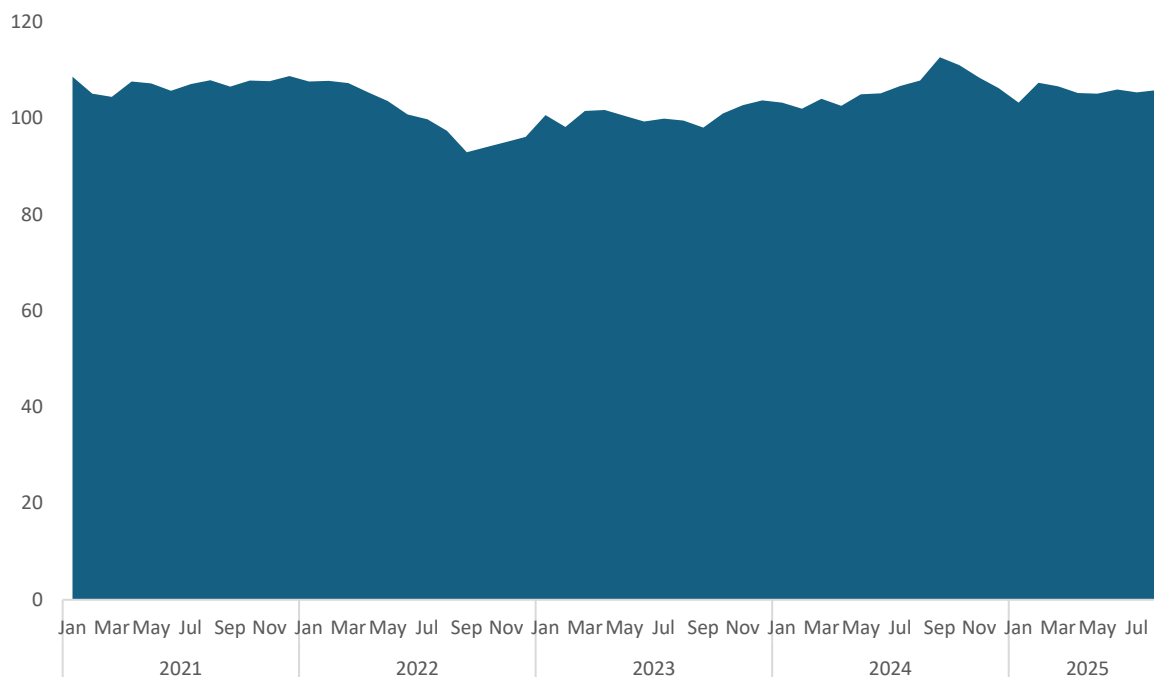
The uptick in reserves earlier in September 2024 was attributed to higher income from foreign investments held by the BSP and favorable foreign exchange revaluation gains due to a stronger PHP. These factors temporarily offset the effects of modest export receipts and higher import demand associated with election-related spending and infrastructure outlays. As of June 2025, the country's GIR remained stable at around USD 106 billion, still equivalent to roughly seven months of imports and over three times short-term external debt cover. This sustained level of reserves underscores the BSP's prudent external asset management, which balances investment income generation with liquidity preservation to support the stability of the PHP and safeguard against external vulnerabilities.

Looking ahead, the adequacy of reserves will continue to depend on several factors such as (1) the trajectory of merchandise and service exports, which may face headwinds from US tariff measures and weaker global trade; (2) the pace of foreign direct and portfolio inflows, influenced by investor sentiment and interest rate differentials; and (3) the country's external

⁵ External debt with original maturity of 1 year or less, and principal payments on medium- and long-term loans of the public and private sector due in the next 12 months.

debt dynamics and import demand tied to infrastructure and energy projects. Maintaining a robust GIR position will be crucial to preserving investor confidence, stabilizing the exchange rate, and providing room for policy flexibility amid potential external shocks. The BSP’s continued vigilance in managing reserve adequacy, while ensuring effective deployment of foreign assets, remains central to the Philippines’ macroeconomic resilience and external stability through 2025 and beyond.

Figure 14. Gross international reserves (in billion USD)



Source: BSP via CEIC Economic Database

2.5. Financial block

2.5.1. BOP

The Philippines’ current account deficit widened to USD 18.3 billion in 2024, driven primarily by lower net receipts in trade in services and a persistently negative trade in goods balance, as seen in Figure 15. The services account deterioration reflected higher payments for imported travel and financial services, which surged by 91.6 percent and 49.9 percent, respectively. The increase coincided with the normalization of outbound travel, higher global transport costs, and greater financial intermediation activity. At the same time, the expansion in global services trade, led by digital and logistics-related activities, continued to underpin overall trade recovery (United Nations Trade and Development [UNCTAD] 2025).

On the goods side, **the wider trade deficit stemmed from weaker exports of electronic products, still affected by the US-China technology and tariff disputes, and higher imports of rice, fuel, and infrastructure-related inputs**. These imports were partly linked to the government’s election-period infrastructure frontloading and supply stabilization measures. During the first half of 2025, the current account deficit rose to USD 9.2 billion, higher than the USD 8.1 billion deficit recorded in the same period of 2024. This reflected import growth outpacing export growth, particularly in services payments. However, primary income receipts grew 10.9 percent y-o-y, buoyed by higher returns from direct investments abroad. The BSP

projects the current account deficit to narrow to around 3.3 percent of GDP by year-end 2025, assuming moderation in imports and resilience in remittances, even as headwinds from global uncertainty, US tariff impositions, and job reshoring trends continue to challenge external trade competitiveness (BSP 2025f).

The country's overall BOP recorded a USD 609 million surplus in 2024, significantly lower than the USD 3.7 billion surplus in 2023. The smaller surplus reflected the widened current account gap offset only partially by strong net inflows under the financial account. As seen in Figure 15, net inflows from other investments reached USD 8.6 billion, with financial asset acquisitions shifting from USD 2.1 billion inflows to USD 1.9 billion outflows, indicating greater domestic portfolio diversification. Portfolio investments posted net inflows of USD 4.7 billion, reversing the previous year's small inflows of USD 81.1 million, while direct investments rose 21.6 percent to USD 6.6 billion. In contrast, during the first half of 2025, the external position reversed to a USD 5.6 billion deficit, from a USD 1.4 billion surplus in the same period last year. The reversal stemmed from a larger current account shortfall and smaller net financial inflows. While direct investment inflows increased 44.7 percent year-on-year, both portfolio and other investments declined sharply by 59.3 percent and 10.2 percent, respectively. The BSP initially projected a USD 6.3 billion full-year deficit, later revising it to USD 6.9 billion, citing a wider goods trade gap, weaker services receipts, and muted capital inflows amid tighter global financial conditions and protectionist trade policies.

Net foreign direct investment (FDI) inflows reached USD 9.4 billion in 2024; a 5.8 percent rebound after two consecutive years of decline. The recovery was driven by increased investments in debt instruments, which rose 3.1 percent to USD 6.7 billion, and new equity placements amounting to USD 2.2 billion, up 4.3 percent. Withdrawals fell by 37.1 percent, signaling improved retention of foreign capital, though reinvested earnings dropped 11.2 percent to USD 1.2 billion, reflecting corporate caution amid global uncertainty. However, monthly inflows fell to USD 356 million in December 2024 from USD 742.6 million a year earlier, as investors adopted a wait-and-see stance amid rising policy uncertainty and geopolitical risks. In the first half of 2025, FDI declined 23.8 percent, mainly due to equity investment and fund share reductions (down 48.9 percent, from USD 879 million to USD 1.7 billion). Equity placements dropped 49.3 percent, while withdrawals rose 67.2 percent, mirroring weaker global investment sentiment following the US tariff escalation and slowing Chinese demand.

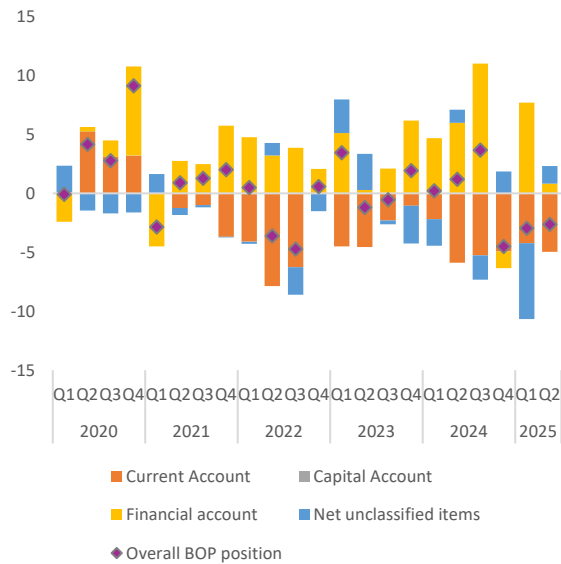
Major FDI sources during this period included Japan, US, Singapore, and Korea, with investments concentrated in manufacturing, real estate, financial services, administrative support, and wholesale and retail trade (Rivera and Tullao Jr. 2023). Despite the BSP's USD 7.5 billion FDI forecast for 2025, prospects remain tempered by external headwinds and domestic constraints, such as infrastructure bottlenecks, logistics inefficiencies, regulatory uncertainty, and climate-related disruptions (Inosante and Tabile 2025; International Trade Portal [ITP] 2025; US Department of State 2025).

Meanwhile, **official development assistance (ODA) commitments rose 5.9 percent to USD 39.6 billion in 2024, reflecting continued development partner confidence in the country's reform agenda.** Of this total, USD 28 billion comprised project loans, USD 9.2 billion were program loans, and USD 2.4 billion were grants. According to Department of Economy, Planning, and Development [DEPDev] (2025), the ODA portfolio remained concentrated in infrastructure (62.7%), followed by governance and institutional development (16.1%), social reform and community development (13.5%), and agriculture, agrarian reform, and natural

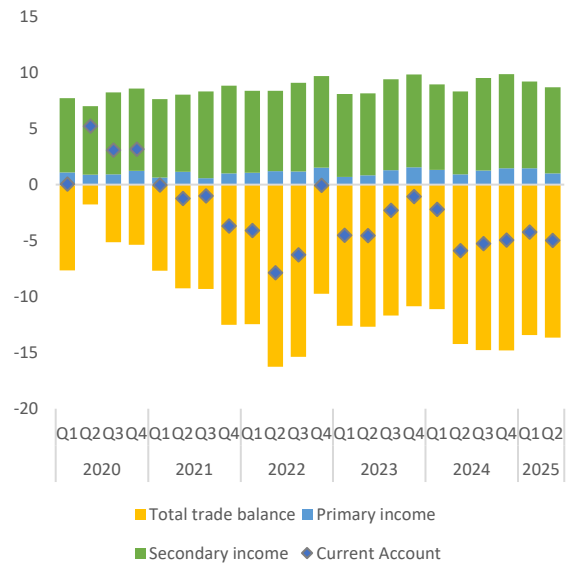
resources (7.5%). Thus, ODA continues to play a pivotal role in financing long-term development priorities, bridging gaps in transport and energy infrastructure, supporting social welfare initiatives, and enhancing disaster resilience. However, optimizing ODA utilization will require accelerating project implementation, modernizing procurement, and strengthening absorptive capacity at both the national and local levels to ensure timely delivery and maximum development impact.

Figure 15. Balance of payments and components (in USD billions)

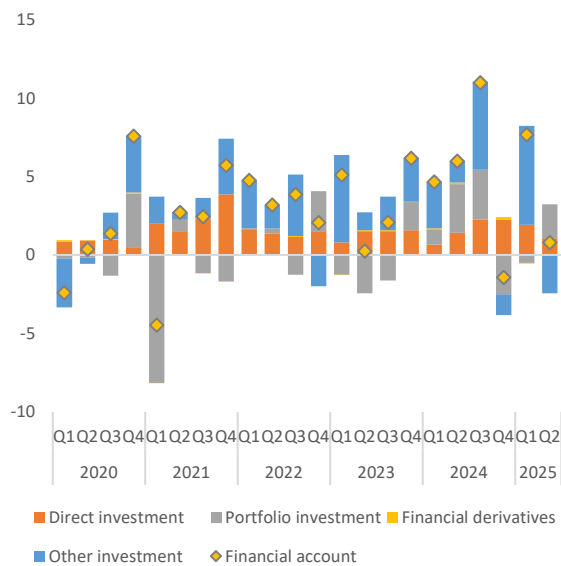
a. Balance of payments



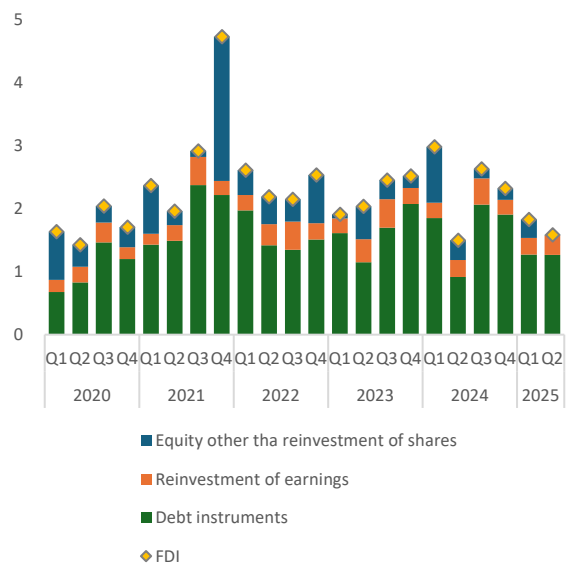
b. Current account



c. Financial account



d. Foreign direct investments



Source: BSP via CEIC Economic Database

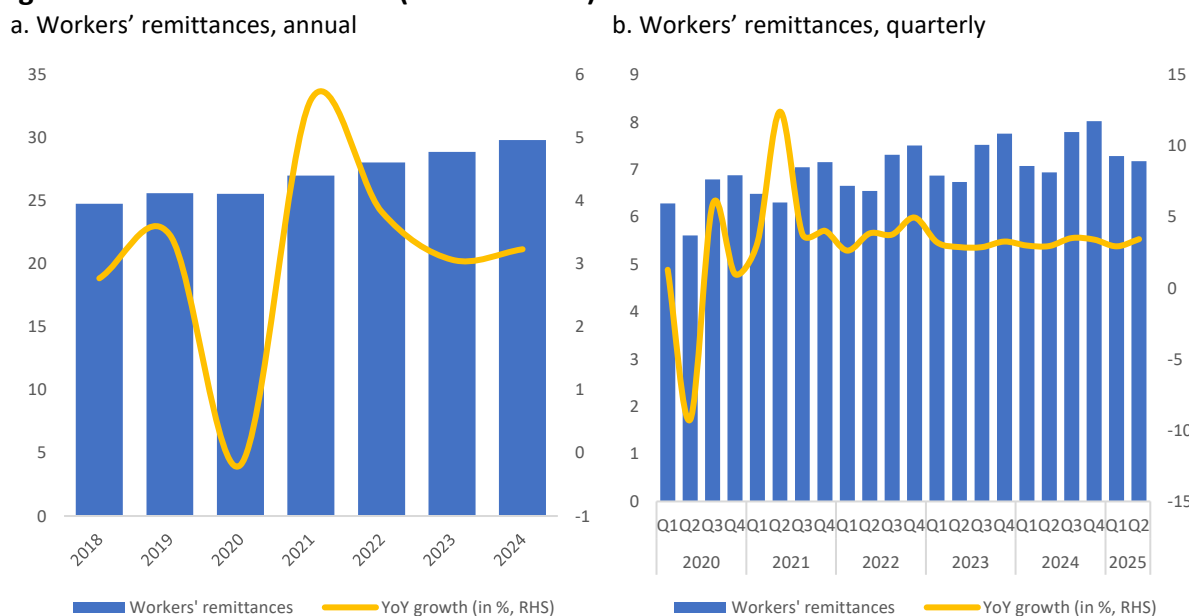
2.5.2. Remittances

Remittances from Overseas Filipino Workers (OFWs⁶) expanded by 3.2 percent to USD 29.8 billion in 2024, broadly in line with BSP’s projection of 3 percent full-year growth.

From Figure 16, this performance underscores the continued resilience of remittance inflows, supported by steady economic activity in key host economies such as the US, Saudi Arabia, and Singapore, which together account for more than half of total cash transfers. The increased adoption of digital and fintech-based transfer channels, which improve efficiency and lower transaction costs, has also contributed to sustained inflows, particularly among younger OFWs and their families (Jocson 2025c).

Remittances continue to serve as a crucial stabilizing force for the Philippine economy, acting as an immediate financial buffer that supports household consumption, especially amid inflationary pressures and income uncertainty. From Figure 16, inflows typically surge during the second half of the year, coinciding with school enrolment expenses in the third quarter and holiday-related spending in the fourth quarter. The total net secondary income account rose 1.8 percent in 2024, slightly outpacing the 1.7 percent growth in 2023. This modest improvement, while steady, reflects both increased remittance flows and other private transfers such as pension and gift inflows. The continuous rise in foreign currency receipts helped partially offset the widening current account deficit, mitigating external sector pressures and supporting the PHP’s stability.

Figure 16. Remittance inflows (in billion USD)



Source: BSP via CEIC Economic Database

During the first half of 2025, remittances grew 3.2 percent y-o-y, faster than the 3.0 percent recorded during the same period in 2024. **Growth was driven by sustained labor demand in host economies, particularly in healthcare, engineering, construction, and hospitality services across the Middle East and East Asia.** The BSP projects cash remittances to grow

⁶ According to Tullao Jr. et al. (2007), a migrant worker is an individual who will be, is currently, or has previously been employed in paid work within a country where they are not legally a resident. Under Republic Act (RA) No. 8042, or the Migrant Workers and Overseas Filipinos Act of 1995, this term is used interchangeably with Overseas Filipino Worker (OFW).

by 2.8 percent for the full year 2025, emphasizing that structural labor market diversification continues to underpin the sector's stability. However, emerging global protectionist and populist policies pose downside risks to overseas employment and remittance inflows. The US' 2026 proposal to impose taxes on foreign remittances, combined with the potential tightening of immigration and labor outsourcing policies under the Trump administration, could dampen OFW income flows in the medium term (Inosante and Hufana 2025). Additionally, geopolitical tensions in the Middle East and reforms in Gulf labor markets (e.g., nationalization programs) may constrain job creation for migrant workers.

In this context, **safeguarding the long-term sustainability of remittance inflows requires broadening OFW market diversification, promoting financial inclusion and investment literacy among remittance-receiving households, and encouraging productive use of remittances through microenterprise, savings, and digital finance mechanisms.** Such measures will help transform remittances from a purely consumption-based driver into a lever for inclusive growth and domestic capital formation.

2.5.3. Stock market

From Figure 17, **the Philippine Stock Exchange Index (PSEi) ended 2024 at 6,528.79, after peaking above the 7,500 level in early October reflecting a year of heightened volatility influenced by both global and domestic factors.** Early in 2024, the index benefited from robust US economic growth and easing inflation expectations, which spurred optimism across global equity markets. However, this momentum was tempered by geopolitical tensions in the Middle East and renewed investor caution ahead of major political transitions in advanced economies. By the latter part of 2024, ASEAN markets, including the Philippines, rallied on the back of the US Fed's rate cuts, which boosted regional liquidity and improved investor sentiment. Yet, the post-election market reaction in the US, driven by renewed protectionist rhetoric, including new tariffs on Asian exports and stricter trade policies, triggered capital outflows from emerging markets back into US assets. Consequently, the PSEi posted a modest annual gain of 1.2 percent for 2024, underscoring the Philippine market's fragile sensitivity to external shocks and global risk-off sentiment (Sy 2024).

