

## Economic growth is stronger-than-expected on account of the significant turnaround in government spending

- GDP expanded by 5.9% in Q3 2023 with major economic sectors, agriculture, industry, and services growing at 0.9%, 5.5%, and 6.8%, respectively. Household expenditure, government spending, and net exports grew by 5.0%, 6.7%, and 12.9%, respectively, driving the growth on the demand side. Investments or gross fixed capital formation (+7.9%) also contributed to the growth led by the construction sector (+14.0%), particularly from public investment spending. GDP for the first three quarters of 2023 GDP grew by 5.5%.
- The national and local governments' catch-up spending plans will help expedite programs and projects for the rest of the year to achieve the growth target of 6.0% - 7.0% for 2023.

## Fitch affirms Philippines at 'BBB'; outlook 'Stable'

- In November 2023, Fitch Ratings affirmed the Philippines' "BBB" rating, a notch above the minimum investment grade, and has kept the outlook at "stable," citing the Philippines' strong medium-term growth prospects and declining government debt/GDP ratio.
- The rating agency underscored the Marcos Jr. administration's structural economic reforms, including the passage of the proposed Public-Private Partnership (PPP) Act that will streamline the PPP processes and could help catalyze private investment to address the Philippines' large infrastructure gaps.

## BSP remains prepared to resume monetary tightening as necessary to steer inflation toward a target-consistent path

- Inflation dropped to 4.9% in October from 6.1% in September. Year-to-date, inflation averaged 6.4%. The latest projections indicate that the inflation outlook has moderated over the policy horizon.
- The balance of risks to the inflation outlook still leans significantly toward the upside, notwithstanding the recent improvement in supply conditions. Upside risks are associated with the potential impact of higher transport charges, electricity rates, and international oil prices as well as higher-than-expected minimum wage adjustments in areas outside the National Capital Region. Given these considerations, the Monetary Board in its November policy meeting noted that keeping the policy rate steady will allow previous interest rate adjustments, including the interest rate increases in an off-cycle meeting last October, to continue to work their way through the economy. The BSP continues to deem it necessary to keep monetary policy settings sufficiently tight until sustained downtrend in inflation becomes fully evident and inflation expectations are firmly anchored.

### Philippines' Credit Ratings

As of 16 November 2023

Fitch	Affirmed at BBB/ Stable - Nov 2023
R&I	Affirmed at BBB+/Positive - Aug 2023
JCR	Affirmed at A-/Stable - Mar 2023
S&P	Affirmed at BBB+/Stable - Nov 2022
Moody's	Affirmed at Baa2/Stable - Sep 2022

### Fitch's Analytical Pillars and Rating Commentary

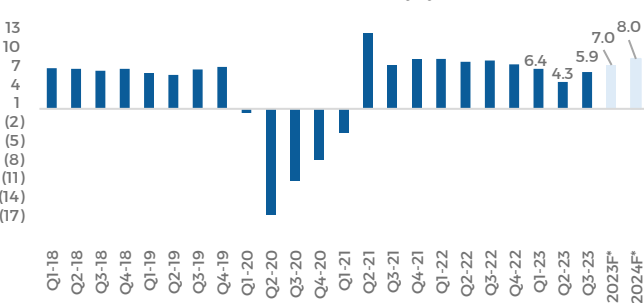
10 November 2023

<b>Macroeconomic Performance</b> Fitch forecasts real GDP growth of above 6% over the medium term, stronger than the 'BBB' median of 3%. Growth is supported by large investments in infrastructure and reforms to foster trade and investment, including through PPPs.	<b>Public Finances</b> The gradual pace of consolidation reflects the authorities' focus on fostering economic growth and development.
<b>Structural Features</b> Weak scores on the World Bank's Worldwide Governance Indicators may overstate relative weaknesses for creditworthiness	<b>External Finance</b> Current account deficits will continue to be comfortably financed by long-term external borrowing and foreign direct investments.

## Commitment toward a sustained rapid, solid, and inclusive economy

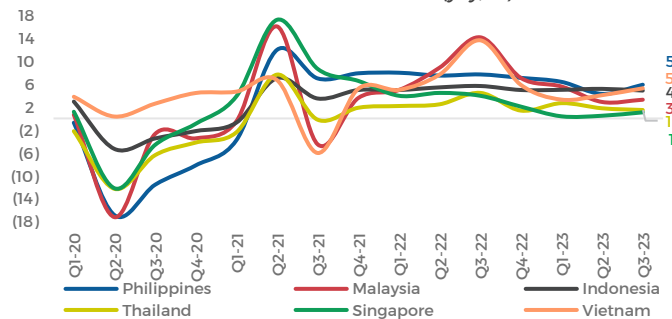
### Stronger growth rebound anchored on sound fundamentals

Real GDP Growth (yoy, %)



