

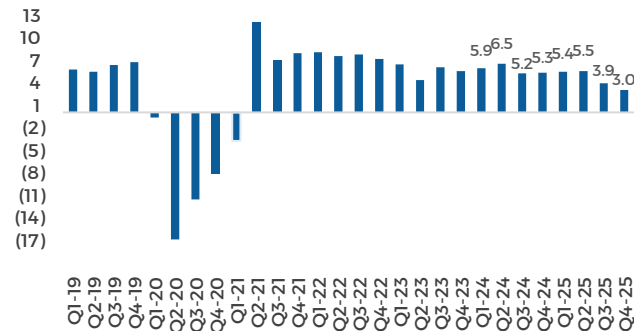
Vol. 1-2026, January 2026

Moderate growth transitory, with government focusing on governance reforms that safeguard public funds, strengthen institutions, and support a more resilient, inclusive economy

- Full year (FY) GDP grew 4.4% yoy; Q4 2025 slowed to 3.0% from 5.3% in Q4 2024
 - FY growth was driven by household consumption (+4.6%) and government spending (+9.1%), with supply-side gains led by services (+5.9%), agriculture (+3.1%), and industry (+1.5%).
 - Growth drivers in services: wholesale and retail trade, repair of motor vehicles and motorcycles; financial and insurance activities; professional and business services; and real estate and ownership of dwellings
 - Slower Q4 2025 growth due to weather-related disruptions, slowdown in public infrastructure spending on government's stricter validation measures, and global uncertainties
 - GDP growth projection: 5.0-6.0% for 2026, 5.5-6.5% for 2027 and 6.0-7.0% for 2028
 - IMF's 2026 GDP growth forecast:¹ Philippines 5.6% vs. Vietnam 5.6%², Indonesia 5.1%, China 4.5%, Malaysia 4.3%, Thailand 1.6%
- Government accelerates efforts to restore public trust and improve confidence
 - Accelerating completion of public works with stricter anti-corruption safeguards
 - Pushing reforms to strengthen accountability: New Government Procurement Act, Anti-Dynasty Bill, amendments to the Party-List System Reform Act, Bank Deposits Secrecy Law, and Anti-Money Laundering Act
 - Modernizing planning, budgeting, and monitoring systems through digital tools and technologies
 - Leveraging the role of ASEAN Chair to position the country as a business and tourism hub; speeding up travel facilitation, digital visitor services, and destination readiness

Growth in Q4 impacted by weather disturbances and governance reforms in infrastructure projects

Real GDP Growth (yoy, %)



High-quality and prudent government spending expected to spur growth

2026 General Appropriations Act

PHP6.793tn 7.4% yoy growth

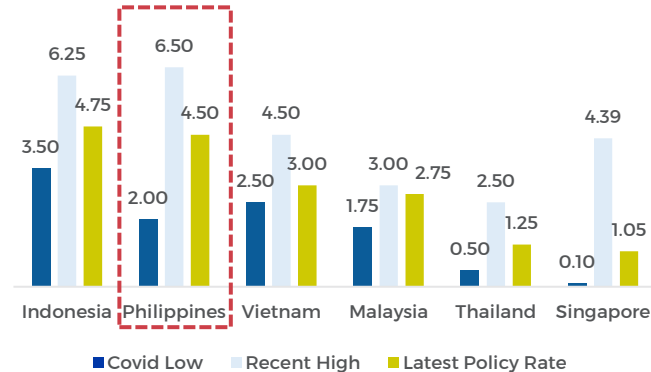
Priority Sectors (PHP bn)

| | | | |
|-------------------------------|-------|----------------------|-------|
| Education | 1,345 | Agriculture | 297.1 |
| Public Works | 530.9 | Social Welfare | 270.2 |
| Health | 448.1 | Transportation | 141.0 |
| Interior and Local Government | 310.5 | Labor and Employment | 73.6 |
| Defense | 310.0 | Judiciary | 70.6 |