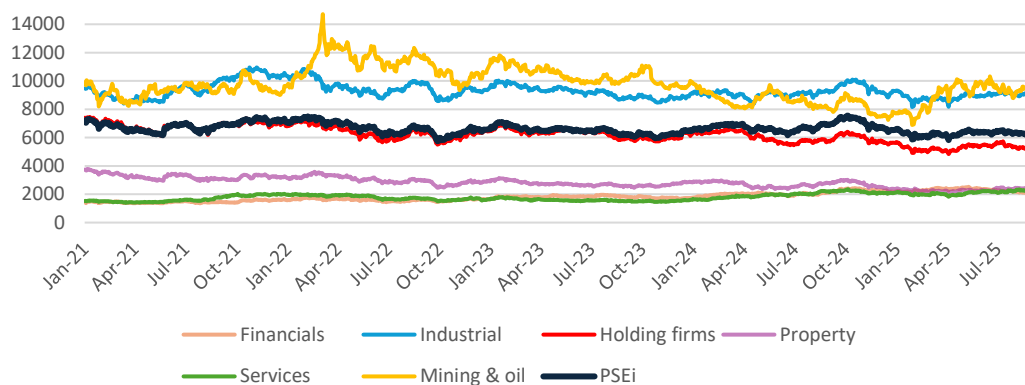
In the first half of 2025, the PSEi exhibited a mixed performance characterized by short-term rallies and intermittent pullbacks. Market momentum was initially supported by slowing domestic inflation, resilient consumer demand, and expectations of further monetary policy easing. However, these positives were offset by persistent global headwinds (i.e., US tariff measures, trade-policy uncertainty, moderating growth in China), which collectively weighed on risk appetite. By early November 2025, sentiment deteriorated significantly as the PSEi plunged to 5,818.06 points, its lowest level in over three years, amid investor concerns over slowing growth and exposed valuations (Magno 2025). A subsequent analysis noted that, as of late 2025, the market traded at roughly nine times earnings, well below its historical average and the regional peer average, which is a gap driven not by weak fundamentals, but by a deficit of investor confidence (Hiansen 2025). This confidence vacuum appears tied to both domestic governance issues, including high-profile corruption probes, and external shocks. The result is a convergence of weak equity performance, exchange rate vulnerability, and softening business sentiment, raising the possibility of capital flight and constrained investment. From a policy lens, the message is clear. Work must be done to improve governance, transparency and institutional credibility to accompany macroeconomic and fiscal measures to restore investor trust and market stability.

Valuation-wise, the price-earnings (P/E) ratio continued its downward trajectory through 2024 into mid-2025, signaling a cautious investor stance. A lower P/E ratio generally indicates undervalued equities relative to their earnings potential, but in this context, it also reflected market skepticism and risk aversion amid volatile external conditions. The aggregate P/E ratio settled at 11.045 as of June 2025, a level consistent with undervaluation amidst uncertainty and gradual monetary easing.

Across sectors, valuations diverged. That is, industrial firms declined from 13.385 (June 2024) to 12.708 (June 2025), reflecting softer demand and cost pressures. Holding firms dropped from 9.443 to 8.549, mirroring reduced investor appetite for conglomerate exposure. The services sector fell from 14.417 to 12.487, amid weaker telecom and tech sentiment. Property firms dipped from 10.138 to 9.345, weighed down by high financing costs and delayed project completions. Conversely, mining and oil companies saw a notable rebound, with P/E rising from 12.039 to 17.448, as global commodity prices recovered. Financial sector firms recorded a modest uptick (from 8.034 to 8.289), reflecting the improving credit environment and prospects for rate-driven loan growth. Overall, the Philippine equity market in 2025 remained undervalued but fundamentally sound, with selective investor interest gravitating toward financials, energy, and consumer sectors poised to benefit from lower interest rates and stronger domestic consumption.

Figure 17. Stock market performance

a. Sector indices



b. PSEi price-earnings ratio



Source: PSE via CEIC Economic Database

Moving forward, **market recovery will depend heavily on policy predictability, both domestic and external.** The US tariff escalation, potential slower global growth, and local governance concerns remain potential drags on investor sentiment. Nonetheless, stable macroeconomic fundamentals, a credible monetary policy stance, and improving corporate earnings could help sustain modest market resilience through 2026.

2.5.4. Banking performance

The gross non-performing loans (NPL) ratio of the Philippine banking system stood at 3.27 percent by end-December 2024, up from 2.24 percent a year earlier but marking the lowest level since January 2024, as seen from Figure 18. This indicates that while the overall credit quality slightly weakened relative to 2023, the financial system maintained relative stability toward the end of the year. The gradual decline in NPL ratios during the latter half of 2024 among UKBs and thrift banks signaled improving repayment capacity and more prudent risk management. Conversely, digital banks and rural and cooperative banks registered a slight deterioration in credit performance early in the year, though these segments managed to recover by year-end amid easing monetary conditions and targeted restructuring efforts.

As of December 2024, the gross total loan portfolio of UKBs amounted to PHP 14.2 trillion, with PHP 424.7 billion (2.99%) classified as non-performing. This composition underscores the banking system's continued credit expansion despite macroeconomic headwinds, driven by increased lending to households, construction, and wholesale and retail trade sectors.

In the first half of 2025, bad loans rose to PHP 530.3 billion from PHP 500.4 billion in December 2024, consistent with the moderate growth in total loan portfolios as credit conditions eased. The NPL ratio slightly improved to 3.34 percent in June 2025, down from 3.38 percent in previous months, suggesting that the uptick in credit volume was proportionately higher than the growth in problem loans. Meanwhile, allowances for credit losses increased to PHP 512.1 billion, bringing the NPL coverage ratio to 95.4 percent, up from 93.2 percent a year prior. This high coverage ratio reflects a well-capitalized and resilient banking sector, capable of absorbing potential credit shocks.

The improvement in coverage and modest decline in NPL ratios were aided by lower interest rates and softening inflation, which collectively eased debt servicing pressures on both corporate and household borrowers. The BSP's monetary policy easing cycle in 2024-2025 reduced borrowing costs, allowing financially constrained borrowers to restructure obligations and improve repayment capacity.

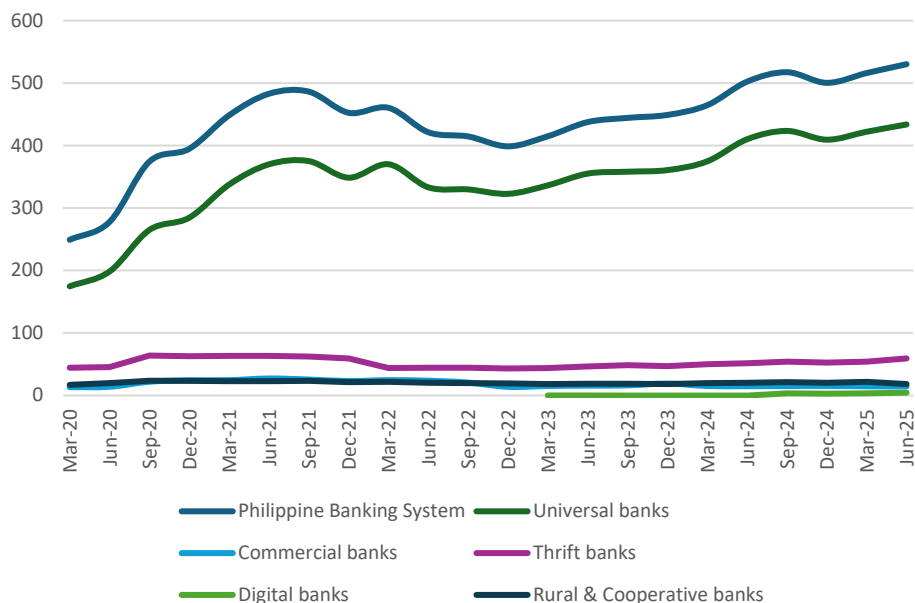
Nevertheless, **structural risks remain.** According to S&P Global Ratings, Philippine NPLs and credit losses are projected to inch upward over the next two years, driven by banks' expansion into higher-risk lending segments, notably micro, small, and medium enterprises (MSMEs) (Sy 2025a), consumer finance, and digital lending. While these segments support financial inclusion and domestic demand, they also carry greater credit risk exposure, especially under volatile global and domestic conditions.

Looking ahead, **sustaining financial sector resilience will require a balance between credit expansion and prudent risk management.** The BSP's ongoing supervisory vigilance, particularly in credit quality monitoring, provisioning adequacy, and stress testing, will be critical in maintaining financial stability. In the medium term, further improvements in credit

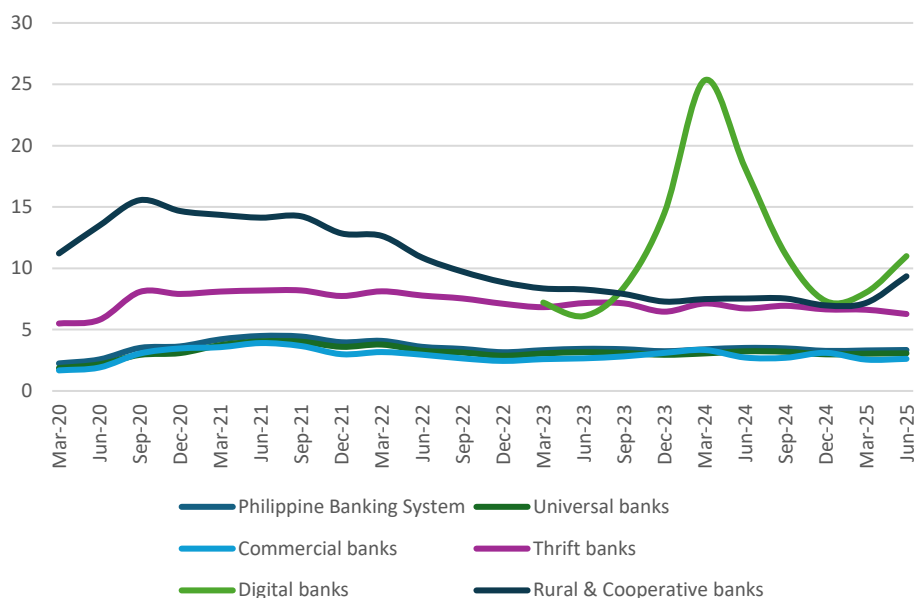
infrastructure, borrower data analytics, and digital risk assessment frameworks will help reduce systemic vulnerabilities as banks deepen lending to underserved and high-growth sectors.

Figure 18. Non-performing loans

a. NPL (in billion PHP)



b. NPL to total loan portfolio ratio (in %)



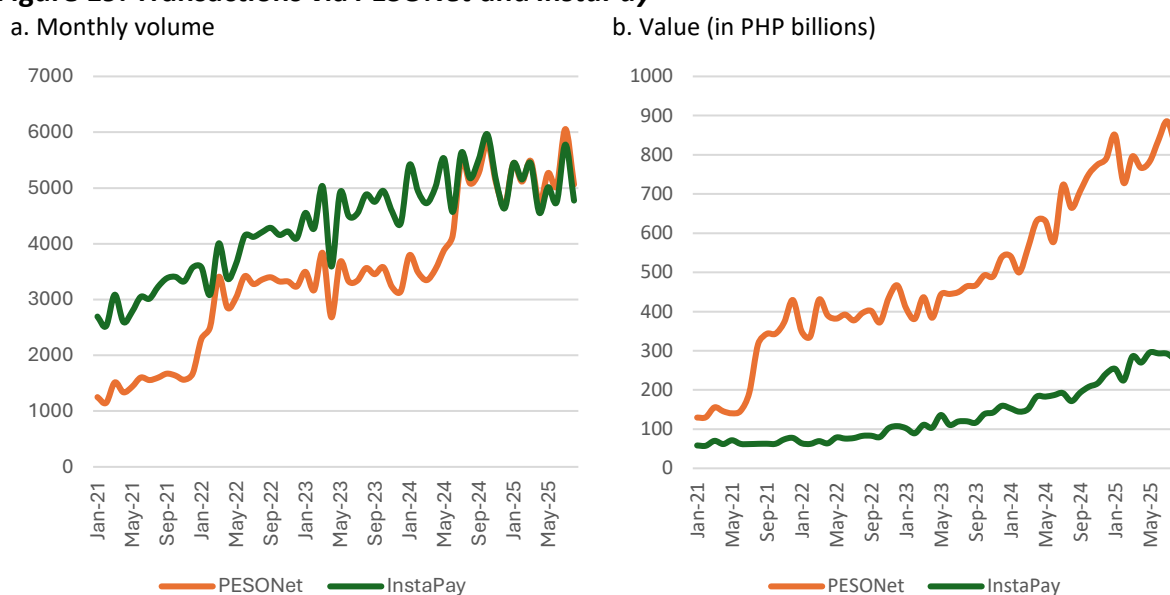
Source: BSP via CEIC Economic Database

From Figure 19, the adoption of digital wallets and instant payment systems in the Philippines accelerated further in 2024, reinforcing the country’s transition toward a more digital and cash-lite economy. Data from BSP indicated that the share of digital payments in the total volume of retail transactions climbed to 57.4 percent, surpassing the halfway mark for the first time. This milestone underscores the rapid mainstreaming of

financial technology (fintech) and the growing preference among consumers and enterprises for convenient, secure, and real-time digital transactions.

Digital payments⁷ across key transaction types exhibited strong growth. Person-to-government (P2G), person-to-business (P2B), and person-to-person (P2P) payments collectively accounted for 72.2 percent of all digital transaction volumes in 2024, reflecting broader adoption by individuals and institutions. The government demonstrated significant digitalization progress, with 97.2 percent of its payment transactions already conducted through electronic channels, an outcome of sustained efforts under the Digital Payments Transformation Roadmap (DPTR) and *EGovPay*⁸ initiative. Meanwhile, the share of digital payments from businesses reached 19.8 percent, reflecting ongoing adoption by MSMEs that are integrating e-payment options into their operations towards a wider consumer base.

Figure 19. Transactions via *PESONet* and *InstaPay*



Source: BSP via CEIC Economic Database

Within the Philippine Payment and Settlement System (PhilPaSS), transaction volumes and values continued to surge, driven by robust performance in both *PESONet* and *InstaPay*, the country’s primary electronic fund transfer (EFT) platforms. In 2024, *PESONet* transactions expanded by 32.5 percent, while *InstaPay* volumes rose by 13.3 percent, as shown in Figure 19. These systems have become critical enablers of real-time retail payments, salary disbursements, merchant collections, and interbank transfers, improving overall liquidity flow and financial inclusion. However, the rapid expansion of digital finance has also introduced new systemic and cybersecurity challenges. As reported by Dagooc (2025) and TransUnion (2025), digital payment fraud suspicions in the Philippines rose slightly above the global average, indicating vulnerabilities in authentication mechanisms, consumer

⁷ We distinguish ePayments with digital payments. ePayments traditionally refers to payments made using electronic systems (i.e., credit/debit card payments, EFT, and online banking transfers). Digital payments are more modern and encompassing term that includes all forms of payments made via digital channels, including mobile apps, contactless payments, cryptocurrency transactions, and e-wallets. It can also refer to newer technologies like QR code payments, mobile banking apps, and peer-to-peer payment systems.

⁸ the Philippine government’s official digital payment platform, enabling citizens and businesses to conveniently pay for various government services online or in person. As of 2025, it supports over 1,500 government billers (national agencies and LGUs).

awareness, and fraud monitoring systems. Common risks include phishing, identity theft, and account takeovers, often targeting inexperienced digital users.

To address these issues, **the BSP has intensified its digital governance and consumer protection initiatives, mandating stronger multi-factor authentication (MFA), promoting financial literacy, and collaborating with payment service providers to standardize fraud reporting and risk mitigation frameworks.** These efforts complement broader regulatory reforms under the National Strategy for Financial Inclusion (NSFI) 2022-2028 and the Digital Payments Transformation Roadmap 2023-2026, which aim to achieve 70 percent adult financial inclusion and 50 percent of retail payments in digital form by 2026.

Looking ahead, sustaining momentum in payment digitalization will depend on three factors namely (1) strengthening cybersecurity infrastructure and public awareness to minimize fraud risks; (2) expanding interoperability among payment platforms, including cross-border integration under ASEAN's digital payments network; and (3) bridging the digital divide by improving connectivity and digital literacy among rural and underserved populations. Overall, **the Philippines' digital payments ecosystem continues to mature rapidly, positioning the financial system for greater efficiency, transparency, and inclusivity, while highlighting the need for vigilant regulation and resilient digital infrastructure to safeguard trust in an increasingly cashless economy.**

2.6. Price block

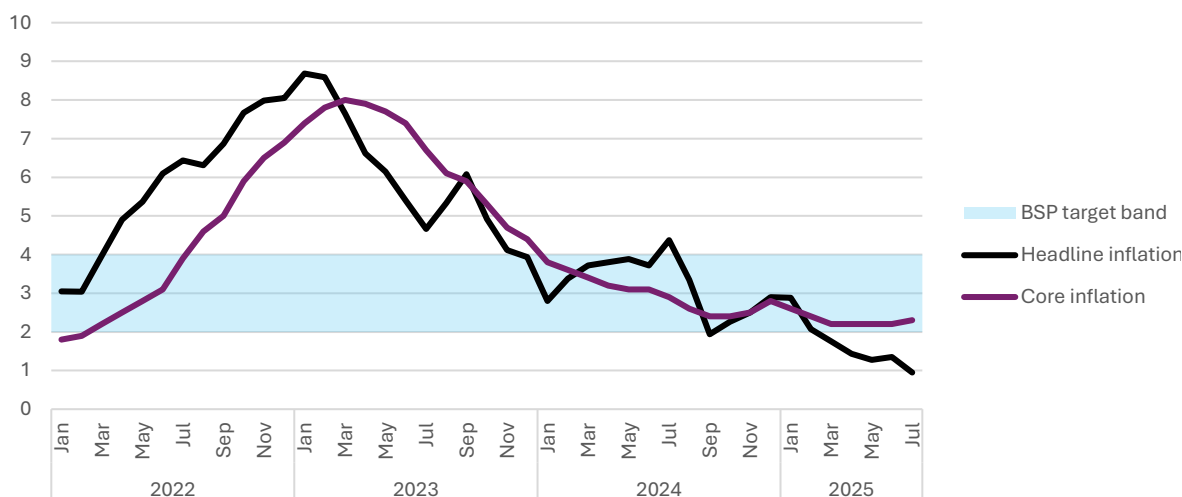
2.6.1 Headline and core inflation rates

Inflation in the Philippines eased markedly from 2023 through October 2025, reflecting a decisive turnaround from the post-pandemic price surge that strained households and businesses. From Figure 20, headline inflation averaged 3.2 percent in 2024, a sharp drop from 6.0 percent in 2023, and further moderated to 1.7 percent from January to October 2025, according to PSA. This trend signifies a return to price stability after two consecutive years of elevated inflation. Throughout 2024, inflation generally stayed within the BSP's target band of 2 percent to 4 percent, though with temporary volatility. It peaked at 4.4 percent in July 2024 due to surges in food and transport prices, particularly rice and fuel, before easing to 1.9 percent in September 2024, helped by improved domestic supply conditions and lower oil prices. Toward the end of the year, inflation edged up slightly due to higher demand from the holiday season and weather-related disruptions to agriculture but remained broadly contained. The disinflationary momentum strengthened in early 2025, supported by a combination of slower global commodity prices, improving domestic food supply chains, and tight monetary conditions carried over from the previous year. Since March 2025, headline inflation consistently fell below 2.0 percent, marking a subdued price environment since 2020.

Meanwhile, as seen in Figure 20, core inflation, which excludes volatile food and energy items, also exhibited a steady downward trend, with fewer short-term fluctuations. This pattern indicates that **price pressures are becoming less driven by temporary shocks and more reflective of broad-based stabilization in underlying demand and cost structures.** The moderation in inflation closely followed the BSP's monetary policy trajectory. After the pandemic, the BSP raised policy rates from a record-low 2.0 percent in 2022 to a peak of 6.5 percent by October 2023, implementing one of the most aggressive tightening cycles in Southeast Asia. The objective was to anchor inflation expectations, protect the peso, and restore price stability amid supply-side shocks and global monetary tightening.

