

Rapid economic recovery bodes well for stronger long-term growth prospects

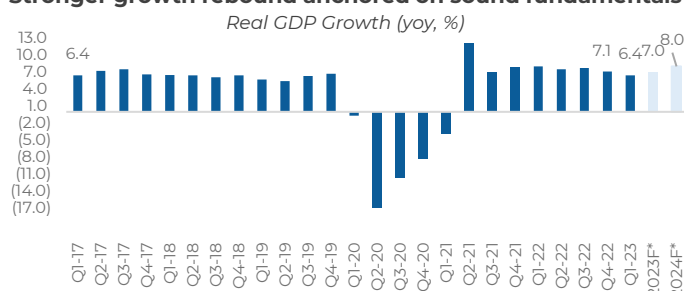
- The Philippines sustained its economic expansion with a GDP growth of 6.4% yoy in Q1 2023, exceeding analysts' median forecasts (Bloomberg Survey). The growth reflects strong domestic demand supported by sustained improvement in labor market conditions, tourism, investments, and construction benefitting from the full opening of major economic sectors. The economy is targeted to continue its high-growth performance of 6.0%-7.0% in 2023 and 6.5%-8.0% in 2024-2028.
- In March 2023, unemployment rate eased to 4.7%, and underemployment rate went down to 11.2% from 15.8% in the same month last year.
- Inflation further eased in April to 6.6% from 7.6% in March. The latest figure remains consistent with the BSP's assessment that inflation is likely to revert towards the target range by end-2023. The risks to the inflation outlook for 2023 and 2024 also continue to tilt heavily towards the upside.
- External payments position remains manageable with current account deficit remaining financeable through sustained inflows supported by stable remittances from overseas Filipinos, strong tourism performance, rising Business Process Outsource (BPO) revenues and pick-up in foreign direct investments. OF cash remittances grew by 3.6% in 2022 or US\$32.5bn; BPO revenues by 9.1% or US\$27.4bn in 2022, and visitor receipts by 2,130% or US\$3.8bn. Further, external debt-to-GDP remains low at 27.5% as of end-2022, FX reserves remain adequate at 7.6 months' worth of imports of goods and payments services as of end-April 2023 and FDI recorded strong growth at 13% reaching US\$1bn in February 2023.

Fiscal performance remains solid and stable, supportive of the administration's socioeconomic agenda

- National government (NG) revenue collections increased by 4.4% yoy or PHP34.3bn to reach PHP818.7bn for January to March 2023. Tax collection accounted for 87.9% of total revenues. Meanwhile, government spending slightly dropped by 1.1% to PHP1.1tn for the 3-month period due to the decline of local government units' National Tax Allotment shares and interest payments. The resulting deficit for Q1 2023 amounting to PHP270.9bn dropped by 14.5% or PHP46.0bn vs. same period last year. Deficit-to-GDP for Q1 2023 is at 4.8%.
- NG outstanding debt reached PHP13.9tn as of end-March 2023, PHP104.2bn or 0.8% higher than last month, primarily due to the net availment of foreign loans and impact of third currency adjustments against the USD. Of the total debt stock, 31.3% were sourced externally while 68.7% were domestic borrowings. As of end-March 2023, debt-to-GDP was 61.0%.

Commitment toward a sustained rapid, solid, and inclusive economy

Stronger growth rebound anchored on sound fundamentals

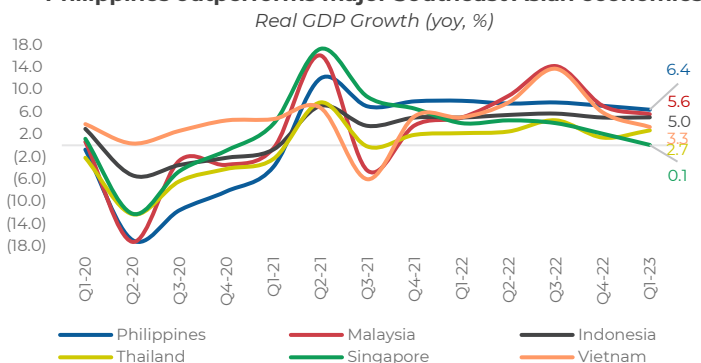


Sustained growth seen across sectors

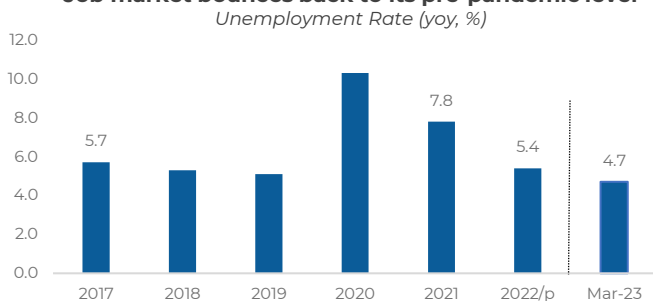
Real GDP Growth (yoy, %)