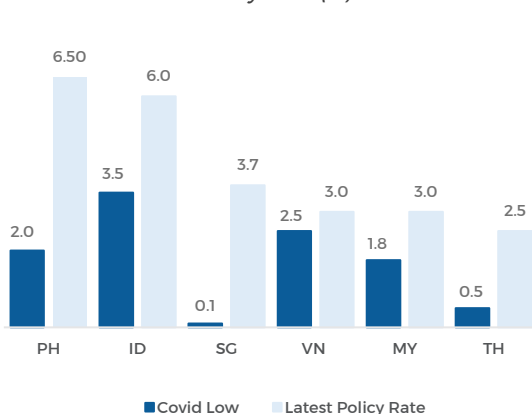
### The Philippines remains among the fastest growing economies in Southeast Asia

Real GDP Growth (yoy, %)



## BSP remains prepared to resume monetary tightening as necessary to steer inflation toward a target-consistent path<sup>1/</sup>

Policy Rates (%)



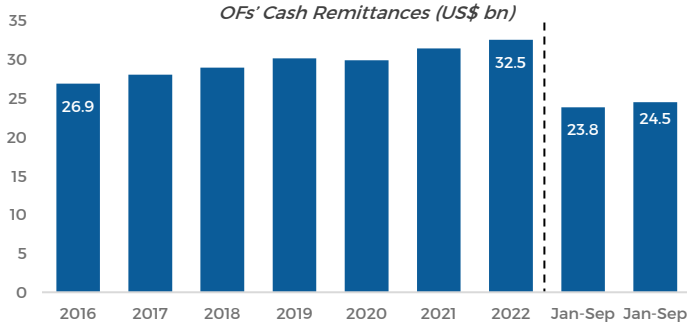
Headline CPI of Selected ASEAN countries

	ID	MY	PH	SG	TH	VN
Jan-21	1.6	-0.2	3.7	0.2	-0.3	-1.0
Feb-21	1.4	0.1	4.2	0.7	-1.2	0.7
Mar-21	1.4	1.7	4.1	1.3	-0.1	1.2
Apr-21	1.4	4.7	4.1	2.1	3.4	2.7
May-21	1.7	4.4	4.1	2.4	2.4	2.9
Jun-21	1.3	3.4	3.7	2.4	1.3	2.4
Jul-21	1.5	2.2	3.7	2.5	0.5	2.6
Aug-21	1.6	2.0	4.4	2.4	0.0	2.8
Sep-21	1.6	2.2	4.2	2.5	1.7	2.1
Oct-21	1.7	2.9	4.0	3.2	2.4	1.8
Nov-21	1.8	3.3	3.7	3.8	2.7	2.1
Dec-21	1.9	3.2	3.1	4.0	2.2	1.8
Jan-22	2.2	2.3	3.0	4.0	3.2	1.9
Feb-22	2.1	2.2	3.0	4.3	5.3	1.4
Mar-22	2.6	2.2	4.0	5.4	5.7	2.4
Apr-22	3.5	2.3	4.9	5.4	4.7	2.6
May-22	3.6	2.8	5.4	5.6	7.1	2.9
Jun-22	4.4	3.4	6.1	6.7	7.7	3.4
Jul-22	4.9	4.4	6.4	7.0	7.6	3.1
Aug-22	4.7	4.7	6.3	7.5	7.9	2.9
Sep-22	6.0	4.5	6.9	7.5	6.4	3.9
Oct-22	5.7	4.0	7.7	6.7	6.0	4.3
Nov-22	5.4	4.0	8.0	6.7	5.6	4.4
Dec-22	5.5	3.8	8.1	6.5	5.9	4.6
Jan-23	5.3	3.7	8.7	6.6	5.0	4.9
Feb-23	5.5	3.7	8.6	6.3	3.8	4.3
Mar-23	5.0	3.4	7.6	5.5	2.8	3.4
Apr-23	4.3	3.5	6.6	5.7	2.7	2.8
May-23	4.0	2.8	6.1	5.1	0.5	2.4
Jun-23	3.5	2.4	5.4	4.5	0.2	2.0
Jul-23	3.1	2.0	4.7	4.1	0.4	2.1
Aug-23	3.3	2.0	5.3	4.0	0.9	3.0
Sep-23	2.3	1.9	6.1	4.1	0.3	3.7
Oct-23	2.6	NA	4.9	NA	-0.3	3.6

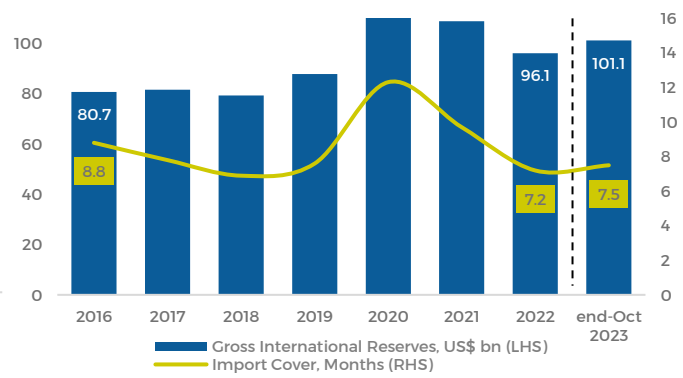
<sup>1/</sup> Since May 2022, the BSP has increased its policy rate by 425 bps.