As inflation decelerated and price expectations stabilized, the BSP began its easing cycle in August 2024, reducing the RRP rate in calibrated steps. This pivot signaled confidence that inflation was durably under control and monetary conditions could be normalized to support growth. By mid-2025, policy rates had fallen by 175 bps, easing financing costs for businesses and households and contributing to renewed credit expansion. The cooling of inflation not only underscores the effectiveness of monetary tightening but also reflects improvements in agricultural supply management, moderating global energy costs, and fiscal discipline that prevented overheating. However, lingering risks remain, including potential ROCE-related supply disruptions, global oil price volatility, and import cost pressures from new US tariff policies that could feed into local prices. Overall, **the inflation trajectory from 2024 to 2025 demonstrates the Philippine economy’s gradual transition from stabilization to recovery, with the BSP’s calibrated easing stance poised to support domestic demand, investment, and employment while maintaining macroeconomic prudence.**

Figure 20. Headline and core inflation (% y-o-y)



Source: BSP via CEIC Economic Database

2.6.2 Prices of commodities

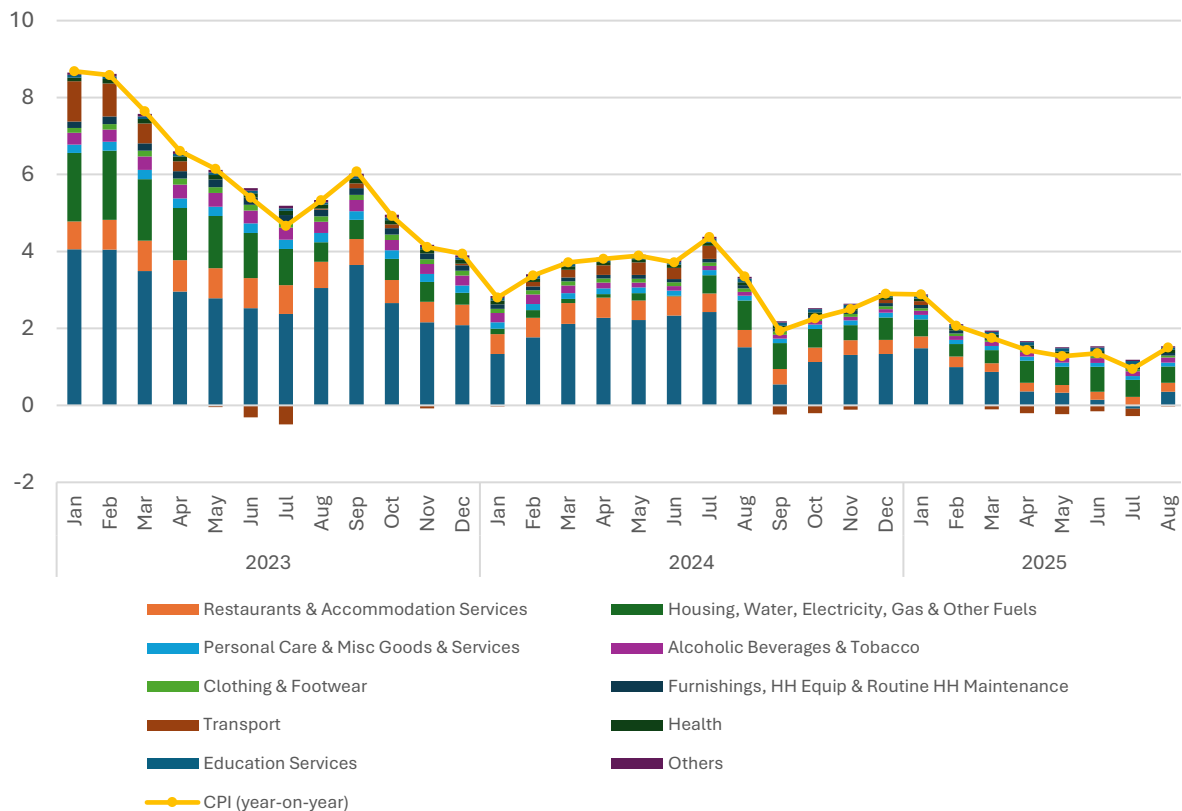
The pattern of inflationary pressures in 2024 and 2025 remained broadly consistent, driven by the same key commodity groups, namely food and non-alcoholic beverages; restaurants and accommodation services; and housing, water, electricity, gas, and other fuels. However, subtle shifts in the relative contribution of subcomponents reveal evolving supply and demand dynamics within the economy.

As seen in Figure 21, in 2024, headline inflation averaged 3.2 percent, with upward pressures primarily emanating from food and non-alcoholic beverages (4.4%), Restaurants and accommodation services (4.8%), and housing, water, electricity, gas, and other fuels (1.7%). Within the food basket, meat prices rose by 2.7 percent, reflecting supply-side constraints from animal diseases and rising input costs, while fish prices fell by 0.3 percent due to improved domestic supply and favorable weather during the first half of the year. For utilities and housing, inflation was largely driven by higher rental rates (2.6%) and elevated electricity costs (-0.9%), the latter influenced by adjustments in generation charges and seasonal demand peaks. Meanwhile, restaurant and accommodation services sustained higher prices amid strong

tourism recovery and post-pandemic normalization in the hospitality sector, which continued to face higher labor and input costs.

Moving into 2025 (January to October), these three categories remained the primary contributors to overall inflation, though the intensity of their impact softened. Food and Non-Alcoholic Beverages contributed 1.4 percentage points, followed by Housing, Water, Electricity, Gas, and Other Fuels (2.3%), and Restaurants and Accommodation Services (2.4%). The moderation in food inflation reflected an easing of global commodity prices and improvements in domestic agricultural supply.

Figure 21. Contribution to headline inflation by commodity group (% y-o-y)



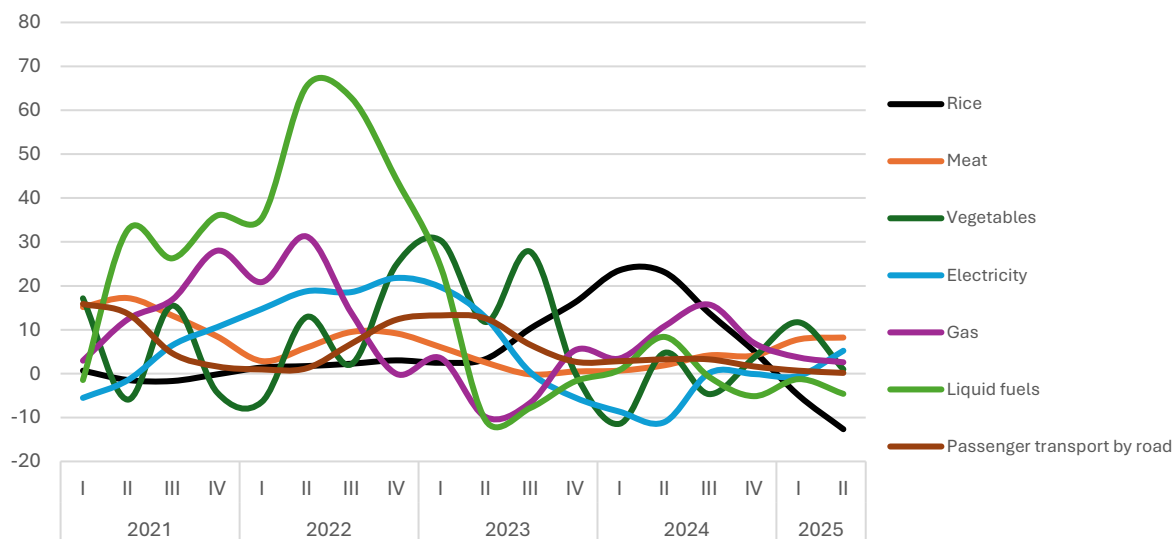
Source: PSA via CEIC Economic Database; authors' computations.

However, as seen in Figure 22, within the food group, trends diverged sharply by subcategory. Fish (5.5%) and vegetables (5.4%) registered notable price upticks, driven by seasonal supply constraints, weather disturbances, and higher transport costs. In contrast, cereal products recorded a steep decline (-7.4%), with both rice (-10.7%) and corn (-6.9%) experiencing substantial price corrections. This reversal represents a sharp break from previous years' trends, particularly 2023 and early 2024, when rice inflation surged amid import bottlenecks and climate disruptions (Rivera et al., 2024). Improved logistics, better harvests, and calibrated importation helped temper rice and corn prices through mid-2025.

Utility inflation, meanwhile, continued to be shaped by rising rental fees (1.9%) and electricity costs (2.3%). The uptick in rental inflation reflected higher demand for urban housing amid renewed business activity, while electricity inflation stemmed from modest increases in transmission and distribution rates despite generally stable global energy prices.

Overall, these **inflation drivers highlight a shift from broad-based supply shocks to more localized price adjustments, signaling that inflation pressures have become less systemic and more sector specific.** The continued stability in food and utilities, alongside easing price expectations, reinforces the BSP’s disinflationary outlook and supports its policy normalization stance going into 2026.

Figure 22. Key commodities (% y-o-y)



Source: PSA via CEIC Economic Database; authors’ computations.

2.6.3 Exchange rate

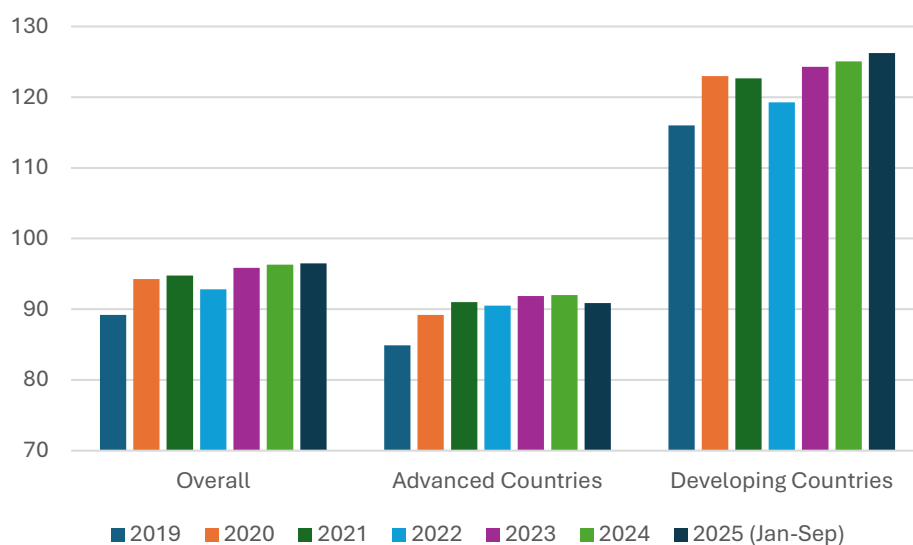
The country’s real effective exchange rate (REER⁹) registered a marginal appreciation throughout 2024 and in most months of 2025, as seen in Figure 23. **This mild strengthening of the PHP REER for the said period implies that, on average, Philippine goods and services became relatively more expensive abroad, while imported goods became cheaper** (World Bank 2025). For a net importing economy such as the Philippines, this appreciation yielded short-term benefits by lowering the cost of imported energy, raw materials, and consumer goods, thus helping temper inflationary pressures. Meanwhile, the REER sub-index for developing economies closely tracked the overall index’s upward movement, reflecting the PHP’s appreciation against the currencies of China, Indonesia, South Korea, Thailand, and Malaysia who collectively accounted for over 50 percent of total Philippine imports by value in 2024. This trend proved favorable for importers, as imported intermediate and capital goods became more affordable, supporting production and consumption. However, it was adverse for exporters selling to the same markets, particularly to Hong Kong, China, South Korea, Thailand, and Singapore, which together represented around 40 percent of Philippine exports. The stronger PHP reduced the price competitiveness of domestically produced goods and services in those destinations, potentially constraining export revenues and profit margins.

Conversely, the REER sub-index for advanced economies exhibited a rise in 2024 followed by a decline for most of 2025, indicating a relative shift in price competitiveness. The initial appreciation suggested that imported products from advanced economies became

⁹ Defined as the weighted average of the PHP’s value against major trading partners’ currencies, adjusted for relative inflation differentials (BSP 2025g).

relatively cheaper, but the subsequent depreciation implied improving competitiveness for Philippine exports, particularly to its two largest high-income trading partners (i.e., US and Japan). This shift suggests that in the first half of 2025, Philippine exports to advanced markets may have regained some competitive edge, partly cushioning the losses from regional trade partners. Overall, these REER movements underscore the delicate balance between the anti-inflationary benefits of a stronger PHP and the growth constraints it imposes on export competitiveness. Policymakers must pursue a balanced exchange rate strategy that supports both price stability and external sector performance, particularly amid structural dependence on imported goods and global value chain integration.

Figure 23. Real effective exchange rate (1980=100)



Source: BSP via CEIC Economic Database

Turning to the nominal effective exchange rate (NEER¹⁰) index, it experienced a steady decline throughout 2024 and most of 2025, as seen in Figure 24. **This downward NEER trend signifies a nominal depreciation of the PHP on average against major trading-partner currencies, and the weakening was broadly reflected across both the advanced-economy and developing-economy sub-indices.** Focusing on specific currency blocs, as seen in Figure 25 and Figure 26, we can see that for advanced economy currencies, the USD and Australian Dollar (AUD) both strengthened against the PHP from 2023 to 2024; in 2025 the USD continued to appreciate modestly while the AUD began to reverse and depreciate. Meanwhile, the Japanese Yen (JPY) weakened from 2019 through 2024, but experienced a modest recovery in early 2025. For developing economy currencies, the Chinese Renminbi (RMB) appreciated in 2024 then edged down in 2025; the Singapore Dollar (SGD), Malaysian Ringgit (MYR), and Thai Baht (THB) all displayed consistent appreciation relative to the PHP. In contrast, the Indonesian Rupiah (IDR) and the Korean Won (KRW) weakened relative to the PHP.

Focusing on the USD, as seen in Figure 27, the exchange rate surged in 2024, averaging about PHP 57.3 from around PHP 55.6 in 2023, and peaked in June and November near PHP 58.7. However, in late October 2025, the PHP plummeted to a record low of approximately PHP 59.13/USD (Arceo 2025; Sy 2025b). This depreciation was attributed to the following: (1) capital flight and confidence erosion following a high-profile corruption scandal and concerns

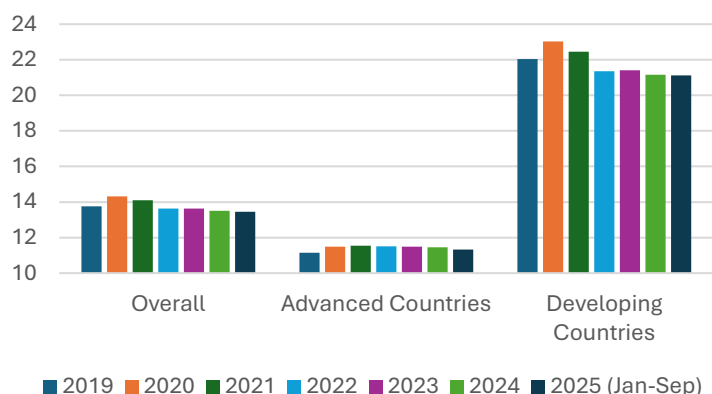
¹⁰ Defined as the PHP's weighted average value against a basket of foreign currencies, unadjusted for inflation (BSP 2025g).

over the integrity and governance of major infrastructure projects (Domingo 2025; Gagni 2025; Punongbayan 2025); (2) signals from the BSP that it may allow more PHP weakness and rely less on active foreign exchange intervention (Sy 2025b); and (3) market expectations of further monetary easing, which enhanced the attractiveness of foreign assets relative to PHP-denominated assets (Cigaral 2025b).

From a policy perspective, **the decline in NEER highlight key vulnerabilities.** First, a weakened PHP in nominal terms raises the cost of foreign-currency denominated debt, import-intensive production, and consumption of foreign goods, potentially contributing to higher inflation if pass-through is strong. Second, the confidence channel is critical. That is, persistent currency weakness amid governance concerns may trigger broader capital flight, higher risk premiums on sovereign and corporate borrowing, and slower investment growth. Third, for exporters, the weaker PHP can improve nominal competitiveness. However, if the weakness is driven by structural problems (i.e., governance, external financing risk) rather than cyclical conditions, the longer-term benefit may be undermined by higher risk and uncertain growth.

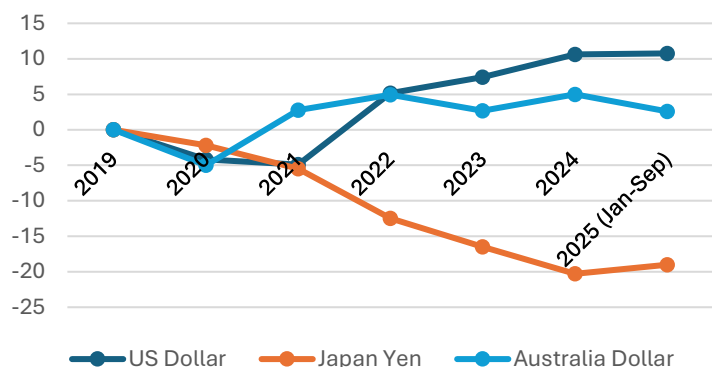
While the REER appreciation discussed earlier reflected a price-adjusted easing, which benefited importers, the NEER depreciation exposes the Philippine economy to external and confidence-driven risks. **Policymakers thus face the dual challenge of maintaining exchange rate stability and export competitiveness, while restoring governance credibility to avoid destabilizing capital flight.**

Figure 24. Nominal effective exchange rate (1980=100)



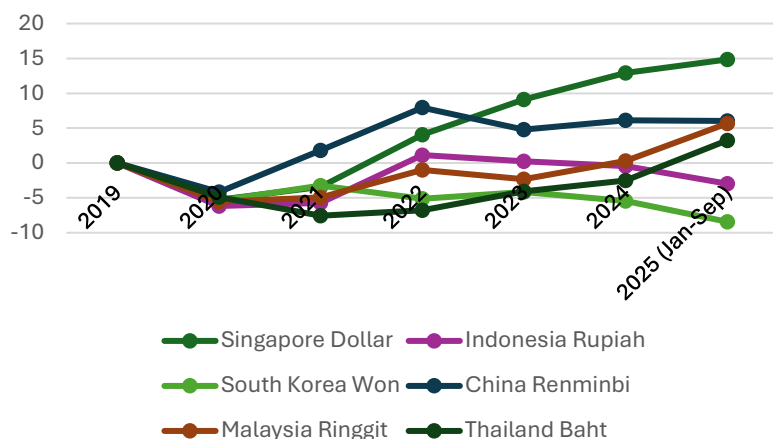
Source: BSP via CEIC Economic Database

Figure 25. Exchange rate with advanced countries (percent change from 2019 value)



Source: BSP via CEIC Economic Database

Figure 26. Exchange rate with developing countries (percent change from 2019 value)



Source: BSP via CEIC Economic Database

Figure 27. PHP/USD exchange rate



Source: BSP via CEIC Economic Database

2.6.4 World inflation

Inflation across global and regional economies continued to ease from 2023 to 2024, with this disinflationary trend persisting into 2025. From Table 2, this global cooling was driven by stabilizing commodity prices, receding supply chain disruptions, and tighter monetary policies implemented across major central banks.

The Philippines mirrored this global trend, but with a sharper and earlier deceleration in prices relative to many of its peers. Historically, the Philippines' inflation rate has hovered below the world and ASEAN-5 averages, reflecting relatively effective monetary management and a slower pass-through of global oil and food price shocks. However, domestic inflation remains higher than that of advanced economies, emerging markets and developing Asia, and the broader group of emerging market and developing economies, underscoring persistent structural cost pressures such as supply chain bottlenecks, climate-sensitive food production, and logistics inefficiencies.

In 2023, the Philippines recorded one of the highest inflation rates among its major trading partners, driven largely by surges in food and energy prices. By contrast, most advanced economies, having already peaked earlier, entered a disinflationary phase. This differential has since narrowed considerably, and by 2025, projections suggest that US inflation will surpass that of the Philippines, reflecting divergent stages of monetary policy cycles. While the US faces renewed cost pressures linked to tariffs, wage growth, and reindustrialization policies, the Philippines benefits from a stabilized domestic supply base and easing import costs.

From a trade perspective, inflation differentials between the Philippines and its trading partners carry important implications. A higher domestic inflation rate relative to foreign economies typically makes imports relatively cheaper in real terms, which can stimulate domestic demand for foreign goods while dampening export competitiveness. As inflation in the Philippines moderates relative to global averages, import demand growth may stabilize, improving external balance conditions.

Overall, the Philippines' inflation trajectory now aligns more closely with global disinflation trends, reinforcing the BSP's credibility in anchoring expectations. However, vigilance remains crucial: supply shocks from climate events, tariff-induced trade costs, and volatile energy prices could still reintroduce inflationary pressure in the medium term.

Table 2. Inflation in country groups and key economies (% y-o-y)

	2017-2019	2020-2021	2022	2023	2024	2025f	2026f
World	3.47	3.95	8.61	6.63	5.67	4.29	3.65
EMDE	4.85	1.89	7.31	4.63	2.62	2.47	2.15
EMDA	2.81	1.46	4.80	3.51	2.03	1.71	2.16
ASEAN-5	2.44	5.46	9.54	8.02	7.74	5.49	4.61
AE	1.69	2.74	3.91	2.38	1.97	1.71	1.98
The Philippines	3.52	3.16	5.82	5.98	3.21	2.61	2.88
US	2.13	2.97	7.99	4.13	2.95	2.99	2.47
Japan	0.65	-0.13	2.5	3.27	2.74	2.36	1.71
Singapore	0.53	1.07	6.13	4.83	2.39	1.34	1.5
ROK	1.27	1.52	5.09	3.6	2.32	1.84	1.8
Indonesia	3.31	1.8	4.14	3.71	2.3	1.68	2.51
Taiwan	0.84	0.87	2.95	2.49	2.18	1.78	1.56
Malaysia	1.81	0.67	3.38	2.49	1.83	2.43	2.22
Hong Kong SAR	2.26	0.91	1.88	2.10	1.73	1.90	2.20
Thailand	0.81	0.19	6.08	1.23	0.40	0.69	0.88
China	2.19	1.7	1.98	0.23	0.21	-0.03	0.63

Source: IMF (2025b)

3. Macroeconomic outlook for 2025-2026

3.1. Macroeconomic conditions

Global real GDP growth is projected to remain modest. According to the IMF, world economic growth is expected at about 3.2 % in 2025 and around 3.1 % in 2026, slightly below long-run averages (Lawder 2025; Gourinchas 2025). That is, growth remains below the 2000 to 2019 average of around 3.7%, indicating that structural headwinds persist. Moreover, global inflation is easing but remains uneven. The Organisation for Economic Co-operation and Development (OECD) projects average headline inflation in its member countries at about

4.2 % in 2025, declining to 3.2 % in 2026 (Lu 2025). Meanwhile, J.P. Morgan (2025) suggested that global core inflation could rise to 3.4 % annualized in H2 2025 partly because of tariff-related pressures.