	Q1 2023	Q1 2022
Production Side		
Agriculture, Forestry, and Fishing	2.2	0.2
Industry	3.9	10.0
Services	8.4	8.4
Demand Side		
Household Consumption Expenditure	6.3	10.0
Government Consumption Expenditure	6.2	3.5
Gross Capital Formation	12.2	17.7
Exports	0.4	10.6
Imports	4.2	16.2

Philippines outperforms major Southeast Asian economies



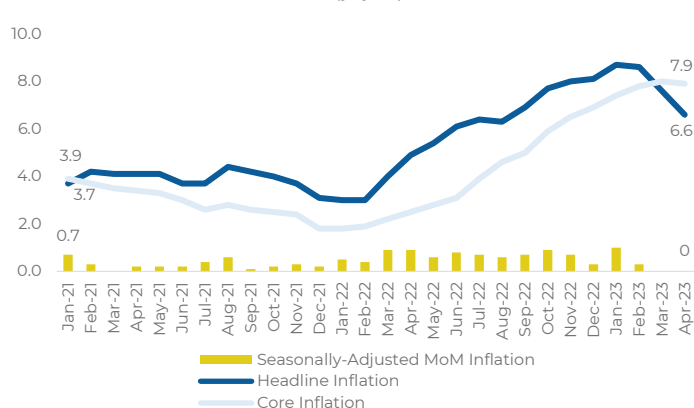
Job market bounces back to its pre-pandemic level



Inflation expected to return to within target by end of the year

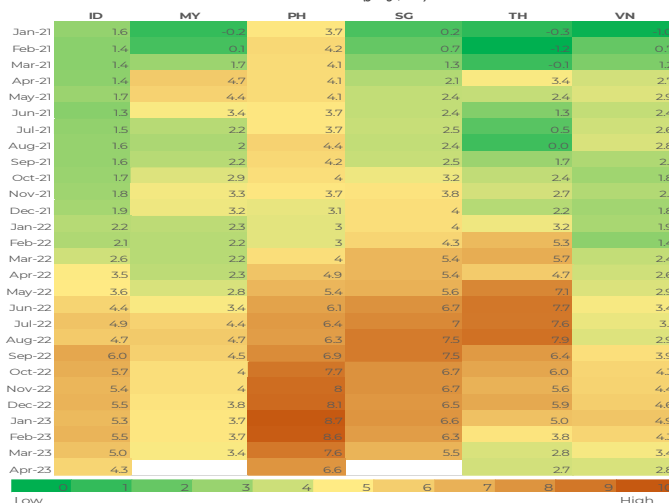
Manageable inflation environment

Headline CPI (yoy, %), 2018 = 100



In line with peers: Inflation across most of SEA is declining

Headline CPI (yoy, %)



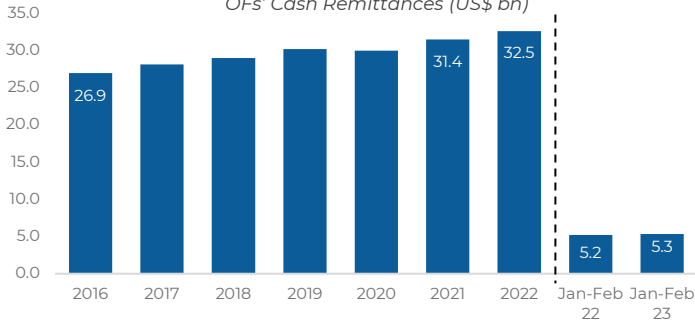
*High end of GDP growth target for 2023 and 2024 p / preliminary

Source: PSA, Bloomberg, BSP, CEIC, and other Central Bank Websites

Structural inflows support the current account

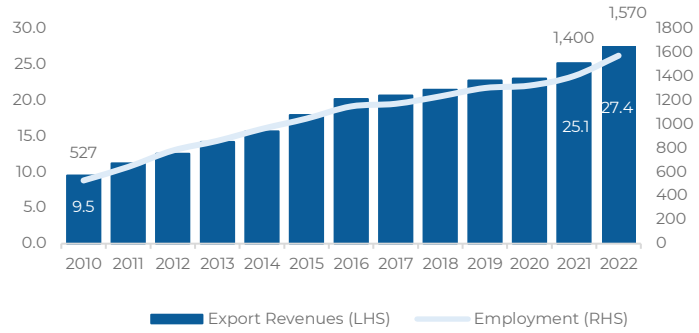
Remittances is a strong source of growth and stability for the Peso

