

## R&I upgrades the Philippines credit rating to 'A-'; outlook 'Stable'

- R&I cited the country's macroeconomic stability, high economic growth path, and favorable fiscal outlook.
- The agency expects the economy to sustain robust growth on the back of active public and private sector investments, development of growth sectors, and favorable demographics.

### Philippines' Credit Ratings

As of 14 August 2024

Fitch	Affirmed at BBB/Stable - June 2024
R&I	Upgraded to A-/Stable - Aug 2024
JCR	Affirmed at A-/Stable - Mar 2024
S&P	Affirmed at BBB+/Stable - Nov 2023
Moody's	Affirmed at Baa2/Stable - Sep 2022

### Economic and socio-political fundamentals

- Economy's fast growth** with service industry and manufacturing bases expanding
- OF remittances and FDI inflows remain stable.** FX reserves stands at a sufficient level. Thus, **external risk is limited.**
- The administration has been working on the **initiatives to secure economic stability,** accelerate infrastructure development as well as investment expansion, and create employment.

### R&I's Select Evaluation Factors

14 August 2024

#### Fiscal conditions and funding structure

- Fiscal deficit/GDP to decline** to a level almost in line with the government target

#### Policy management

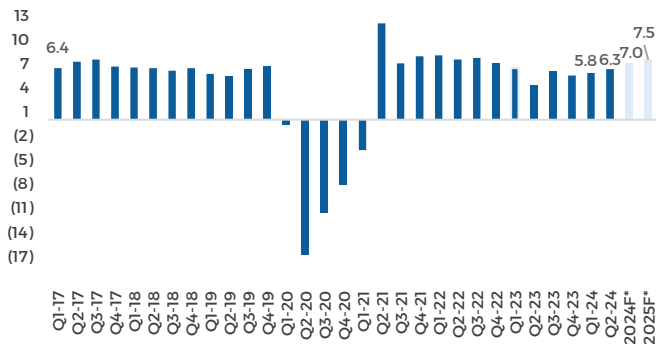
- R&I has a high opinion of the firm **progress** the government has made in further **building the fundamentals toward economic growth** in the medium to long term, given that the government has been pushing ahead with measures to ease regulations to boost private investments.

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

- Sectors driving growth: Industry (+7.7%), Services (+6.8%).
- Demand side drivers of growth:
  - Investments (+11.5%) owing to robust construction activities
  - Government spending (+10.7%) on implementation of social protection, health and education programs, and preparations for 2025 elections.
- H1 2024 GDP growth of 6.0%, on track with medium- and long-term targets.
- Poverty incidence fell in 2023 (15.5% from 18.1% in 2021), translating into 2.45mn Filipinos alleviated from poverty
- Target poverty rate: 9% by 2028

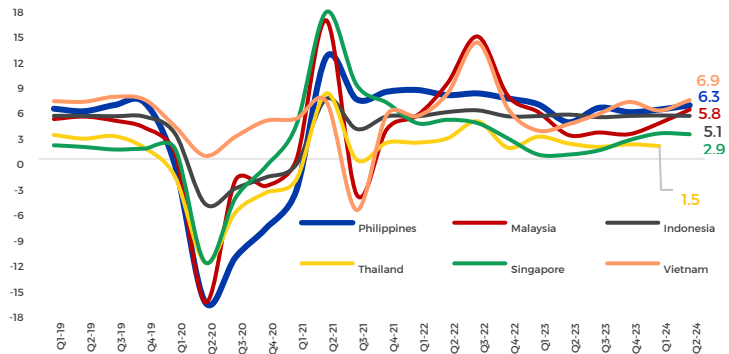
### Economy sustains robust growth in Q2 amid domestic and external challenges

Real GDP Growth (yoy, %)



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

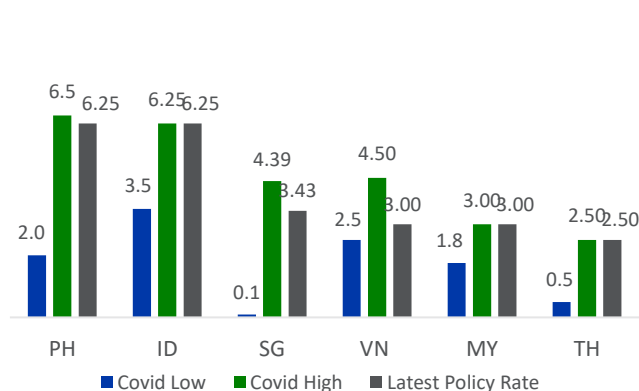
Real GDP Growth (yoy, %)