On monetary policy, major central banks are balancing disinflation with growth risks.

The Fed cut its target rate to about 4 percent to 4.25 percent in September 2025, and the expectation is of further rate cuts, though the pace depends on inflation and labor-market data (U.S. Bank 2025). Divergence in policy is expected. While inflation eases in many regions, tariff-driven cost pressures and labor tightness in the US mean the Fed remains cautious.

On trade policy, tariffs, and GVCs, the resurgence of broad US tariffs under the Trump agenda has raised risks.

The US has imposed steep tariffs on imports from key partners including China, prompting disruptions to trade flows (York and Durante 2025). The IMF notes that although the immediate growth impact has been contained, the escalation of a US–China trade war remains a “significant risk” for global growth (Lawder 2025). Tariffs feed cost pressures, raising inflation in tariff-imposing economies, and reduce demand for exporters tied to those markets. For small open economies, this means higher pass-through risk from global inflation, higher funding costs, and weakened trade performance.

China’s economy remains pivotal for global trade and growth. Recent data show China’s Q3 2025 GDP growth at 4.8 percent, y-o-y, the slowest in a year, as weak domestic demand, property sector distress and trade tensions weigh on momentum (Yao and Zhang 2025; Reuters 2025a). The World Bank recently revised its 2025 growth forecast for China to 4.8 percent, and projects 4.2 percent in 2026 (Reuters 2025b). Structural issues, including an ageing population, elevated debt, and heavy reliance on real-estate investment and exports, mean China’s ability to “carry” global demand is weaker than before. This will weaken regional demand for intermediate goods and limit the pace of recovery in Asia’s industrial hubs. Trade fragmentation, shifting supply chains, and friendshoring¹¹ will increasingly shape global investment trends.

Thus, we can glean the following from global macroeconomic conditions:

1. ***Export demand will be softer and more volatile.*** With global growth low and trade tensions high, export-dependent countries will face headwinds.
2. ***Inflation and interest-rate risks diverge.*** Economies importing tariffs or with weak currencies will face higher inflation; monetary authorities in AEs may delay easing, keeping rates higher for longer.
3. ***Trade-chain realignment accelerates.*** Tariff uncertainty and geopolitical fragmentation push firms to redesign supply chains, favoring economies with stable policy, rule-based regimes, and value-added capacity.
4. ***China’s slowdown is a drag on global growth.*** Lower Chinese demand for commodities, machines and consumer goods will ripple through regional producers and trading partners.
5. **Macroeconomic policy buffers matter more.** Economies with weak external positions, high debt, or weak governance are more vulnerable to a global shock (tariff escalation, Fed tightening, commodity price spike).

¹¹ Formally referred to as political proximity of trade wherein an economy favors another economy with similar political stances (Rivera et al. 2024).

3.2. Macroeconomic projections

Despite internal and external headwinds, the Philippine economy is still projected to grow moderately through 2025 to 2026, with real GDP expansion most likely at around 5% in 2025 (actual of 5.6% in Q1; actual of 5.7% in Q2; actual of 4% in Q3; and forecast of 5% for Q4¹²) and 5.3 percent in 2026¹³. Like Rivera et al. (2024), the economy remains below its potential output, with a modest negative output gap reflecting subdued private investment, underutilized labor due to rising underemployment (Fuentes and Balaoing 2025; Yu 2024), and persistent structural constraints in manufacturing (Go 2025; Asian Development Bank [ADB] 2007), TTH (Rivera et al. 2025; Rosel 2025), and infrastructure (Navarro and Latigar 2025). While consumption and remittance flows provide support, structural bottlenecks, especially in governance, disaster preparedness (Boton 2025; Cariaso 2025), infrastructure and human capital (Second Congressional Commission on Education [EDCOM 2] 2025), are central to unlocking higher growth. The ambition to transition to UMIC status may face further delay unless these structural impediments, especially institutional quality and governance issues, are addressed.

Headline inflation is expected to moderate to an average of 1.9 percent in 2025 and 2.2% in 2026, returning within the BSP's target of 2 percent to 4 percent. Food supply normalization and a stronger PHP will support this outlook, although ROCE-induced droughts or flooding, and oil price volatility remain upside risks. BSP is anticipated to set its key policy rate to 4.75 percent in 2025 and hold it at that level or slowly reduce to 4 percent, depending on domestic conditions and global monetary easing.

The exchange rate is forecasted to hover around PHP 58/USD to PHP 59/USD until the end of 2025 to the first quarter of 2026, buoyed by robust remittances, BPO receipts, TTH receipts, and BSP intervention to eliminate sharp trading spikes and allow the PHP to settle at its own level.

While the Philippine economy remains on a growth path, fiscal risks are becoming more pronounced in 2025. According to Cigaral (2025a), the government's budget deficit widened to PHP 248.1 billion in September 2025, the largest shortfall in six months, reflecting the dual pressures of weaker revenue collections and administrative bottlenecks in public spending. Although this remains within the bounds of the government's full-year deficit ceiling, it signals growing fragility in fiscal management, especially considering heightened governance challenges. Ironically, despite the widened year-to-date deficit, the monthly budget balance for September narrowed to PHP 25.2 billion, significantly lower than the PHP 342.9 billion recorded in March 2025. However, this temporary improvement was not driven by stronger fiscal discipline or revenue performance, but rather by slower infrastructure disbursements, as implementing agencies face intensified scrutiny over project delays, substandard implementation, and corruption allegations.

One illustrative case is the ongoing investigation into the flood control program, which has led to deferred releases of funds and the stalling of ongoing projects. While such delays may lead

¹² Fourth quarter GDP is usually expected to accelerate primarily due to holiday spending (Rivera et al. 2024).

¹³ This annual GDP forecast was estimated using a mixed methods approach quantitatively estimating a point forecast using ARIMA (p, d, q), qualitatively consulting key informants, and appealing to consensus forecasts from multilateral and local thinktanks from the private sector and academia. The identified ARMA (1,1) model forecasts full-year GDP growth to 5.5 in 2026. However, the recent developments on trade (e.g., Trump tariffs, China economic slowdown), inflation, the global and domestic economic and financial conditions, expectations on investments, continued remittance inflows, the country's employment picture, corruption scandals reducing investor confidence, as well as other considerations benchmarked on the outlook of multilateral observers compelled authors to deviate from the estimated forecast.

to short-term savings or even a temporary surplus, they raise deeper concerns about the government’s absorptive capacity and its ability to execute planned programs on time and at scale. Compounding these issues are broader political and environmental pressures. Legislative gridlock, public protests, and growing calls for institutional accountability have constrained the space for proactive budget adjustments.

At the same time, **the escalating cost of ROCE, including typhoons, floods, and droughts, poses recurring fiscal burdens, especially for disaster relief, infrastructure rehabilitation, and agricultural support.** Without robust disaster risk reduction and financing strategies and governance reform, these shocks could undermine budget credibility and stall medium-term development targets.

Table 3 summarizes our key macroeconomic projections for 2025 to 2026.

Table 3. Selected macroeconomic projections for 2025 to 2026

Macroeconomic Indicator	2024	2025f	2026f
GDP Growth (full year)	5.7%	5.0%	5.3%
Inflation	3.2%	1.9%	2.2%
Policy Rate (end of the year)	5.75	4.50	4.00
Exchange Rate (PHP/USD)	55.97-58.70	58.00-59.00	57.50-58.50
Unemployment (average annual)	3.8%	3.9%	3.8%
Current Account (% of GDP)	-3.8	-3.9	-4.0

Source: Authors’ estimates.

Taken together, **these developments underscore the urgent need to strengthen fiscal governance, improve procurement transparency, and enhance institutional capacity for public investment.** Delays in doing so may not only derail infrastructure momentum but also erode investor confidence and may widen the negative output gap further into 2026.

Overall, **persistent institutional weaknesses, notably corruption and weak public investment returns, continue to weigh on growth prospects.** High-profile infrastructure project scandals (e.g., flood-control works, “ghost” projects) have raised investor concerns and public protests, reducing confidence and the effective utilization of public funds (Abarca 2025). The governance drag heightens the risk that the Philippines remains caught in a middle-income trap where the growth model stalls without a productivity leap.

3.2.1. Sectoral trends and structural transitions

TTH: Value-driven recovery but volume constrained. The TTH sector is showing a shift from sheer volume to value-led recovery. Although visitor arrivals remain significantly below pre-pandemic levels, the value of tourism (i.e., average spending per tourist and average length of stay) is improving. This opens an opportunity to move toward higher-spending, longer-stay segments. While many of the challenges confronting TTH sector stem from broader systemic issues outside of tourism per se, the sector nonetheless grapples with its own set of structural constraints. These include the sluggish rebound of key source markets such as China and South Korea, persistent inefficiencies in transportation and communication systems, ongoing destination-level infrastructure deficits, and a decline in the quality of tourism-related manpower (Rocamora 2025a; Lalu 2025). Visa-free arrangements for India (Hilotin 2025) and Taiwan (Yeh 2025), as well as e-visa boosting for China (Rocamora 2025b) are positive steps; however, achievement of full recovery will require serious investments in workforce

upskilling, destination diversification, product development, and mobility improvements (Rivera et al. 2025).

Semiconductors and electronics: Opportunity in global realignment. The Philippines remains heavily integrated in the global electronics and semiconductor value chain, especially assembly, testing, and packaging (ATP). However, soft global demand for electronics, combined with US industrial-policy shifts (e.g., the CHIPS and Science Act) and export controls on China, pose risks for traditional offshore models. At the same time, the trend toward friendshoring opens a strategic opportunity. That is, if the Philippines positions itself as a reliable, rules-based node in the Indo-Pacific supply chain, it could attract higher-value segments such as advanced packaging, chip design and embedded systems. Realizing this potential depends on improving logistics, energy-reliability, research and development, transfer and industrial-policy coherence.

IT-BPM and Global Capability Centers (GCCs): Upgrading to higher value. The IT-BPM industry remains one of the Philippines' resilient services-sector engines, with revenues exceeding USD 35 billion in 2024 and employment of over 1.6 million (Rivera and Serafica 2025). It is projected to grow by approximately 10 percent annually, driven by demand for GCCs and non-voice services. The emergence of GCCs (i.e., captive hubs of multinational firms performing strategic functions) represents a major opportunity. Capturing this requires high-quality digital skills, modern infrastructure, streamlined incentives (e.g., via the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy [CREATE MORE¹⁴] Act) and consistent good governance. Yet the sector is at a structural inflection point wherein automation and AI are reducing demand for traditional voice and rule-based tasks, especially from the US market. The next wave is higher-value services, which includes analytics, AI operations, enterprise IT, cybersecurity, legal/health-technology.

3.2.2. External risks, fiscal pressures, and governance vulnerabilities

The external environment is increasingly challenging. **A key risk is a delay or reversal in global monetary easing, which could spark capital outflows, put downward pressure on the PHP, and raise external-debt servicing costs.** Weak growth in major trading partners (e.g., China, EU), escalated US trade and tariff policy, aggressive US protectionist policies, geopolitical tensions (e.g., South China Sea, Russia-Ukraine, and Middle East trade disruption) all pose downside risks. Philippine outlook is also hampered by the persistent structural bottlenecks, such as infrastructure and manufacturing capability. Additionally, vulnerability to political unrest and natural disasters remains material. The Philippine economy, as repeatedly emphasized by Rivera et al. (2024) must continue to brace for the ill-effects of poor governance and ROCE amid growing infrastructure-accountability scandals and heightened climate shocks. The Philippines remains among the world's most disaster-prone economies. Given the slow pace of disaster risk reduction efforts, frequent typhoons and floods continually disrupt work processes in both public and private sectors, suspend classes across all levels, damage already fragile infrastructure, hinder TTH operations, devastate agriculture, and dampen investor confidence.

Governance risks also pose deadly headwinds. **Corruption scandals reduce public- and private-investment effectiveness and weaken investor confidence.** On the fiscal front, rising calls to reduce or eliminate VAT threaten to narrow revenue space at a time when budget deficit is persistent and external pressures are mounting (Gonzales 2025; Cigaral 2025a). For 2026,

¹⁴ For more information, see <https://www.bir.gov.ph/create-more>.

fiscal consolidation is expected to remain slow and fiscal recovery continues to lag indicative of the fragility of the country's public finances. Likewise, with debt-to-GDP ratio at least 60 percent (Fuentes 2025b) from just approximately 40 percent prior to the pandemic years, the Philippines lags in fiscal recovery. Taken together, these risks underscore the need for macro-policy flexibility and a strong structural reform agenda.

4. Conclusions and recommendations

4.1. Key macroeconomic prospects

The Philippine economy is projected to grow by 5.0 percent in 2025 and 5.3 percent in 2026, sustained by the continued, though moderating, resilience of domestic demand, infrastructure spending, and the dynamism of the IT-BPM, transport, tourism, and services sectors. Yet beneath these numbers lies a deeper challenge. The Philippine economy's headwinds are not primarily financial but political and institutional. Liquidity is ample and macroeconomic fundamentals remain solid (i.e., inflation is easing, reserves are sufficient, fiscal buffers are intact). The true constraint lies in confidence. There is a deep erosion of trust in governance, policy credibility, and the rule of law, exacerbated by the recurring spectacle of corruption scandals that continue to dominate public discourse. This erosion of confidence is further compounded by the government's inconsistent response to ROCE (i.e., typhoons, floods, and other extreme weather events) that repeatedly disrupt lives and livelihoods. Together, these crises of governance and climate resilience have weakened both domestic and investor confidence, underscoring the urgent need to restore credibility, accountability, and effective leadership.

Investor sentiment has weakened amid corruption controversies, procurement lapses, and policy inconsistency, eroding trust in institutions and discouraging both domestic and foreign investment. As Rivera et al. (2024) earlier projected, the negative output gap was expected to close by 2026 as inflation subsided and private investment recovered. However, recent governance failures and capital flight episodes have delayed this process by dampening risk-taking and amplifying uncertainty. The PHP's depreciation and the stock market slump in late 2025 underscore how political risks can swiftly translate into economic risks.

While growth remains positive, the Philippines' transition to UMIC status faces delay not from a lack of resources, but from deficits in trust, execution, and reform momentum. Persistent weaknesses in education, financial inclusion, and formal job creation compound these governance gaps, undermining productivity and inclusive growth. Ultimately, the economy will not wait for government and policymakers to get their act together. The erosion of confidence cannot be offset by liquidity injections or stimulus packages. It demands restored credibility, policy stability, and political will. Only by rebuilding confidence, through transparent governance, predictable policy frameworks, and decisive leadership, can the Philippines unlock sustained investment, strengthen resilience, and transform its macroeconomic potential into broad-based prosperity.

As mentioned, **the Philippines benefits from strong macroeconomic fundamentals, including manageable inflation, managed exchange rate, cautious monetary policy, healthy banking sector indicators, and demographic dividends, the country's long-term trajectory hinges on the ability to enact bolder, institutionalized policy shifts.** On top of resolving corruption issues, it remains critical to address structural impediments such as deficiencies in the education system, underdeveloped capital markets, and poor regulatory

coordination. All of which are keys to unlocking the country's full growth potential and ensuring convergence. Moreover, governance concerns, highlighted by corruption controversies in infrastructure, procurement, and public service delivery, could weigh on investor confidence and FDI recovery. These issues not only exacerbate inefficiencies but also contribute to weaker human capital development, undermining long-term productivity gains needed for sustained convergence.

In terms of sectoral outlook, we underscored the contributions of key economic pillars such as semiconductors, IT-BPM, TTH, and financial services. First, as part of the global electronics value chain, Philippine semiconductor exports remain exposed to global technology cycles and US–China tensions. The Trump administration's expanded tariffs and tech decoupling strategies have led to realignment of supply chains, prompting some investors to diversify and look towards ASEAN and RCEP. However, uncertainty over trade policy continues to hinder long-term planning for firms operating in the Philippines. Second, the IT-BPM sector is expected to continue expansion driven by demand for GCCs and non-voice services. However, the quality of manpower has emerged as a concern, especially with AI integration requiring more advanced digital and cognitive skills. Industry players are calling for stronger industry-academe linkages, upskilling, and reform in the senior high school curriculum. Third, the TTH sector is on its way to exceed pre-pandemic levels of visitor arrivals and receipts. However, this is hampered by weak infrastructure in key destinations and safety perception, which can be addressed by a whole-of-country approach to transforming the Philippines as a tourism powerhouse (Rivera et al. 2025). Finally, for financial services, despite global headwinds, Philippine banks remain well-capitalized, with managed NPL ratios. However, profitability is expected to decline as interest rates ease and loan growth moderates. Efforts to deepen financial inclusion and expand access to capital markets remain critical.

Trade and FDIs remain to be constrained by global uncertainties and domestic reform inertia. Exports remain subdued due to soft global demand and protectionist headwinds, while FDI inflows are yet to recover to pre-pandemic highs. The amendments to the CREATE MORE Act, aimed at simplifying fiscal incentives and clarifying the sunset period, have been welcomed but the business community urges better implementation, regulatory coherence, and good governance.

While recent liberalization reforms such as the amended *Public Service Act*¹⁵, *Retail Trade Liberalization Act*¹⁶, *Foreign Investment Act*¹⁷, *EODB Law*¹⁸, and the rollout of sovereign wealth fund-backed infrastructure initiatives have improved the country's medium-term reform credibility, these have yet to yield tangible investment momentum or a significant uptick in FDI inflows. **Persistent policy uncertainty, corruption issues, and institutional bottlenecks continue to dampen investor confidence and delay the materialization of reform dividends.** At the same time, fiscal pressures are mounting, and ongoing calls to abolish or reduce the VAT, a core, stable, and broad-based revenue source, threaten to erode fiscal space. While VAT relief may provide short-term consumer relief amid elevated living costs, such proposals could significantly weaken revenue mobilization unless offset by widening the tax base, improving tax enforcement on digital transactions, or restructuring inefficient subsidies.

¹⁵ For more information, see https://lawphil.net/statutes/repacts/ra2022/ra_11659_2022.html.

¹⁶ For more information, see https://lawphil.net/statutes/repacts/ra2000/ra_8762_2000.html.

¹⁷ For more information, see https://lawphil.net/statutes/repacts/ra2022/ra_11647_2022.html.

¹⁸ For more information, see https://lawphil.net/statutes/repacts/ra2018/ra_11032_2018.html.

In this regard, digital policy reforms like the *Open Access and Data Transmission Law*¹⁹. By improving nationwide connectivity, particularly in far-flung and low-income areas, the bill has the potential to (1) expand access to digital government services and digital tax filing; (2) improve compliance and traceability in both formal and informal sectors; (3) facilitate financial inclusion, especially for micro-entrepreneurs and the self-employed; (4) support digital education, training, and employability in rural labor markets. In the longer term, its effective implementation may reduce dependence on traditional redistributive mechanisms by enabling targeted, digital-first service delivery and unlocking new revenue streams via the digital economy. However, these benefits will only be realized if complementary investments in digital infrastructure, digital skills, and regulatory enforcement are put in place. Without these, the initiative risks being another well-meaning but under-implemented policy, especially if procurement and spectrum allocation processes fall prey to rent-seeking behavior, which is an issue that has plagued previous infrastructure programs.

Ultimately, **reform sequencing and institutional credibility will be key**. Fiscal reforms and digital inclusion efforts must go hand in hand to ensure a modern, broad-based, and equitable tax system capable of sustaining development needs, particularly considering ROCE, disaster risks, and mounting social protection demands.

Overall, **the Philippines' macroeconomic prospects for 2025 to 2026 remain cautiously positive** but increasingly contingent on: (1) implementing bold structural reforms, (2) improving governance and manpower quality, (3) enhancing resilience to shocks (natural or geopolitical), and (4) navigating the new global trade and financial landscape with agility. Delays in policy response may not only defer UMIC transition but also erode hard-won gains in macroeconomic stability in previous years, particularly post-pandemic years.

