

## S&P raises rating outlook to 'Positive' from 'Stable'; affirms the Philippines' credit rating at 'BBB+'

- In revising the outlook, S&P cited the country's effective policy making, fiscal reforms, and improved infrastructure and policy environment that have helped keep economic growth strong in the past decade.
- The agency said the country's external position remains a credit strength, reflecting rising foreign exchange reserves and low external debt.

### Philippines' Credit Ratings As of 26 November 2024

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

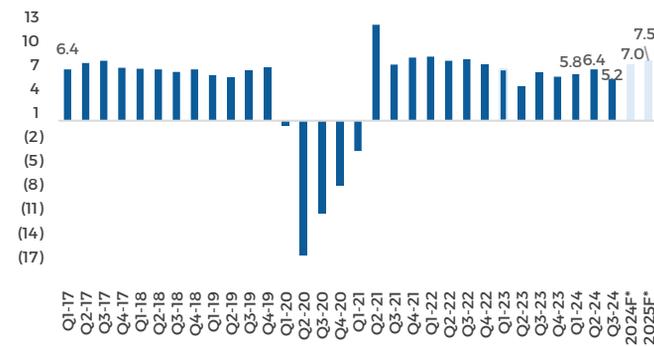
### S&P Key Rating Drivers 26 November 2024

Institutional and Economic Profile	Fiscal and performance Profile
<ul style="list-style-type: none"> <li><b>Solid economic outlook</b> anchored by infrastructure drive and pro-business policies</li> <li>Ongoing <b>reforms</b> on the business, investment, and tax fronts should <b>benefit growth</b> in the next 3-4 years</li> <li>Expectation that the administration will <b>continue</b> to adhere to the <b>well-established medium-term fiscal framework</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Fiscal performance</b> to <b>gradually improve</b> as economic recovery takes hold</li> <li><b>Ongoing economic recovery</b> should facilitate <b>reduction</b> in the <b>general government deficit</b> and further stabilization of the debt burden</li> <li><b>External position</b> to remain a <b>rating strength</b>; current account deficit started to moderate</li> </ul>

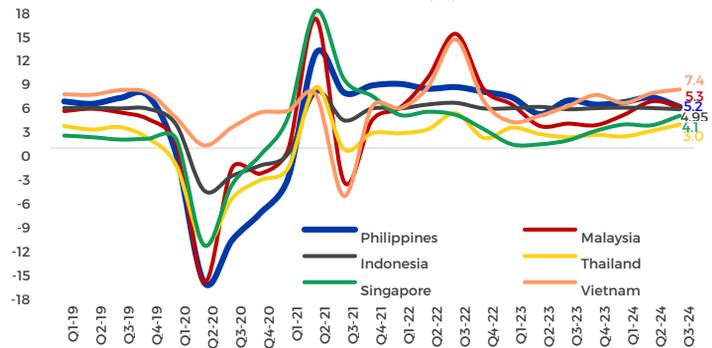
### Economy continues to be in good shape underpinned by robust domestic demand

- In Q3 2024, GDP grew by 5.2%, driven by robust domestic demand (+6.6%) coming from:
  - ✓ Household spending (+5.1%) on slower consumer price inflation
  - ✓ Investments (+13.1%) on strong private construction
  - ✓ Government spending (+5.0%)
  - ✓ Sectors driving growth on the supply side are Industry (+5.0%) on strong construction, Services (+6.3%) on accommodation and food services, human health, and social activities.
- Q1-Q3 GDP grew 5.8%, close to 6.0-7.0% target for the year.
- Growth drivers for 2024: infrastructure investments, new free trade agreements, bilateral agreements on tourism, exports through RCEP
- Unemployment rate dropped to 3.7% in September 2024 from 4.5% in the same period last year
- Employment rate increased to 96.3% from 95.5% in September 2023. This translates to 49.87mn employed persons from 47.67mn in September 2023

### Economy sustains steady growth in Q3 amid domestic and external challenges Real GDP Growth (yoy, %)



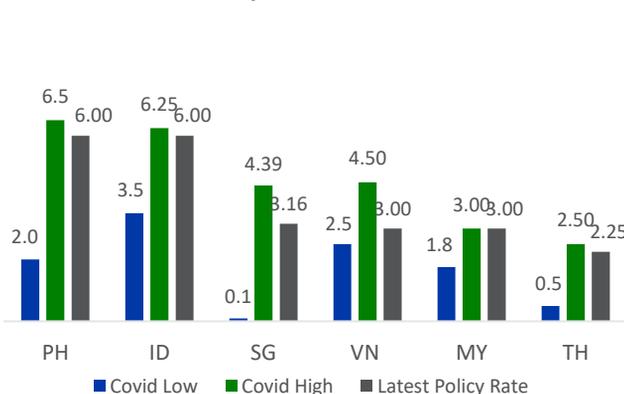
### The Philippines remains among the fastest growing economies in Southeast Asia Real GDP Growth (yoy, %)