### BSP reduces target RRP by 25bps, Inflation projected to trend downward within government's target range.

- YTD average: 3.7%; within the BSP target range. Balance of risks to the inflation outlook has shifted to the downside due largely to the impact of the lower import tariff on rice.
- Balance of risks to the inflation outlook continues to lean toward the downside for 2024 and 2025 with a modest tilt to the upside for 2026.
- Risk adjusted inflation forecasts as of August vs. June :
  - 2024: 3.3% vs. 3.1%
  - 2025: 2.9% vs. 3.1%

Policy Rates (%)



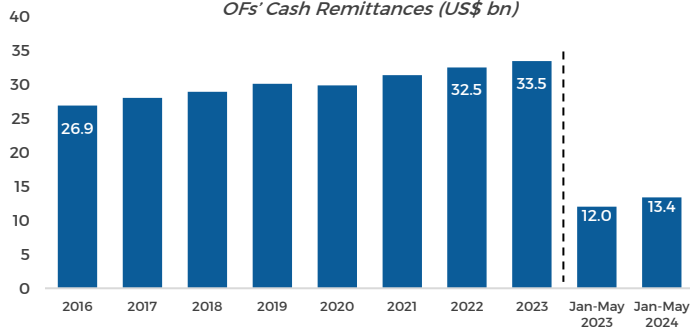
Headline CPI of Selected ASEAN countries

	IN	MY	PH	SG	TH	VN
Jan-23	5.1	3.7	8.7	6.6	5.0	4.9
Feb-23	5.4	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	4.4	3.3	6.6	5.7	2.7	2.8
May-23	4.1	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	3.4	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	1.8	4.9	4.7	-0.3	3.6
Nov-23	3.0	1.5	4.1	3.6	-0.4	3.4
Dec-23	2.8	1.5	3.9	3.7	-0.8	3.6
Jan-24	2.6	1.5	2.8	2.9	-1.1	3.4
Feb-24	2.8	1.8	3.4	3.4	-0.8	4.0
Mar-24	3.0	1.8	3.7	2.7	-0.5	4.0
Apr-24	3.0	1.8	3.8	2.7	0.2	4.4
May-24	2.8	2.0	3.9	3.1	1.5	4.4
Jun-24	2.5	2.0	3.7	2.4	0.6	4.3
Jul-24	2.1	N/A	4.4	N/A	0.8	4.4

\*High end of GDP growth target for 2024 and 2025.

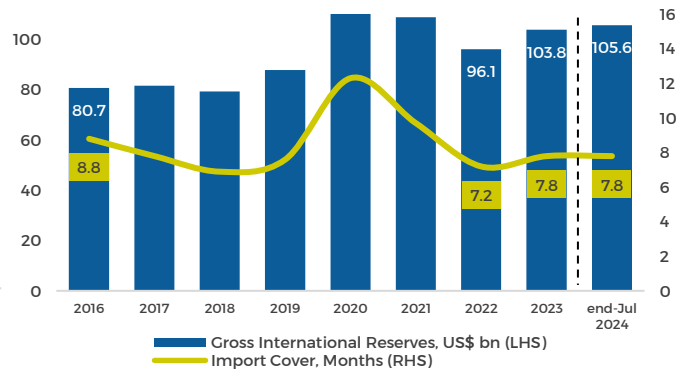
### Remittances are a steady source of growth and stability for the Peso

OFs' Cash Remittances (US\$ bn)