4.2. Policy directions for 2025 to 2026

We can glean from our macroeconomic assessment (Section II) that with inflation now decelerating and policy space moderately improving, **the Philippines finds itself in a rare window of opportunity**. However, significant structural weaknesses and intensifying external risks continue to hound long-term prosperity. Without decisive and rapid action, the economy may stabilize temporarily but fall short of its ambitions. Hence, a coherent, forward-looking reform strategy is imperative.

We propose a three-pronged set of policy recommendations. These are **designed to convert short-term macroeconomic stability into sustained, inclusive, and high-productivity growth**, especially in the face of mounting governance issues, declining manpower quality, ROCE shocks, and uncertain geopolitical developments.

First, as detailed in Rivera et al. (2024, pp. 51-54, Table 3), **we reiterate a comprehensive menu of short-, medium-, and long-term policy measures covering education, trade, fiscal policy, investment facilitation, and regional development**. Despite consensus on these priorities, implementation has lagged, and the tangible impacts on investor sentiment, job creation, and productivity remain limited. Accelerating these reforms will allow investment, trade, and public spending to complement household consumption as primary engines of

¹⁹ Also known as the *Konektadong Pinoy Law*, the measure aims to create a comprehensive and inclusive framework for data transmission and connectivity in the Philippines by opening the data transmission sector to greater competition and enabling new firms and technologies to enter the market (Balisacan, 2025). However, established telecommunications companies have opposed the proposal, raising concerns about national security risks and possible disruptions to current industry structures. It lapsed into law in August 2025 (Cabalza, 2025). For more information, see <https://legacy.senate.gov.ph/lisdata/4417740164!.pdf>.

growth essential for regaining momentum toward UMIC status, which remains at risk due to continued governance issues.

Second, the World Bank (2025, pp. 70-72, Table 2) outlined 47 structural reform recommendations whose full implementation could increase Philippine GDP growth by an estimated 1.4 percentage points annually, raising average growth to 6.8 percent between 2025 and 2040. These include enhancing social protection, rationalizing public investment processes, improving logistics, and modernizing the education and training system. Harmonizing these with local reform priorities will help the Philippines leapfrog developmental hurdles, accelerate income convergence, and achieve UMIC status sooner.

Third, to regain reform momentum, we recommend a focused seven-point strategic agenda, aimed at addressing the country's most pressing vulnerabilities while seizing new global opportunities:

1. **Preserve macroeconomic development and resilience.** Protect fiscal buffers, maintain credible tax policy, and avoid premature or politically (popular) motivated tax giveaways that erode revenue space.
2. **Enhance external competitiveness.** Through trade policy, the government should promote export diversification, move up global value chains, particularly in electronics and services, and reduce reliance on single-country markets by deepening participation in ASEAN and RCEP and exploring trade opportunities with the EU, CPTPP, BRICS, and G20. However, with concerns that PHP may be overvalued (sudden breach to PHP 59/USD), potentially eroding the competitiveness of exports, BPOs, and tourism services (Chikiamco 2025), it is not enough to simply diversify export markets and upgrade value chains. Government must also mitigate the cost-disadvantage posed by an over-strong currency. That means continuously monitoring the REER and NEER, aligning macroeconomic policy with export competitiveness, and supporting structural improvements, such as productivity, workforce skills, digital infrastructure, and cost efficiency, so that Philippine firms can maintain and expand global market share even in a strong-PHP environment. At the same time, close monitoring of the non-tradable sector (e.g., construction, domestic services, and utilities) is essential. These sectors serve as stabilizers during economic downturns or external shocks by sustaining domestic employment and demand. Thus, policy frameworks should incorporate indicators for both tradable and non-tradable activities to flag early signs of risks and ensure a balanced structural transformation where domestic resilience complements export-led growth.
3. **Upgrade infrastructure and connectivity.** Prioritize investments in logistics, energy reliability, digital infrastructure (e.g., via *Konektadong Pinoy*), and climate-resilient transport systems.
4. **Invest in human capital and digital readiness.** Align technical and vocational training with industry demand, and boost digital skills in AI, cloud computing, data analytics, and cybersecurity.
5. **Strengthen governance, transparency, and accountability.** Improve public procurement, project monitoring, anti-corruption mechanisms, and regulatory predictability to restore investor trust and enhance public-sector efficiency. AI can be used to facilitate good governance.
6. **Leverage GVC realignments.** Seize emerging opportunities from reshoring, nearshoring, and friendshoring strategies, especially under evolving US trade policies, by positioning the Philippines as a trusted Indo-Pacific hub.

7. **Ensure policy credibility, signaling, and continuity.** Maintain stable, consistent incentive regimes (e.g., CREATE MORE Act), transparent communication, and timely policy execution to reduce uncertainty and build confidence.

From the foregoing macroeconomic prospects, it is evident that the reform roadmap is clear. However, clarity without commitment is nothing. As established in the literature (Balduzzi et al. 2023; Chuliá et al. 2023; Sonenshine and Kumari 2022; Pagliardi 2017), **political risk inevitably breeds economic risk**. The most effective solution is not more plans or slogans, but decisive enforcement anchored in collective political and societal will to restore confidence and trust. **The immediate policy priority must be to penalize corrupt officials and their accomplices swiftly, visibly, and without exception.** Those who betray the public trust must face the full weight of the law, including criminal conviction, recovery of stolen assets, and a perpetual ban from holding or seeking public office. There must be no shortcuts, no conditional amnesty, no political compromise. Justice must be impartial, timely, and public. Only through credible enforcement can the government demonstrate that impunity is over and that integrity, not influence, defines leadership. At the same time, long-term prosperity requires collective participation. The private sector must continue investing in productivity, innovation, and decent work; civil society and academia must uphold transparency and evidence-based policymaking; and the Filipino people must demand competence, accountability, and policy continuity through civic action.

From the bleak GDP growth performance of 4 percent in the third quarter of 2025, **we are now witnessing the economic cost of corruption unfold, which is a stark reminder that the Philippines' economic future can no longer depend solely on household consumption or favorable demographics.** Restoring credibility, integrity, and trust in governance is no longer optional; it is the foundation of **sustained growth that must be earned through structural transformation, institutional credibility, and shared reform ownership.** The task now is to build an economy that is resilient to shocks, free from corruption, inclusive in opportunity, and future-ready, which is the very spirit of *AmBisyon Natin 2040*²⁰. The economy will not wait for government and policymakers to get their act together. Restoring credibility, integrity, and trust is possible through strict enforcement and unwavering accountability is the only path forward, no shortcuts, no ifs, no buts, no exemptions.

The time to choose wisely and act boldly is now. **In a fast-changing global environment, any form of delay and unproductive spectacle are costly.** Without reform momentum, other economies will outpace us, and the window of opportunity may close. But with coordinated leadership, bold decisions, and unified purpose, the Philippines can not only catch up, but it can also lead.

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²⁰ For more information, see <https://2040.depdev.gov.ph/about-ambisyon-natin-2040/>.

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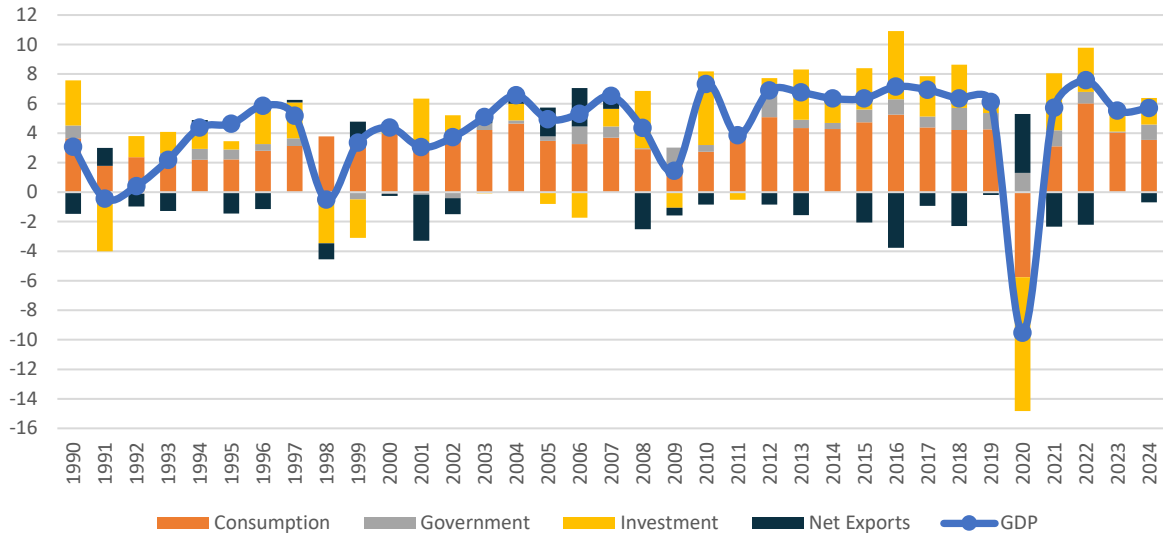
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6. Appendix

6.1. Historical tables

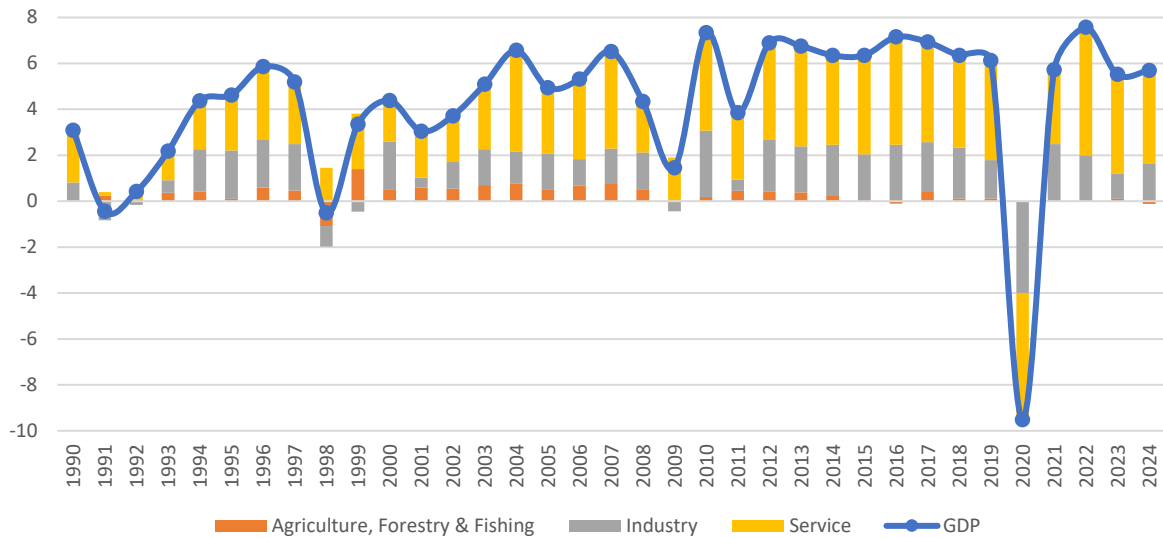
6.1.1. Domestic demand block

GDP growth, by expenditure contribution (in percent)



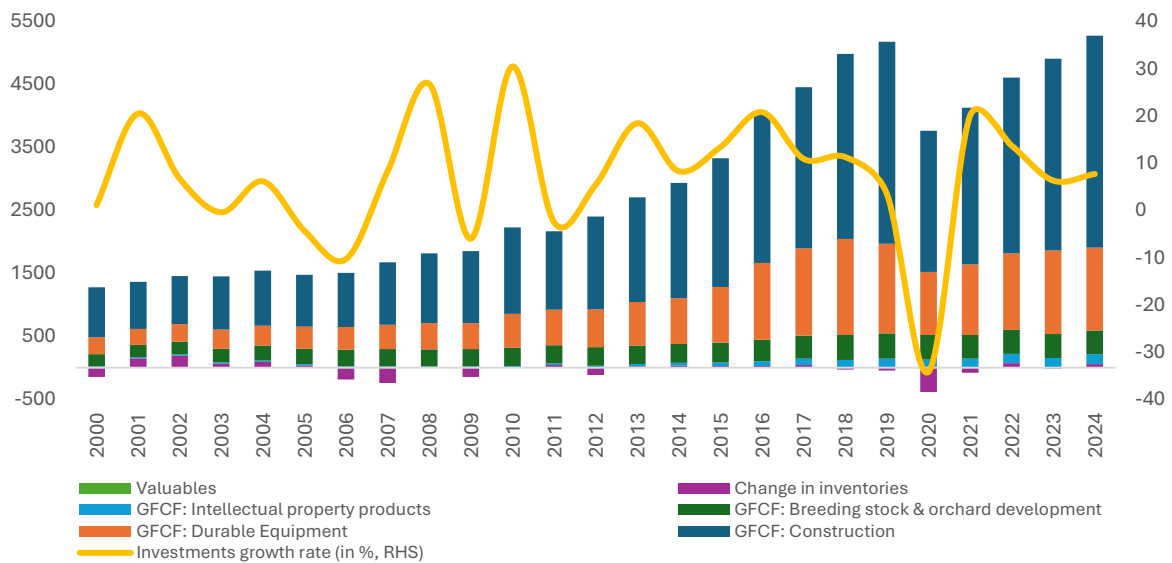
Source: Philippine Statistics Authority via CEIC (2025).

GDP growth, by production contribution (in percent)



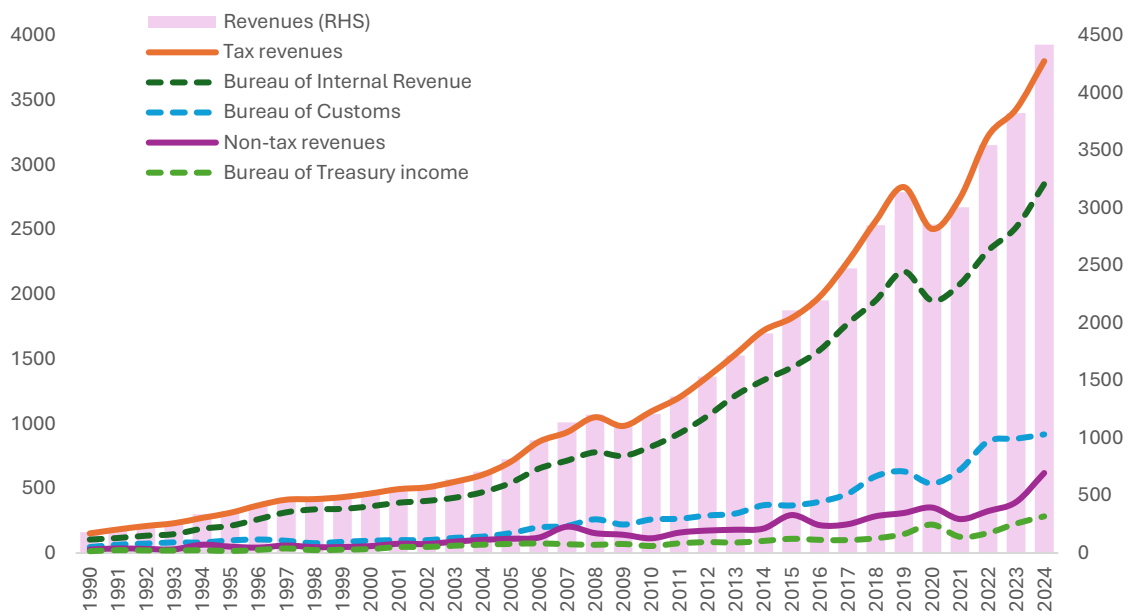
Source: Philippine Statistics Authority via CEIC (2025).

Investments (in percent and in constant 2018 PHP billions)

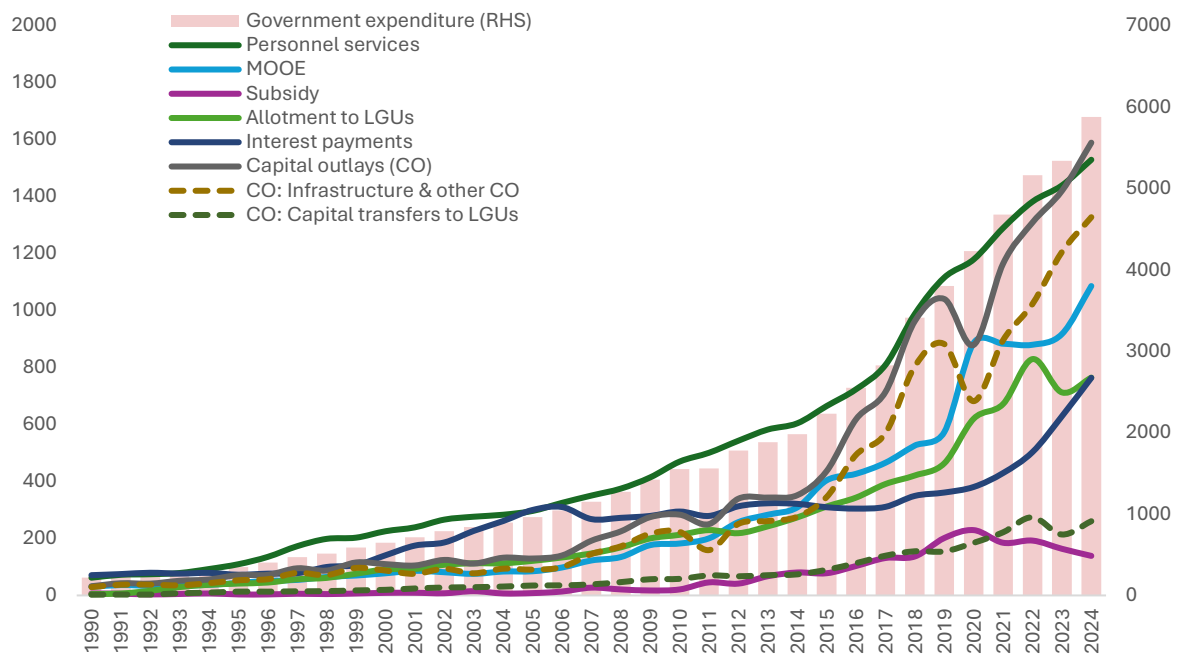


Source: Philippine Statistics Authority via CEIC (2025).