Inflation outlook remains benign

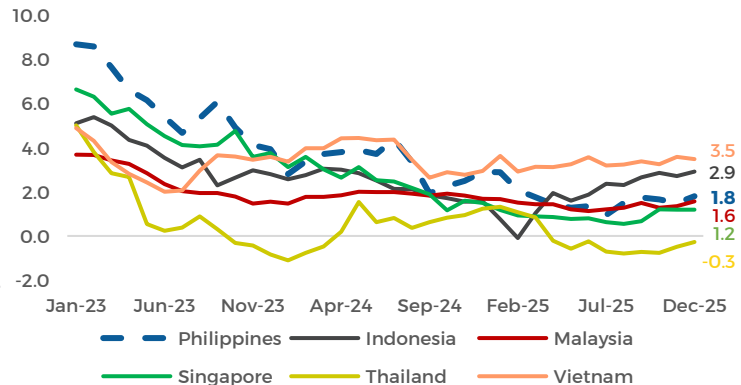
- Inflation rose to 1.8% in December 2025 from 1.5% in November, bringing 2025 inflation to 1.7%. Higher food prices accounted for bulk of increase, specifically vegetables, corn, as well as fish and other seafood due to weather-related disruptions. Rice prices continued to decline, though at a slower pace.
- In December 2025, BSP reduced target reverse repurchase rate by 25bps to 4.5%. Inflation expectations remain firmly anchored.
- Outlook for inflation continues to be benign.
- Central projections as of December 2025 Monetary Board meeting:
 - 2026: 3.2%
 - 2027: 3.0%

Policy Rates (%)



*Low end of GDP growth target for 2025

Headline CPI of Selected ASEAN Countries



Philippines' Credit Ratings

As of 28 January 2026

| | |
|---------|---------------|
| S&P | BBB+/Positive |
| Fitch | BBB/Stable |
| Moody's | Baa2/Stable |
| JCR | A-/Stable |
| R&I | A-/Stable |

S&P affirms 'BBB+' ratings and 'positive' outlook

"The ratings on the Philippines reflect the country's above-average economic growth potential. The ratings also benefit from the country's strong external position. Policy settings in the Philippines have helped to keep economic performance strong, and have sustained fiscal spending on public investment...An ongoing probe into flood-control projects has halted some infrastructure works in the Philippines. The resultant slowdown in public capital expenditure will dent GDP growth this year. However, we believe this will not derail the country's long-term growth trajectory, which remains healthy."

-S&P Research Update, November 2025

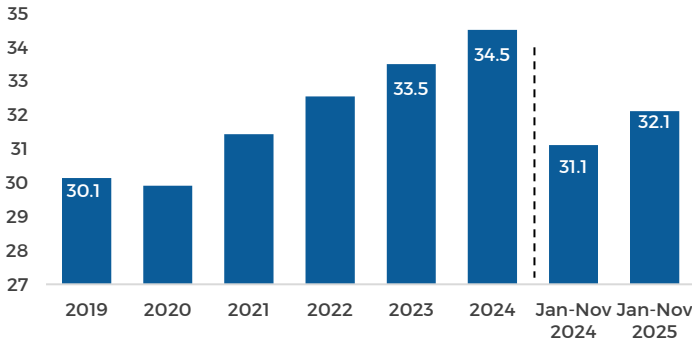
Source: DEPDev, DBM, PSA, Bloomberg, BSP, CEIC, other Central Bank Websites

¹ IMF Jan World Economic Outlook (WEO) 2026

² IMF WEO Oct 2025

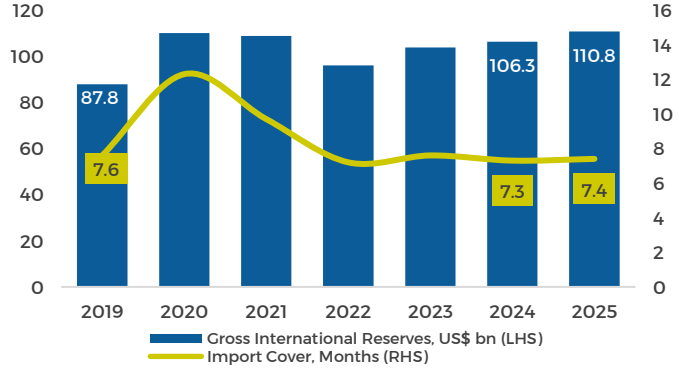
Remittances are a steady source of income for households and stability for the Peso

OFs' Cash Remittances (US\$ bn)