\*High end of GDP growth target for 2023 and 2024.

### Remittances are a strong source of growth and stability for the Peso



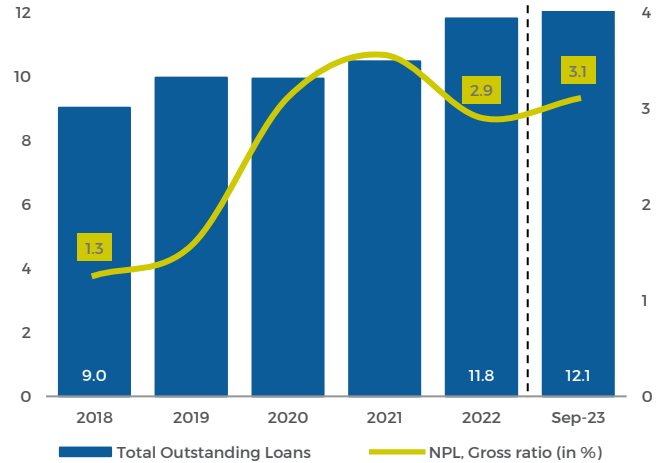
### Ample reserves support solid external position



### Strong loan expansion led by household consumption

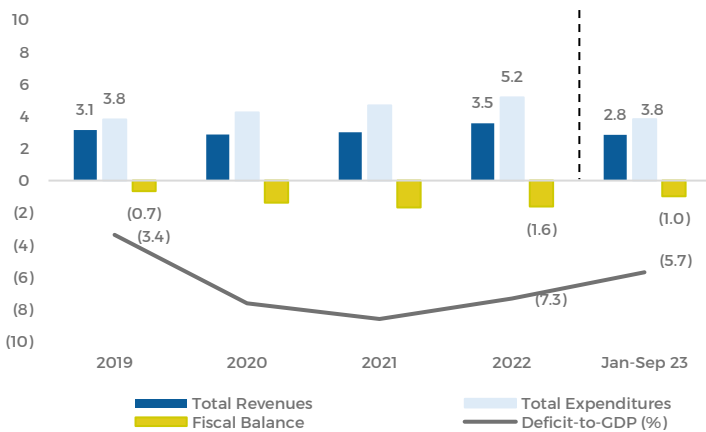
Sectors	Sep 2023 (PHP bn)	Share to Total (Net of RRP, %)	Growth (%)
<b>Loans to Productive Sector</b>	<b>9,654.7</b>	<b>86.4</b>	<b>4.9</b>
Real Estate Activities	2,229.9	20.0	5.0
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	1,280.6	11.5	6.6
Manufacturing	1,172.0	10.5	(3.8)
Electricity, Gas, Steam and Air-Conditioning Supply	1,235.5	11.1	9.2
Financial and Insurance Activities	1,053.8	9.4	4.9
Construction	444.5	4.0	5.9
Information and Communication	627.7	5.6	8.1
Transportation and Storage	376.1	3.4	10.8
Agriculture, Forestry and Fishing	210.5	1.9	2.4
Others	1,024.1	9.2	4.1
<b>Loans to Household Consumption</b>	<b>1,193.7</b>	<b>10.7</b>	<b>23.5</b>
Loans to Residents, net of RRP Agreements	10,848.3	97.1	6.6
Loans to Non-Residents	325.7	2.9	0.3
<b>Total Loans to Residents and Non-Residents, net of RRF</b>	<b>11,174.0</b>	<b>100.0</b>	<b>6.5</b>

### Improving loan demand on better paying capacity



### Efficient mobilization and utilization of resources to help achieve fiscal sustainability

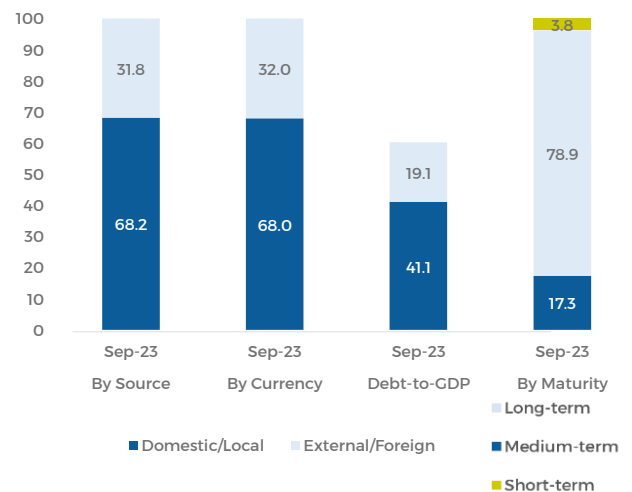
*National Government (NG) Expenditure, Revenue, and Deficit (PHP tn)*



Note: Deficit-to-GDP is as of Q3 2023  
Figures may not add up due to rounding

### Debt structure remains resilient; on track with fiscal consolidation goal

*National Government Outstanding Debt (% share)*



### Contact Information

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