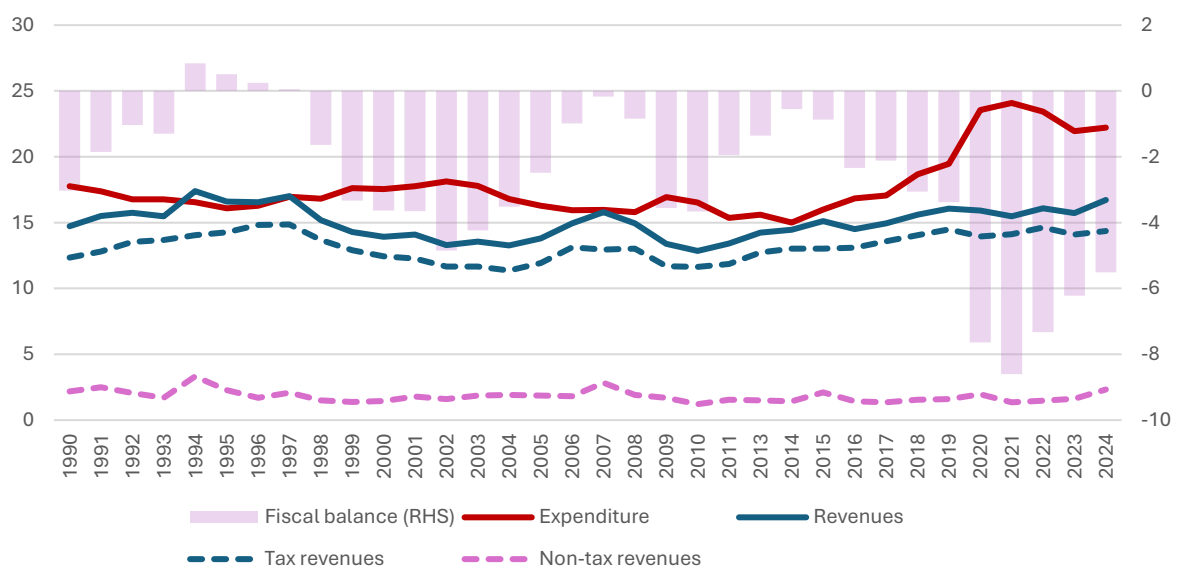
National government revenue



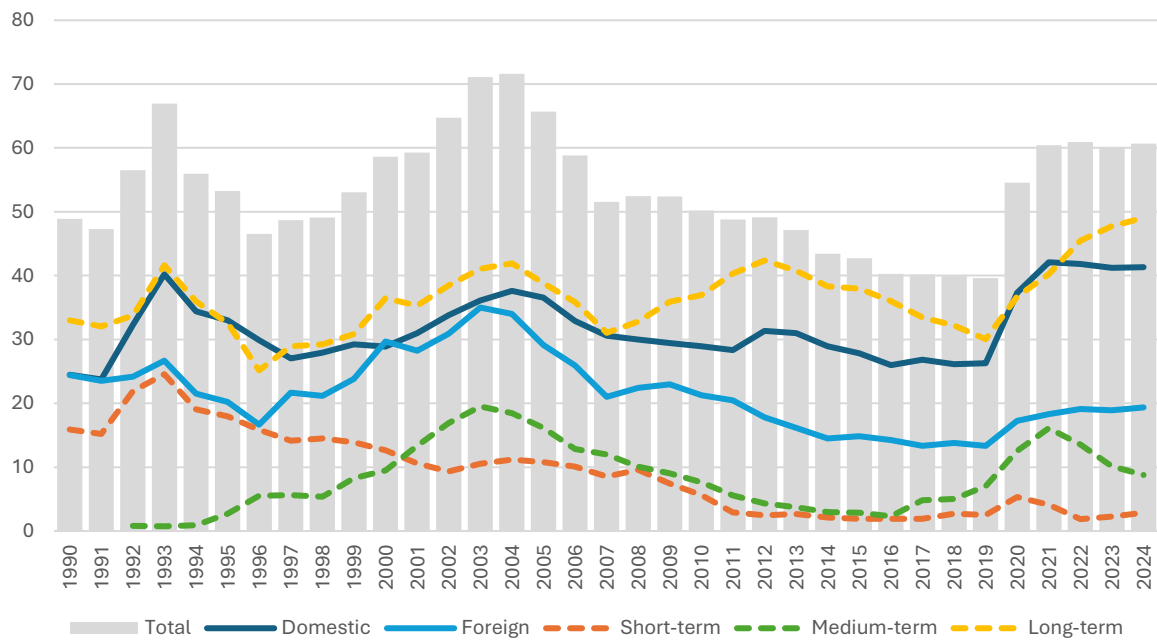
National government expenditure



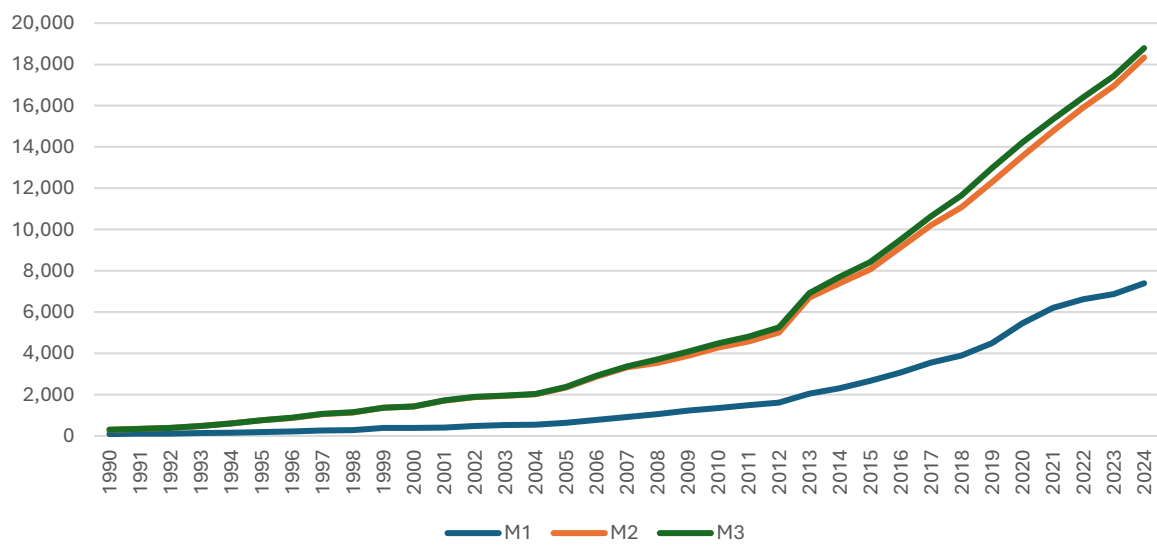
National government fiscal balance (in percent of GDP)



National government outstanding debt

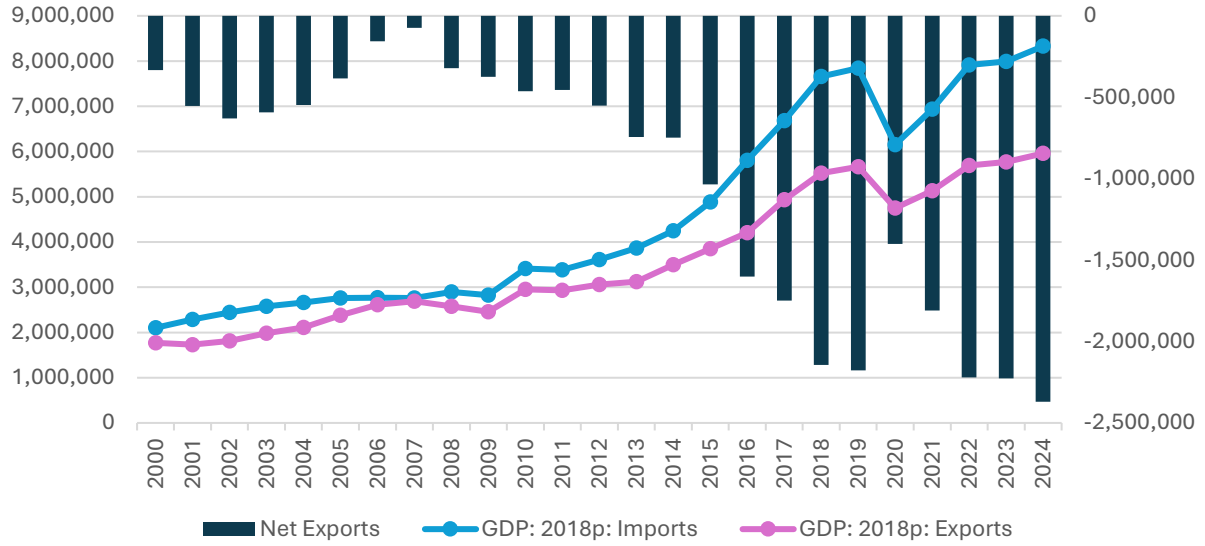


Domestic liquidity (in PHP billions)



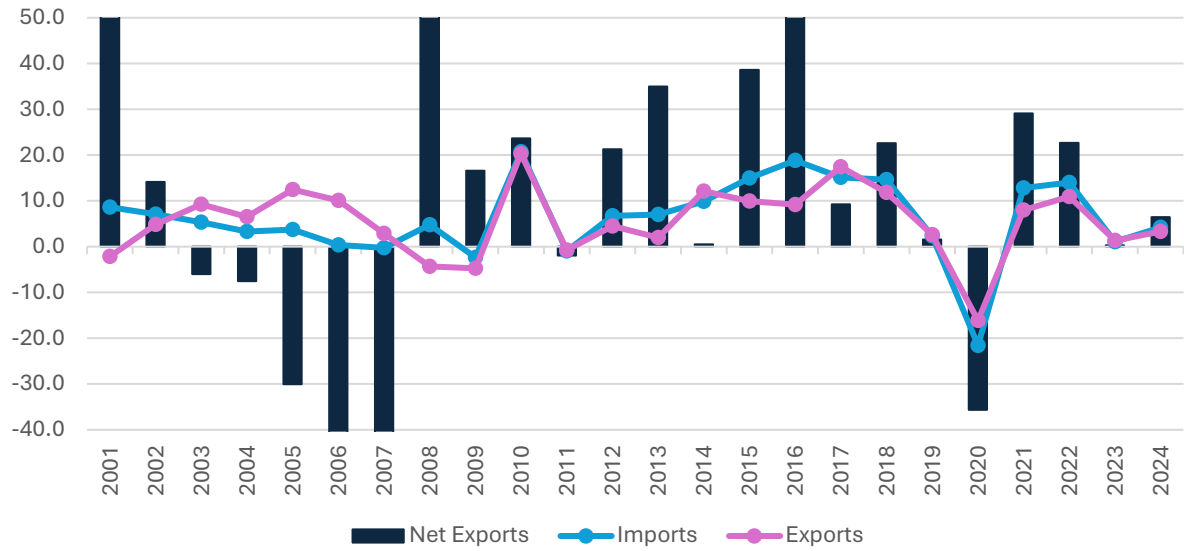
6.1.2. Trade block

Trade statistics (in million PHP)



Source: PSA via CEIC (2025).

Export and import activity (percent change)



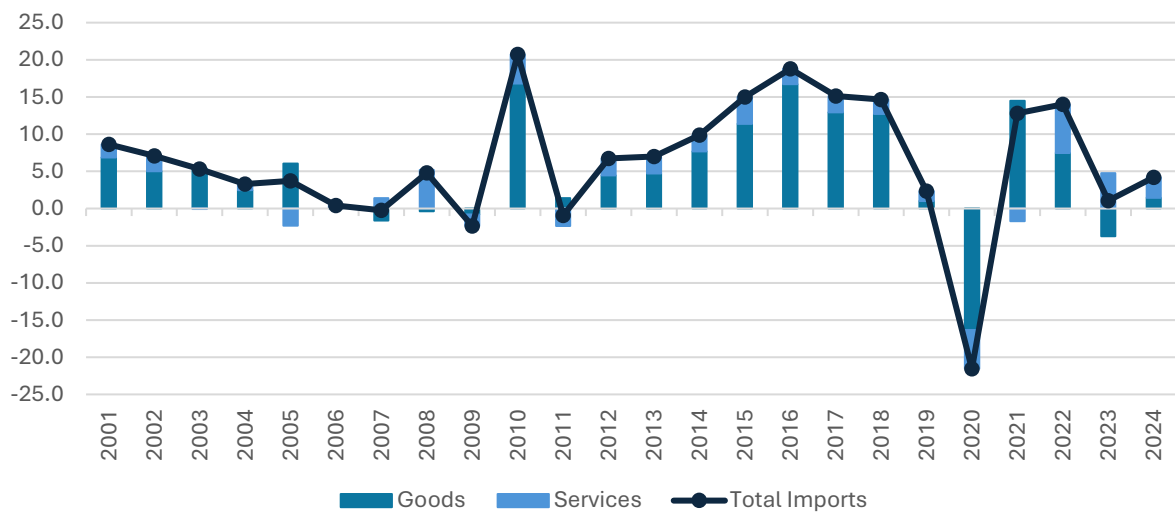
Source: PSA via CEIC (2025).

Exports of goods and services (percent change, contribution)



Source: PSA via CEIC (2025).

Imports of goods and services (percent change, contribution)



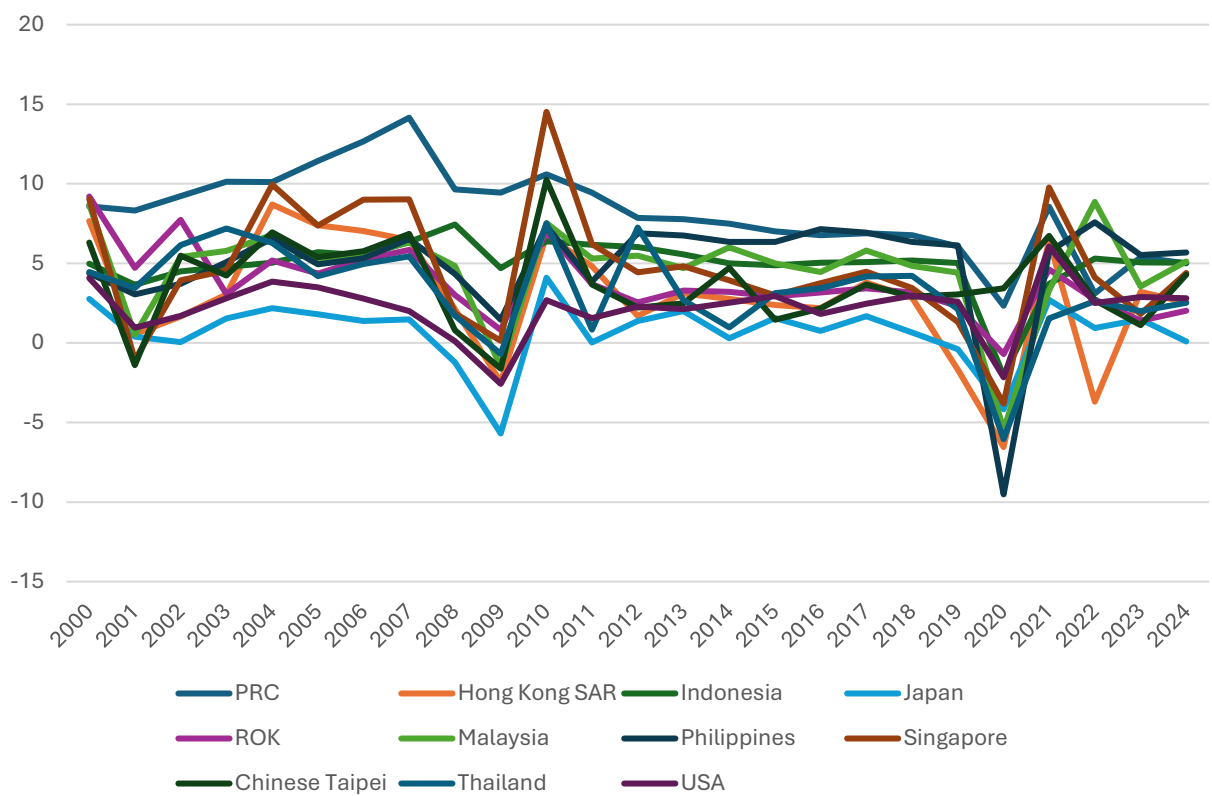
Source: PSA via CEIC (2025).

Growth in key country groups (percent change)



Source: PSA via CEIC (2025).

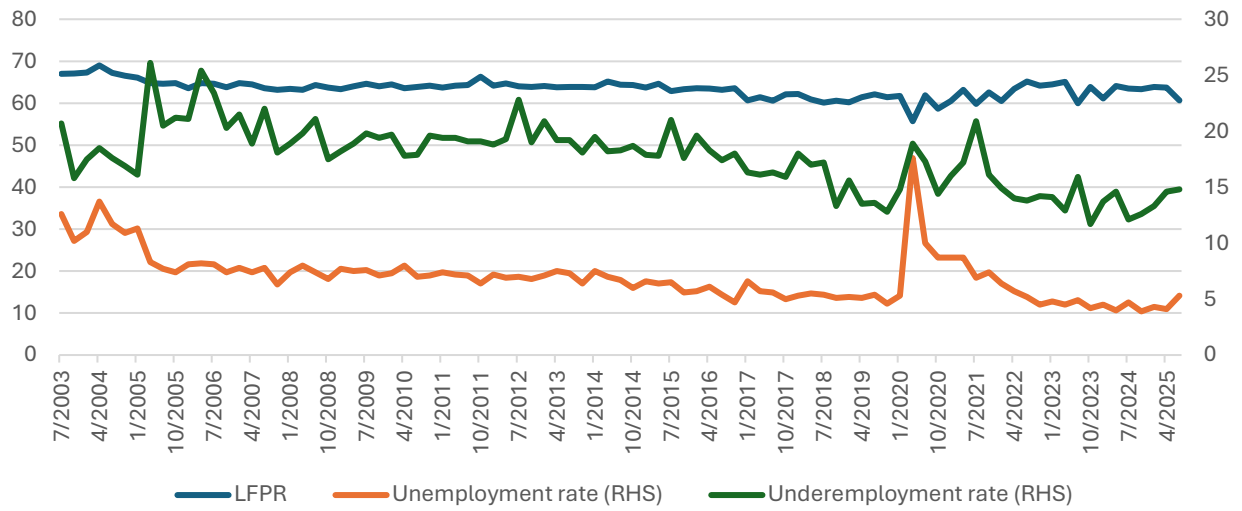
Growth in key trading partners (percent change)



Source: PSA via CEIC (2025).

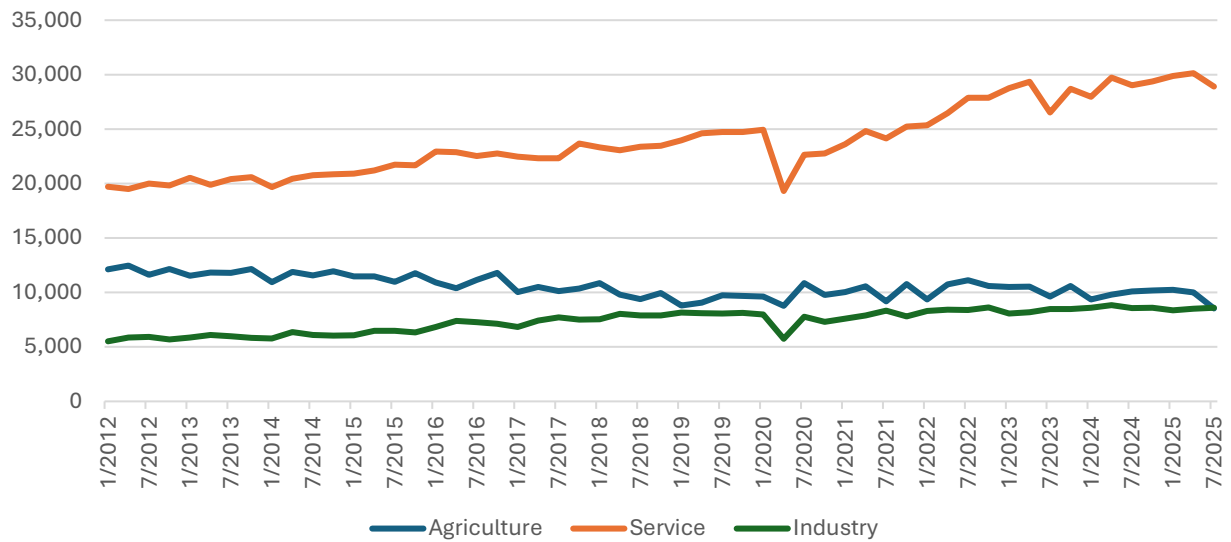
6.1.3. Employment block

Labor Force Participation Rate (LFPR), unemployment and underemployment rates



Source: PSA via CEIC (2025).

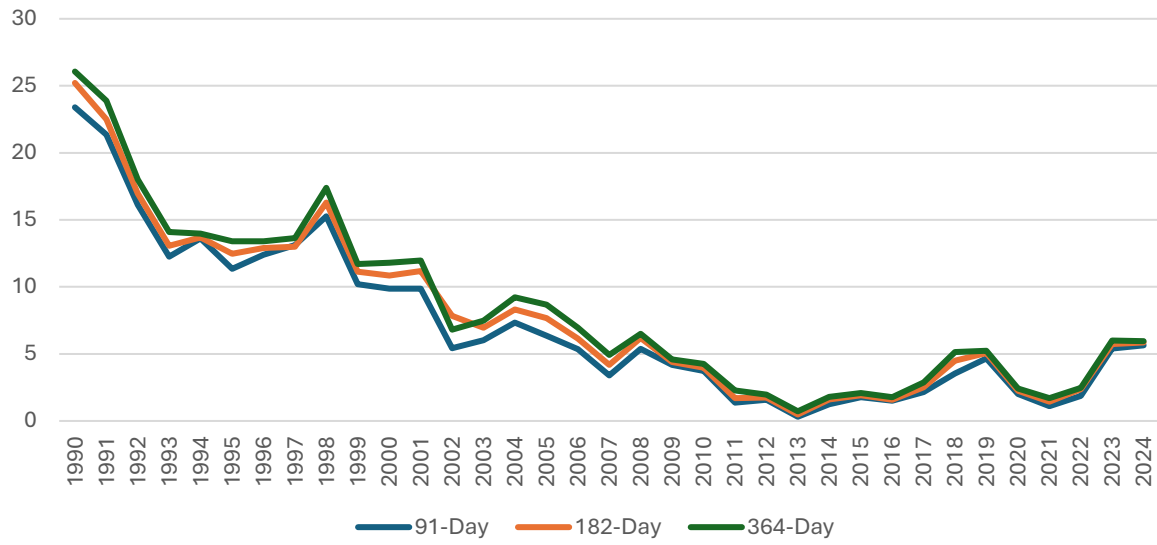
Employment by sector



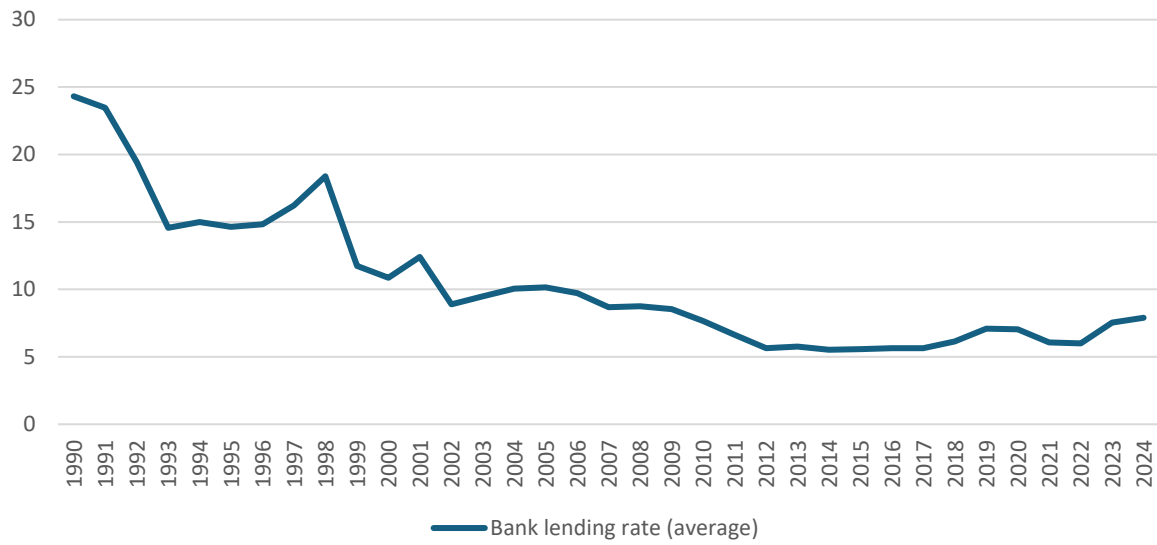
Source: PSA via CEIC (2025).