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

- In October, BSP reduced target RRP by 25bps to 6.0%. Started easing cycle in August 2024.
- The balance of risks to the inflation outlook for 2025 and 2026 has shifted toward the upside mainly due to potential adjustments in electricity rates and higher minimum wages
- Risk adjusted inflation forecasts as of October vs. August :
  - ✓ 2024: 3.1% vs. 3.3%
  - ✓ 2025: 3.3% vs. 2.9%
- Inflation slightly rose to 2.3% in October from 1.8% in September due to prices of some food items; latest outturn consistent with BSP's assessment that inflation will remain near the lower end of the target range in the coming quarters.

### Policy Rates (%)



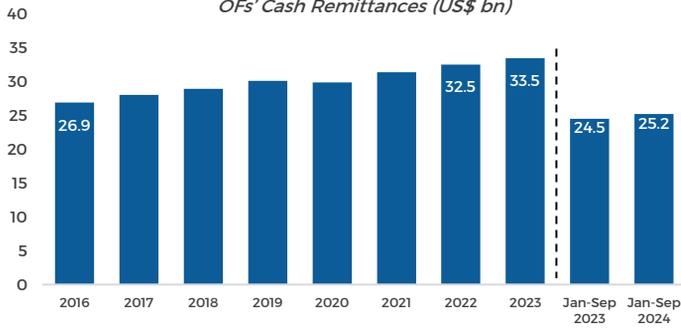
### Headline CPI of Selected ASEAN countries

	IN	MY	PH	TH	VN	SG
Jan-23	5.1	3.7	8.7	5.0	4.9	6.6
Feb-23	5.4	3.7	8.6	3.8	4.3	6.3
Mar-23	5.0	3.4	7.6	2.8	3.4	5.5
Apr-23	4.4	3.3	6.6	2.7	2.8	5.7
May-23	4.1	2.8	6.1	0.5	2.4	5.1
Jun-23	3.5	2.4	5.4	0.2	2.0	4.5
Jul-23	3.1	2.0	4.7	0.4	2.1	4.1
Aug-23	3.4	2.0	5.3	0.9	3.0	4.0
Sep-23	2.3	1.9	6.1	0.3	3.7	4.1
Oct-23	2.6	1.8	4.9	-0.3	3.6	4.7
Nov-23	3.0	1.5	4.1	-0.4	3.4	3.6
Dec-23	2.8	1.5	3.9	-0.8	3.6	3.7
Jan-24	2.6	1.5	2.8	-1.1	3.4	2.9
Feb-24	2.8	1.8	3.4	-0.8	4.0	3.4
Mar-24	3.0	1.8	3.7	-0.5	4.0	2.7
Apr-24	3.0	1.8	3.8	0.2	4.4	2.7
May-24	2.8	2.0	3.9	1.5	4.4	3.1
Jun-24	2.5	2.0	3.7	0.6	4.3	2.4
Jul-24	2.1	2.0	4.4	0.8	4.4	2.4
Aug-24	2.1	1.9	3.3	0.4	3.5	2.2
Sep-24	1.8	1.8	1.9	0.6	2.6	2.0
Oct-24	1.7	N/A	2.3	0.8	2.9	N/A

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

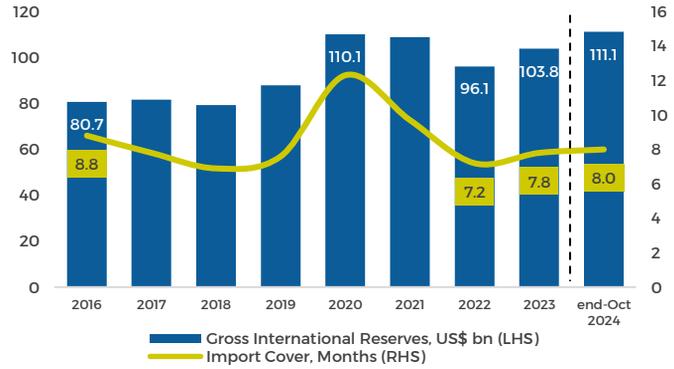
### Remittances are a steady source of growth and stability for the Peso

OFs' Cash Remittances (US\$ bn)