OFs' Cash Remittances (US\$ bn)



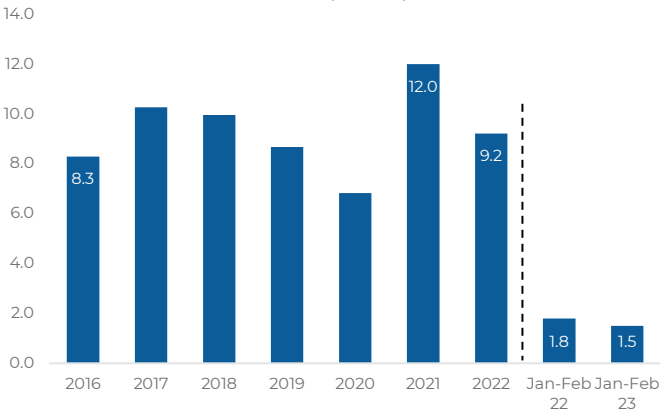
BPO remains a strong driver of employment, export revenues

BPO Employment ('000s) and Export Revenues (US\$ bn)



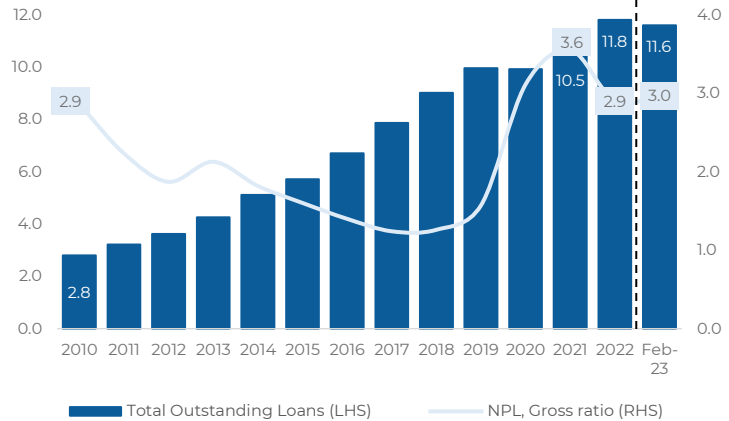
Continued inflows indicative of confidence in long-term growth prospects

Net FDI (US\$ bn)



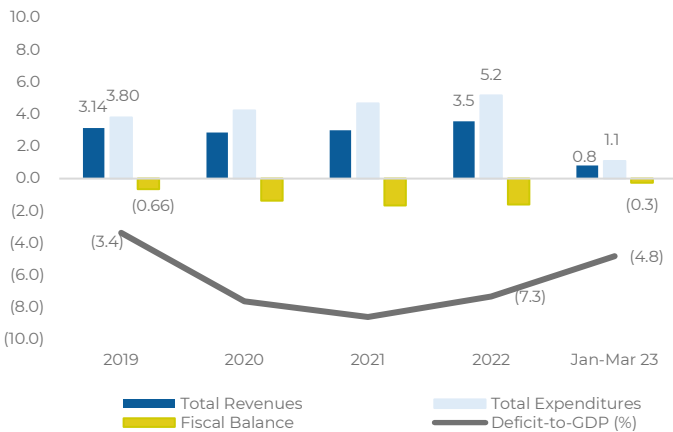
Improving loan demand on better paying capacity

U/KBs Outstanding Loans (PHP tn) and Non-Performing Loans (NPL) Ratio (%)



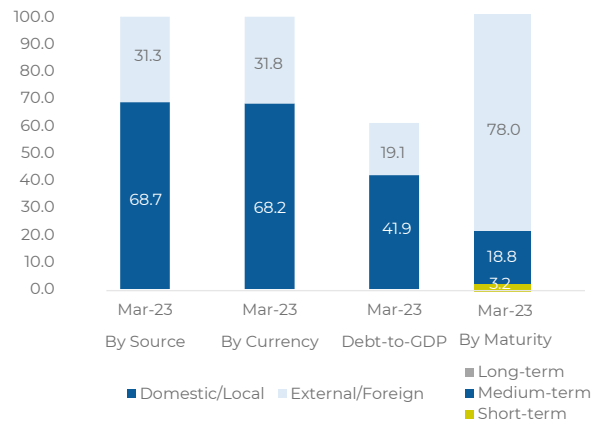
Efficient mobilization and utilization of resources to help achieve fiscal sustainability

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



Debt structure remains resilient; on track with fiscal consolidation goal

National Government Outstanding Debt (% share)



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