6.1.4. Monetary block

Treasury bill rate (in percent)



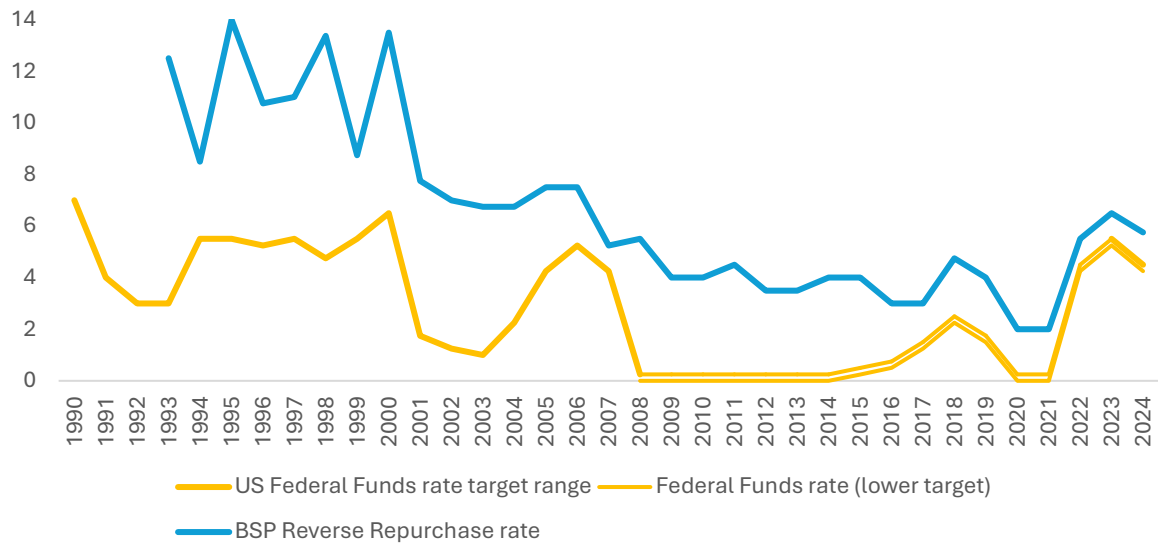
Bank lending rate (in percent)



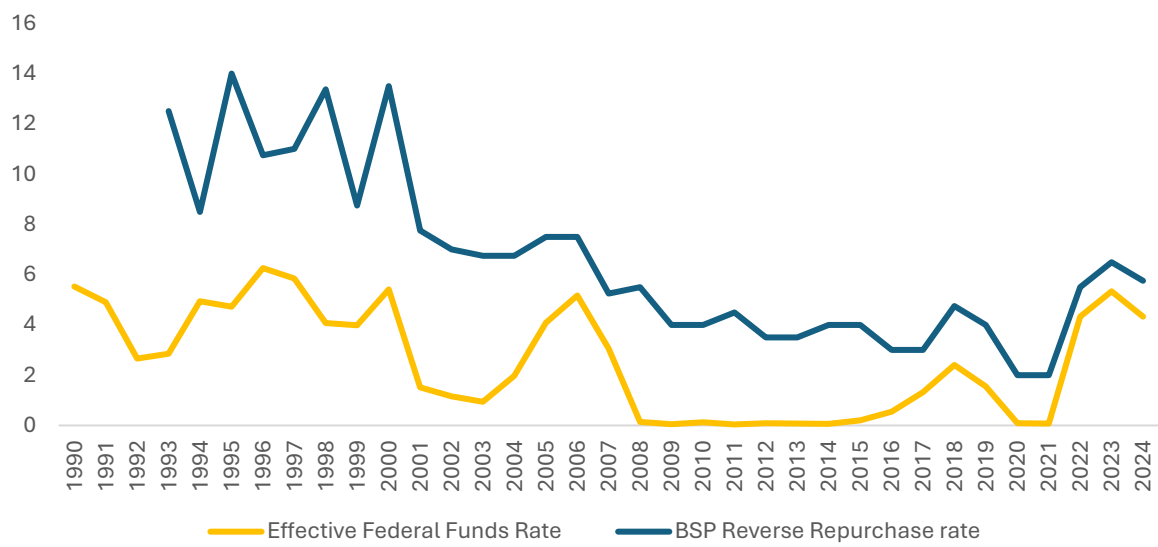
Source: BSP via CEIC.

Philippine and US key policy rates (in percent, as of end-period)

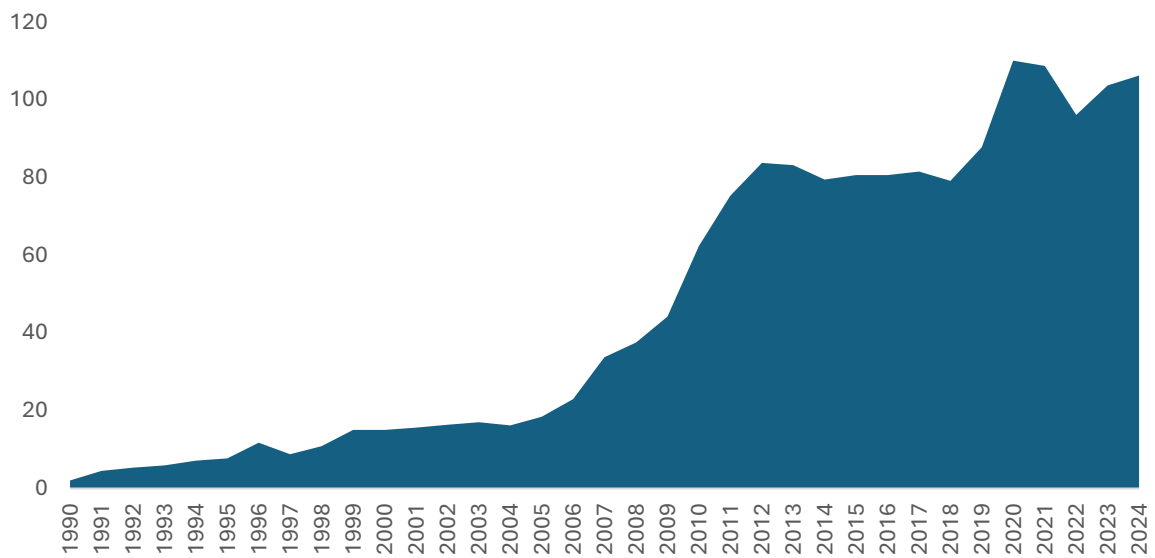
a. BSP reverse repurchase rate and US Federal funds target range



b. BSP reverse repurchase rate and US Federal funds effective rate



Gross international reserves (in USD billions)

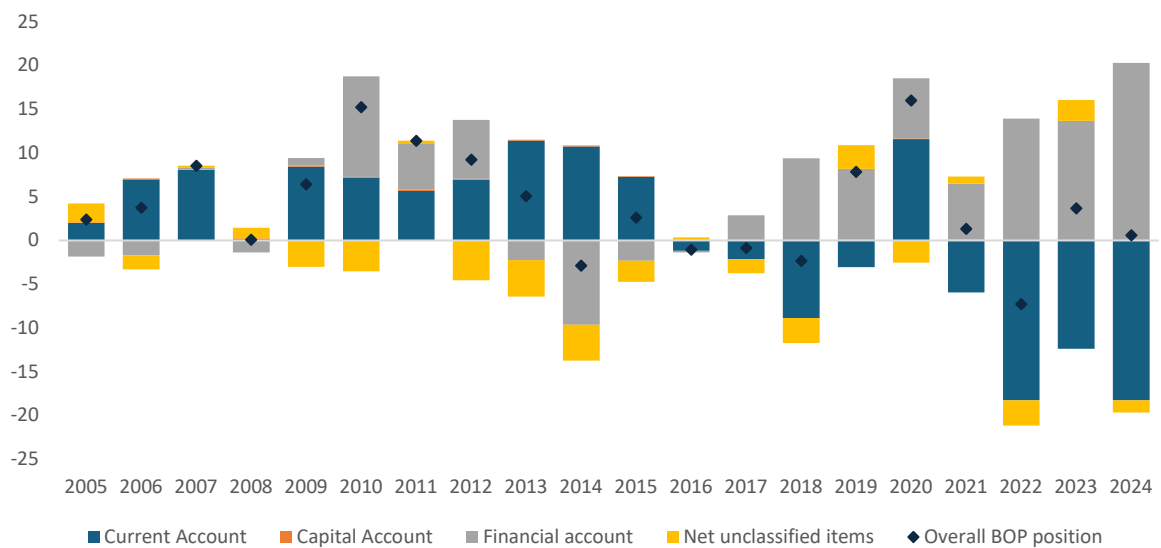


Source: BSP via CEIC

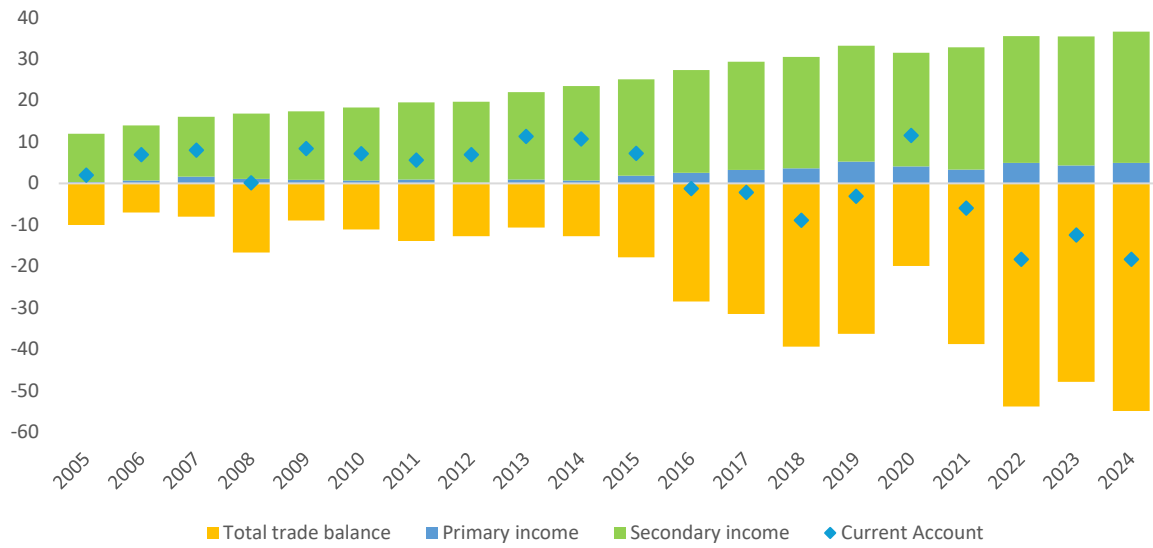
6.1.5. Financial block

Balance of payments and components (in USD billions)

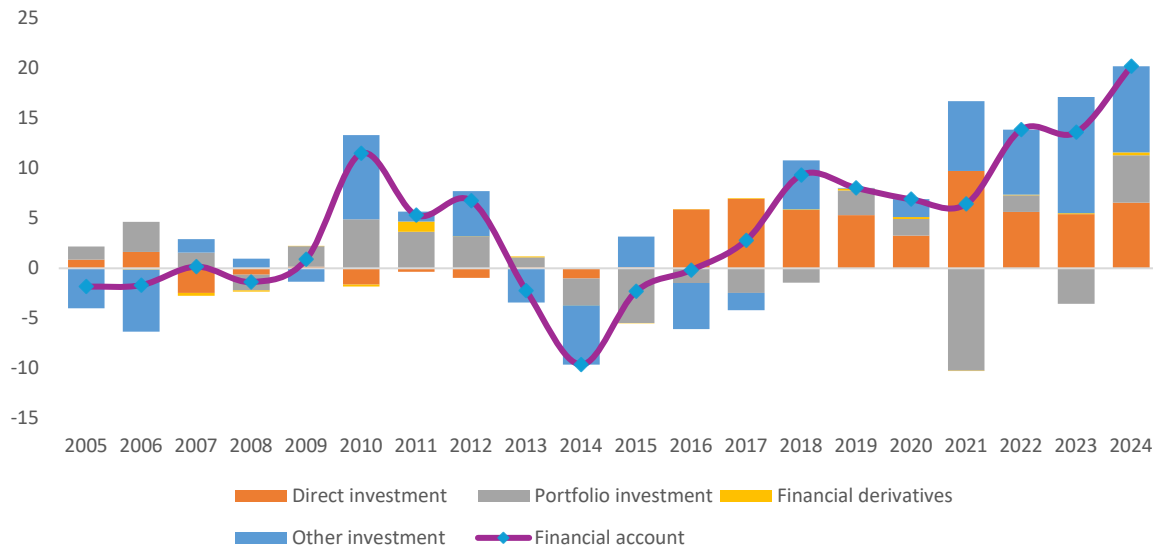
a. Balance of payments



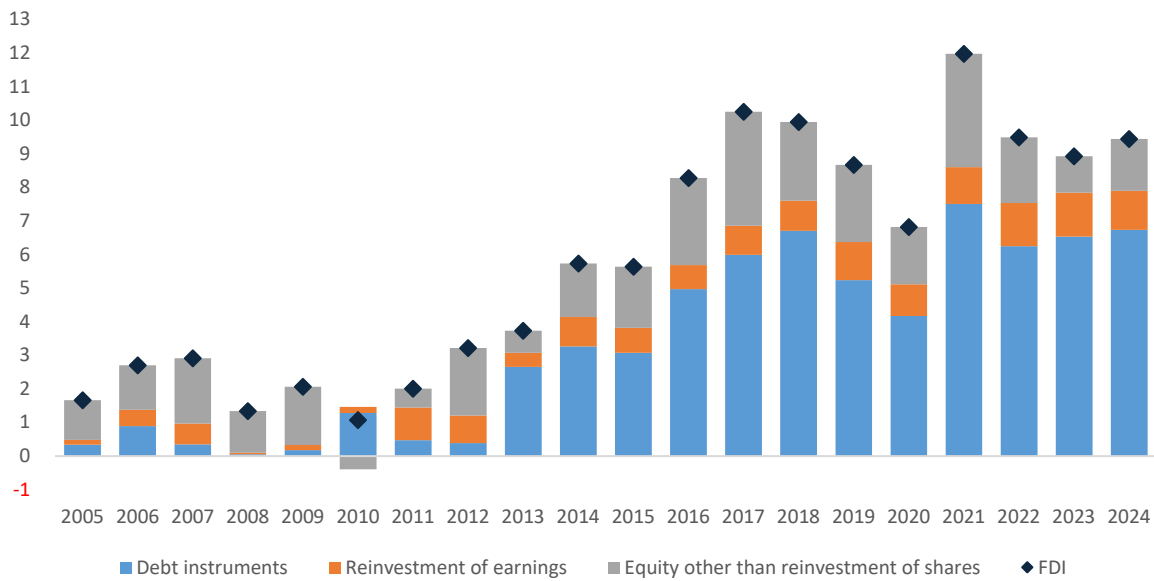
b. Current account



c. Financial account



d. Foreign direct investments



Source: BSP via CEIC (2025).

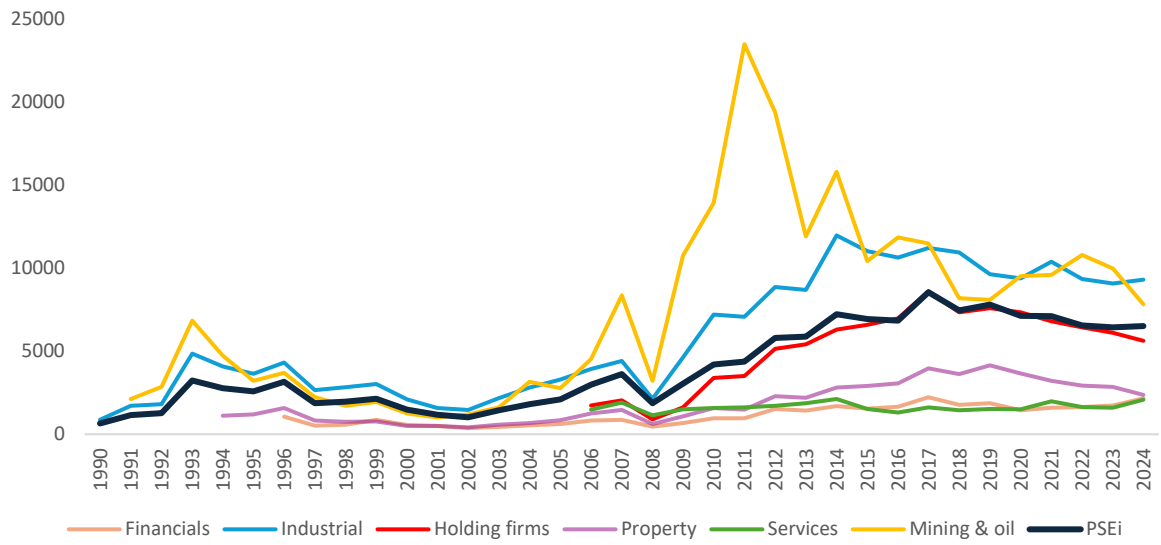
Workers' remittances (in USD billion and in percent)



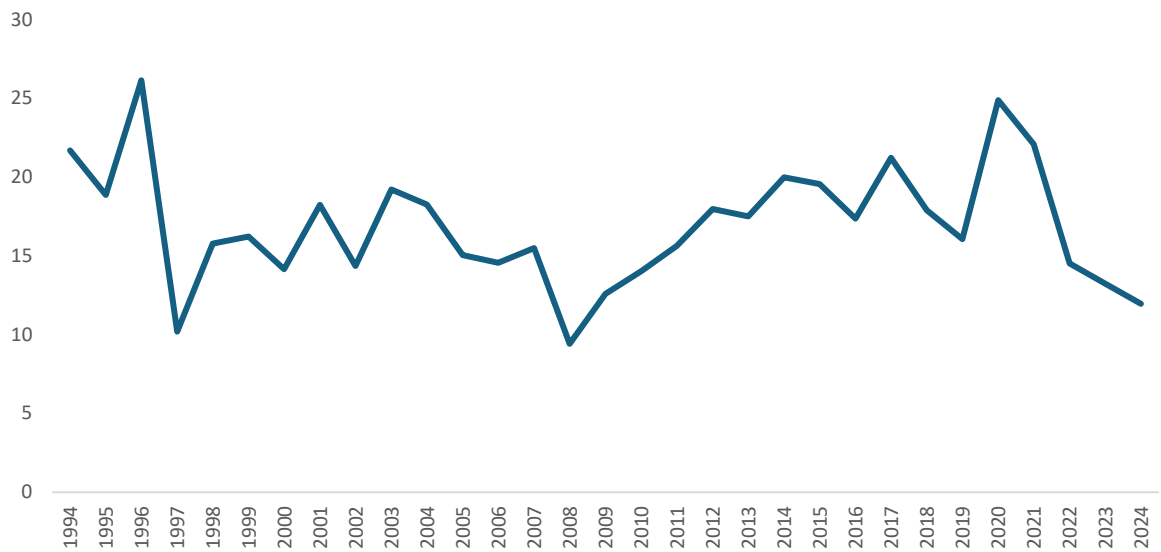
Source: BSP via CEIC (2025)