### More than adequate reserves support solid external position

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

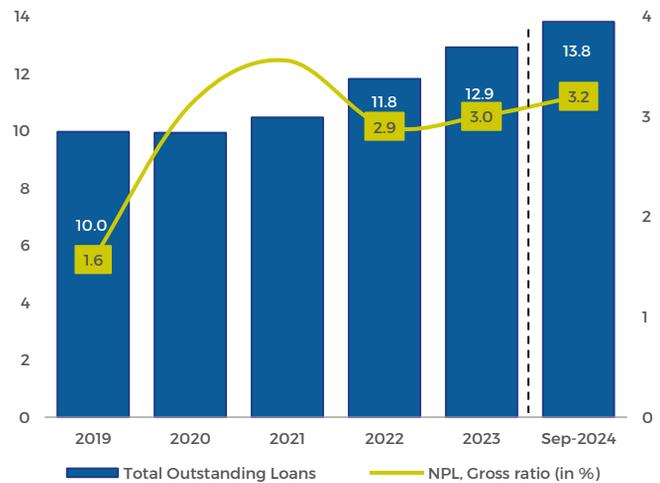


### Strong loan expansion led by household consumption

Sectors	Sep 2024 (PHP bn)	Share to Total (Net of RRP, %)	Growth (%)
<b>Loans to Productive Sector</b>	<b>10,602.9</b>	<b>85.5</b>	<b>9.8</b>
Real Estate Activities	2,546.1	20.5	14.2
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	1,434.6	11.6	12.0
Manufacturing	1,295.5	10.4	10.5
Electricity, Gas, Steam and Air-Conditioning Supply	1,328.6	10.7	7.5
Financial and Insurance Activities	1,013.7	8.2	(3.8)
Construction	485.1	3.9	9.1
Information and Communication	660.8	5.3	5.3
Transportation and Storage	468.2	3.8	24.5
Agriculture, Forestry and Fishing	224.7	1.8	6.7
Others	1,145.6	9.2	11.9
<b>Loans to Household Consumption</b>	<b>1,473.4</b>	<b>11.9</b>	<b>23.4</b>
Loans to Residents, net of RRP Agreements	12,076.3	97.4	11.3
Loans to Non-Residents	324.8	2.6	-0.3
<b>Total Loans to Residents and Non-Residents, net of RRP</b>	<b>12,401.1</b>	<b>100.0</b>	<b>11.0</b>

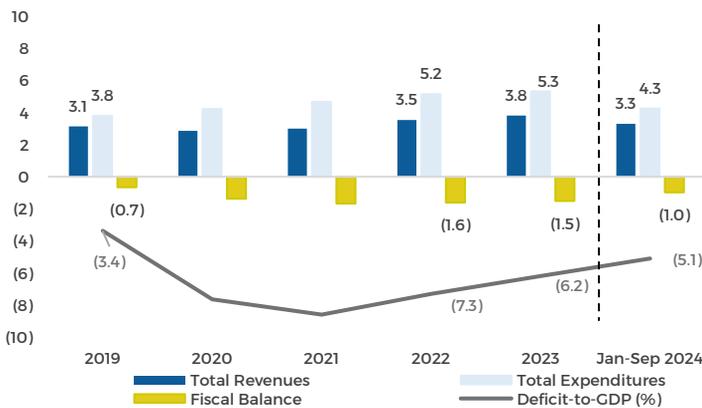
### Improving loan demand; keeping asset quality manageable

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



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

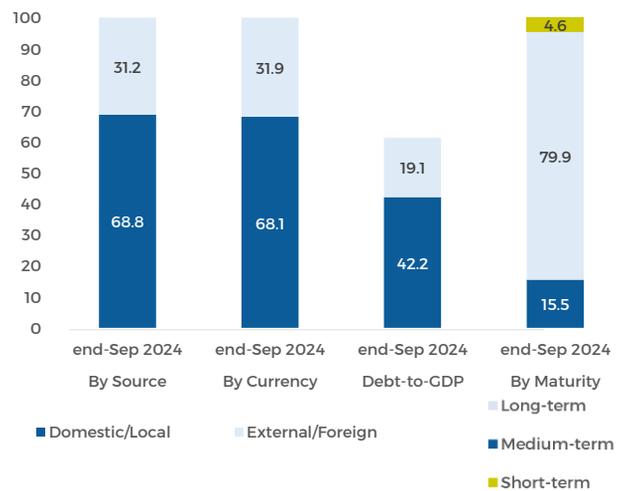
National Government (NG) Expenditure, Revenue, and Deficit (PHP tn)



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)



For further information, please reach out to us at the contact details below. We strive for accuracy but would appreciate if you contact us if you note any errors

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