### More than adequate reserves support solid external position

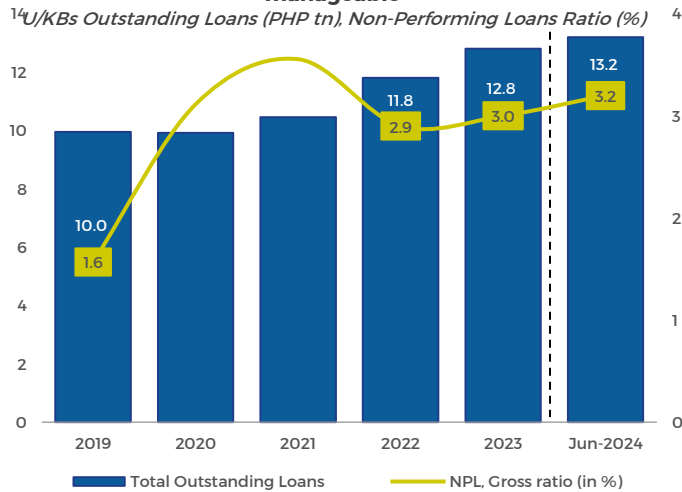
Gross International Reserves (US\$ bn); Import Cover (months)



### Strong loan expansion led by household consumption

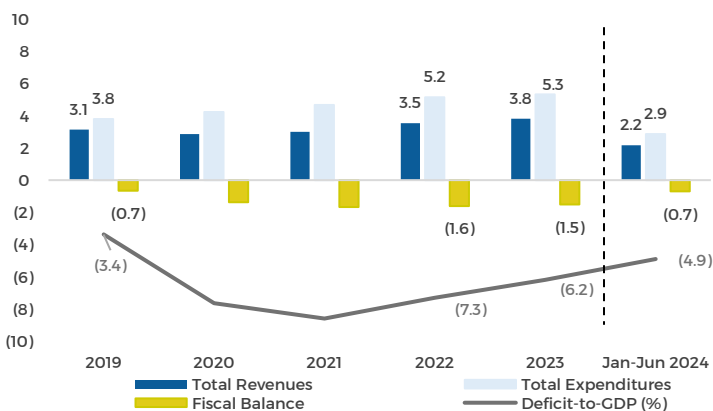
Sectors	Mar 2024 (PHP bn)	Share to Total (Net of RRP, %)	Growth (%)
<b>Loans to Productive Sector</b>	<b>10,346.4</b>	<b>85.6</b>	<b>8.3</b>
Real Estate Activities	2,482.9	20.5	12.3
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	1,386.2	11.5	9.3
Manufacturing	1,267.0	10.5	8.9
Electricity, Gas, Steam and Air-Conditioning Supply	1,295.8	10.7	5.7
Financial and Insurance Activities	981.5	8.1	(3.8)
Construction	481.7	4.0	10.2
Information and Communication	648.3	5.4	4.5
Transportation and Storage	460.2	3.8	26.2
Agriculture, Forestry and Fishing	215.5	1.8	5.9
Others	1,127.4	9.3	8.7
<b>Loans to Household Consumption</b>	<b>1,401.6</b>	<b>11.6</b>	<b>25.0</b>
<b>Loans to Residents, net of RRP Agreements</b>	<b>11,748.1</b>	<b>97.2</b>	<b>10.1</b>
<b>Loans to Non-Residents</b>	<b>343.8</b>	<b>2.8</b>	<b>9.8</b>
<b>Total Loans to Residents and Non-Residents, net of RRP</b>	<b>12,091.8</b>	<b>100.0</b>	<b>10.1</b>

### Improving loan demand while keeping asset quality manageable



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

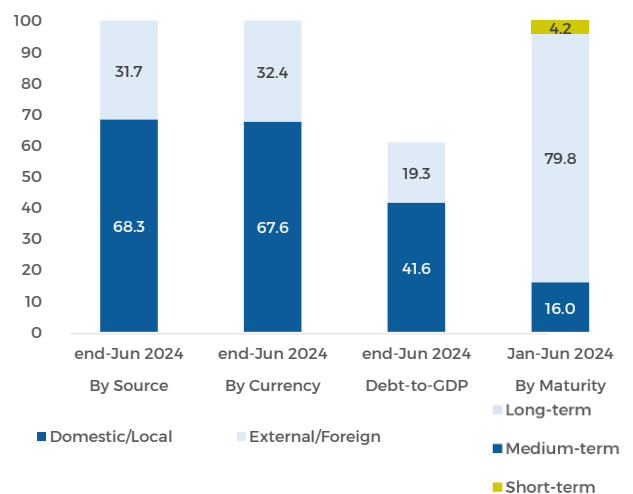
National Government (NG) Expenditure, Revenue, and Deficit (PHP tn)



Note: Figures may not add up due to rounding off

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

National Government Outstanding Debt (% share)



### Contact Information

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