Stock market

a. PSE index (as of end-period)



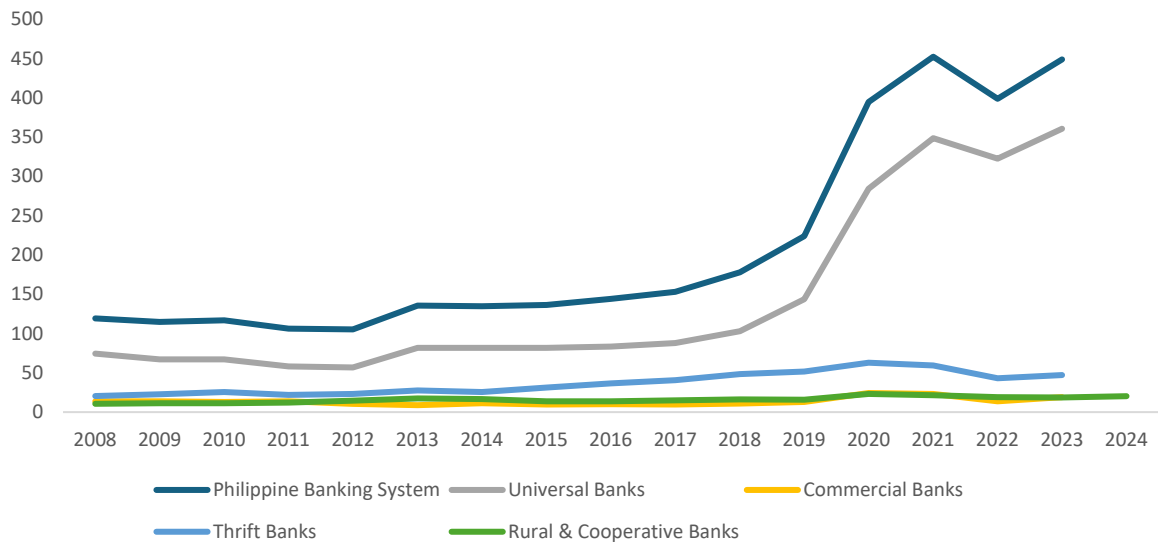
b. PSE PE ratio (as of end-period)



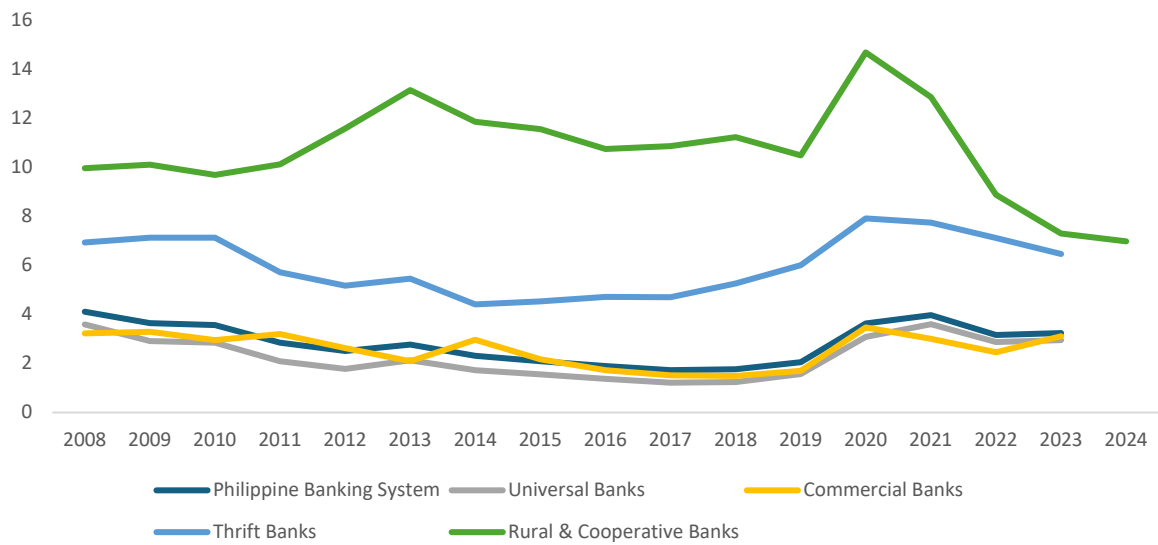
Source: PSE via CEIC (2025)

Banking performance

a. Non-performing loans (in PHP billions)



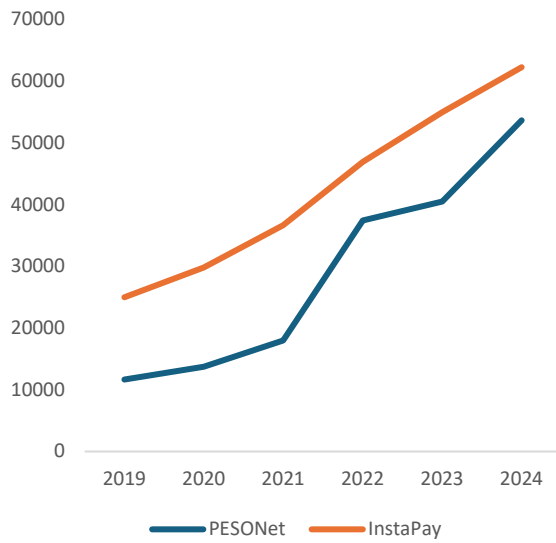
b. NPL to loan ratio



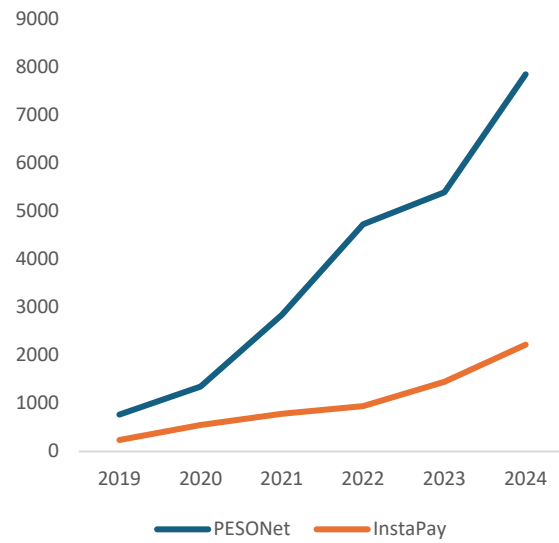
Source: BSP (2025)

PESONet and Instapay transactions

a. Volume



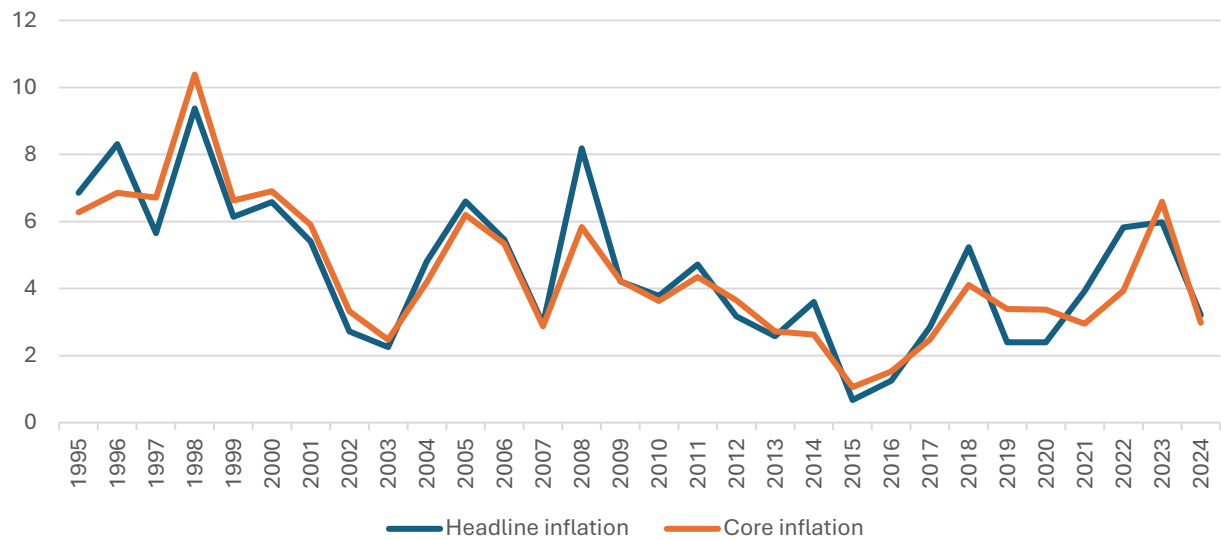
b. Value (in PHP billions)



Source: BSP via CEIC.

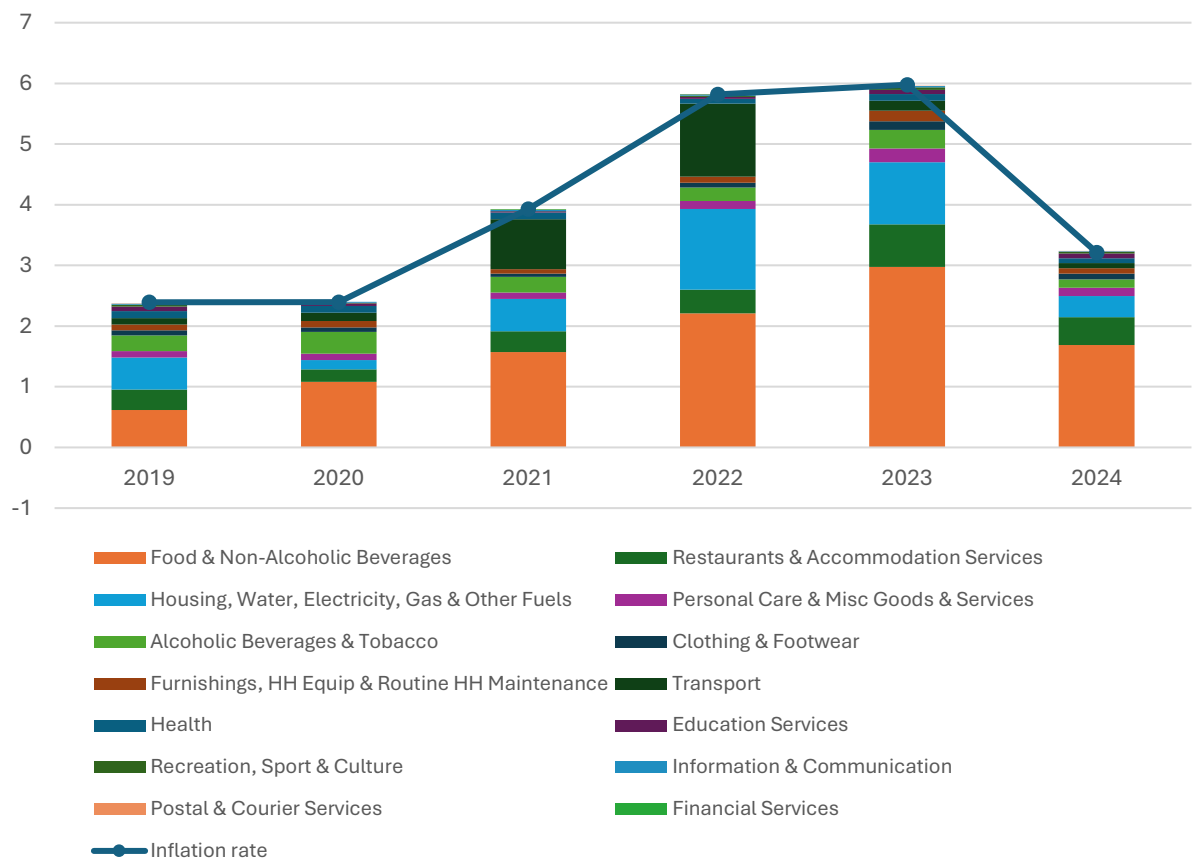
6.1.6. Price block

Headline, core inflation



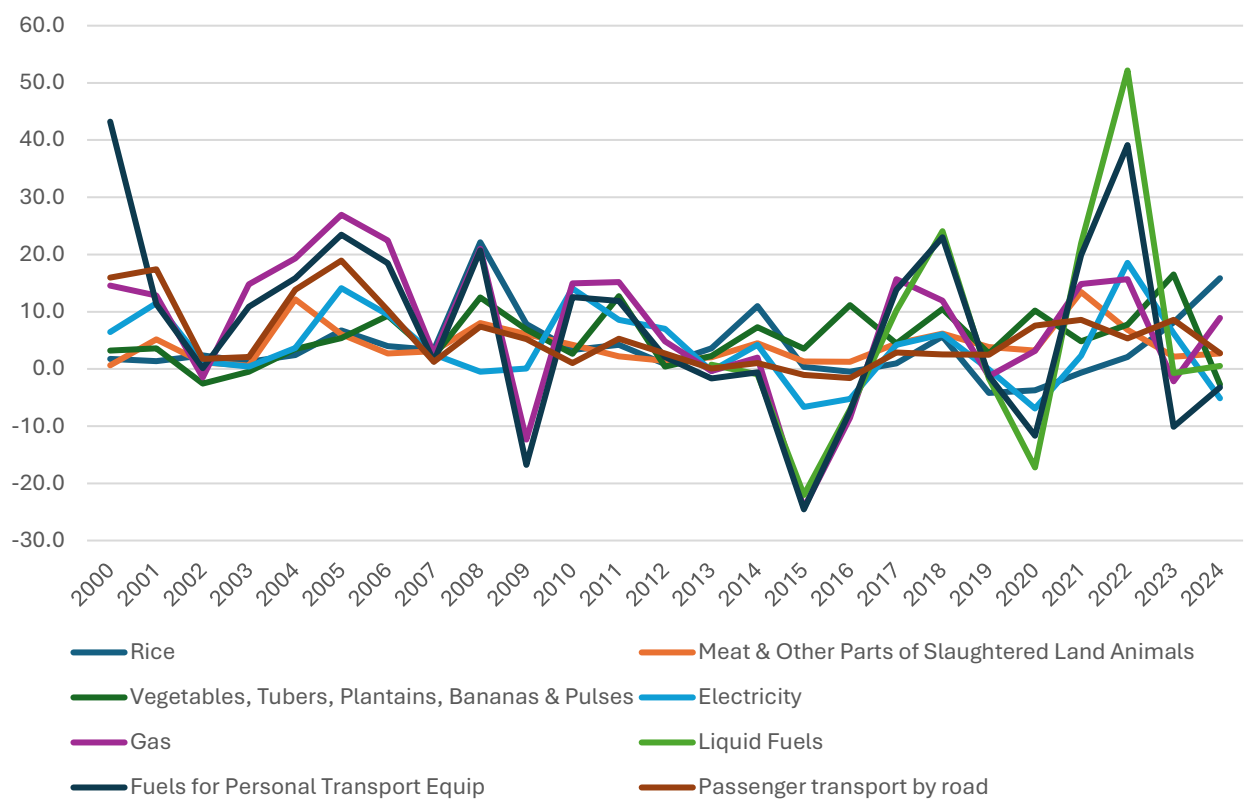
Source: PSA via CEIC (2025).

Contribution to inflation



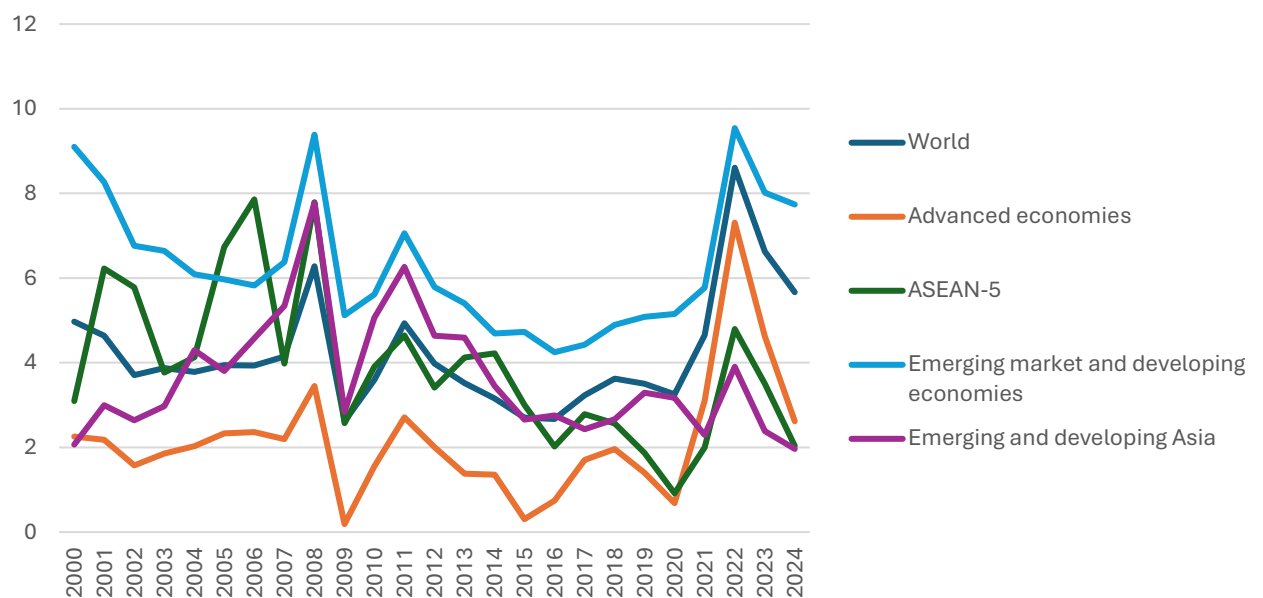
Source: PSA via CEIC (2025).

Key commodities



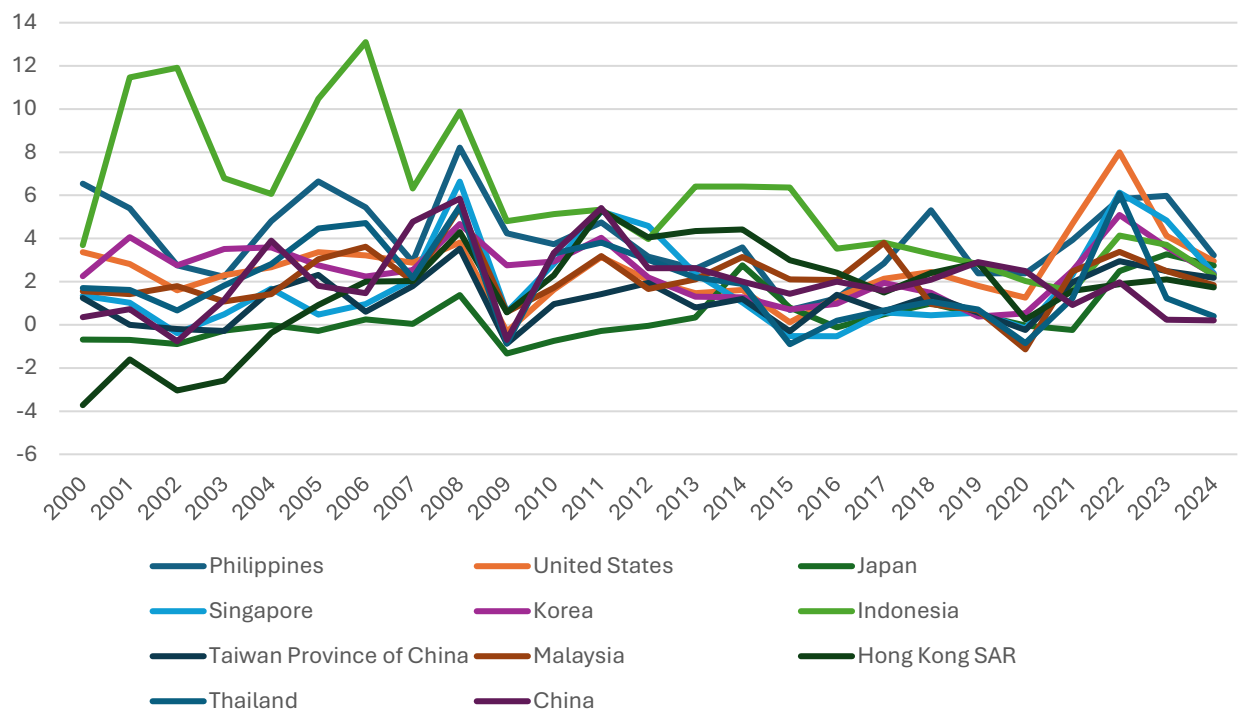
Source: PSA via CEIC (2025).

Inflation in key country groups



Source: IMF 2025.

Inflation in key trading partners



Source: IMF 2025.