Foreign reserves continue to provide strong external buffer

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

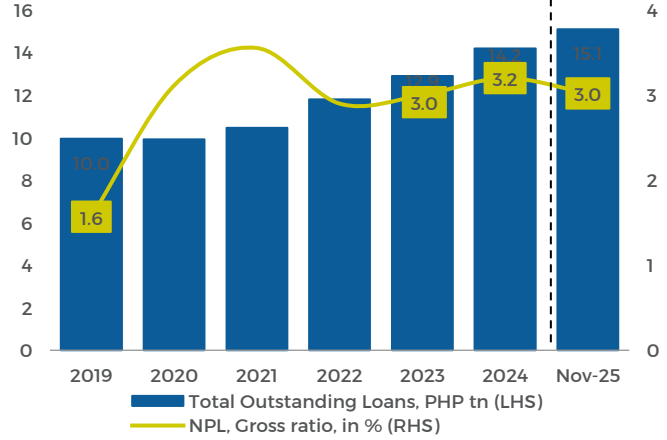


Strong loan expansion led by household consumption

| Sectors | Nov 2025 (PHP bn) | Share to Total (%) | Growth (%) |
|---|-------------------|--------------------|-------------|
| Loans to Productive Sector | 11,792.2 | 77.9 | 9.0 |
| Real Estate Activities | 2,799.7 | 18.5 | 9.0 |
| Wholesale & Retail Trade, Repair of Motor Vehicles, Motorcycles | 1,614.3 | 10.7 | 11.8 |
| Manufacturing | 1,195.9 | 7.9 | (7.7) |
| Electricity, Gas, Steam and Air-Conditioning | 1,766.3 | 11.7 | 26.6 |
| Financial and Insurance Activities | 1,079.2 | 7.1 | 3.5 |
| Construction | 508.1 | 3.4 | (0.1) |
| Information and Communication | 722.0 | 4.8 | 7.0 |
| Transportation and Storage | 545.7 | 3.6 | 12.7 |
| Agriculture, Forestry and Fishing | 248.8 | 1.6 | 8.5 |
| Others | 1,312.3 | 8.7 | 12.0 |
| Loans to Household Consumption Under RRP's Arrangement | 1,891.9 | 12.5 | 22.9 |
| Interbank Loans | 499.8 | | |
| Loans to Residents | 14,711.2 | 97.2 | 11.6 |
| Loans to Non-Residents | 420.6 | 2.8 | -0.7 |
| Total Loans to Residents and Non-Residents | 15,131.7 | 100.0 | 11.2 |

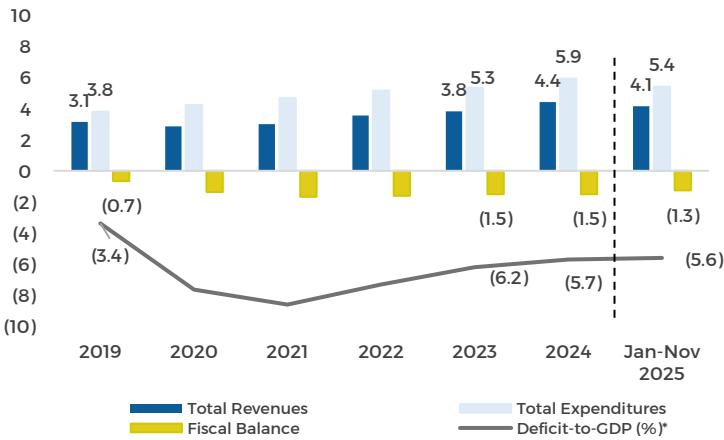
Improving loan demand; asset quality satisfactory underpinned by slower NPLs

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



Efficient mobilization and utilization of resources to help achieve fiscal sustainability

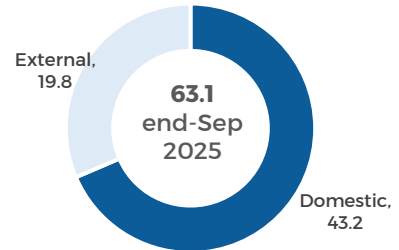
National Government (NG) Expenditure, Revenue, and Deficit (PHP tn)



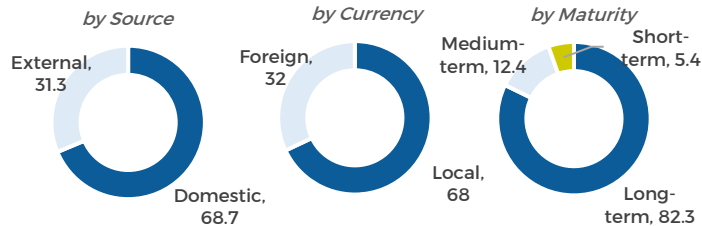
Note: Figures may not add up due to rounding off
* - Jan - Sep 2025

Debt structure remains resilient

NG Debt/GDP (%)



NG Outstanding Debt (% share) (As of November 2025)



For further information, please refer to the contact details below. We strive for accuracy; please let us know if there are errors.

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