

## Q1 2026 GDP growth shows impact of combined domestic and global challenges amid proactive government response

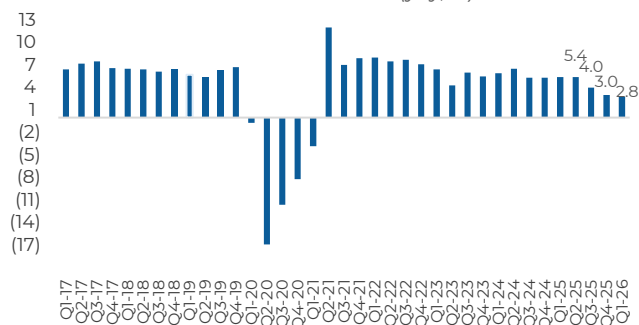
- GDP grew 2.8% yoy vs 5.4% in Q1 2025 and 3.0% in Q4 2025
- ✓ Growth driven by services (+4.5%) on the supply side with wholesale and retail trade, repair of motor vehicles and motorcycles (+4.6%); financial and insurance activities (+3.4%); and public administration and defense, compulsory social security (+8.6%) as top contributors
- ✓ Household consumption (+3.0%), government (+4.8%), exports (+7.8%), and imports (+6.1%) were main drivers of growth on the demand side.
- ✓ Slower growth reflects lingering effects of slower capital expenditure amid tighter oversight and reforms, dampened business and consumer confidence, and Middle East conflict triggering higher global oil prices
- GDP growth projections:**
  - ✓ ROP: 5.0-6.0% for 2026, 5.5-6.5% for 2027 and 6.0-7.0% for 2028
  - ✓ International Monetary Fund: 2026 GDP growth forecast: Philippines 4.1% vs. Vietnam 7.1%, Indonesia 5.0%, China 4.4%, Malaysia 4.7%, Thailand 1.5%

### Strategies:

- Top priority: Restore public trust and strengthen institutional credibility, and address corruption to rebuild confidence from businesses and investors
- Catch-up plan for high-impact infrastructure projects with sound risk management, transparency, and accountability mechanisms
  - ✓ Department of Budget and Management's timely release of PHP46.22bn to fund 1,743 infrastructure projects in April.
- Accelerate Unified Package for Livelihoods, Industry, Food, and Transport (UPLIFT) agenda to sustain growth momentum and mitigate economic slowdown
  - ✓ Seek alternative energy sources while developing local capacity to secure the stable supply of fuel
  - ✓ Provide targeted financial support to protect most vulnerable sectors (public transport workers and commuters)
  - ✓ Boost food supply and curb inflation through financial assistance to farmers and fisherfolk (e.g., loan repayments suspension up to one year)

### Middle East conflict and governance reforms in infrastructure projects weigh in Q1 growth

Real GDP Growth (yoy, %)



### Improved investment climate continues to attract investors amid external headwinds

Top 5 Industries (PHP bn, % share)

Electricity, gas, steam and air conditioning supply	991.6 (51.6%)
Real estate activities	327.5 (17.0%)
Transportation and storage	230.7 (12.0%)
Manufacturing	215.4 (11.2%)
Financial and insurance activities	47.8 (2.5%)

**PHP1.9tn**

2025 Approved Investments

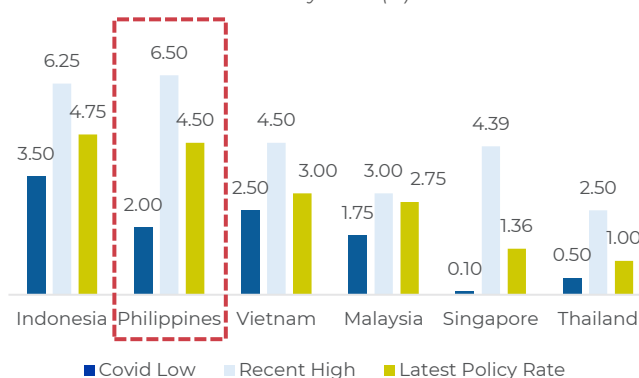
**145,822**

Total Expected Employment from Approved Projects

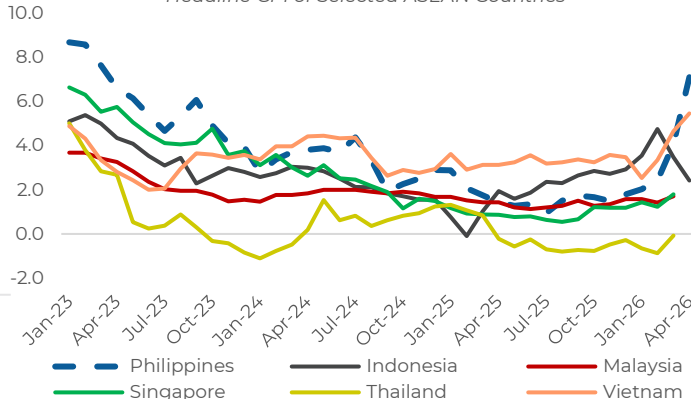
### BSP ready to take all necessary monetary actions to ensure inflation returns to target

- Inflation rose to 7.2% in April 2026 from 4.1% in March, bringing year-to-date inflation to 3.9%. This reflects impact of higher international fuel prices on food and energy cost. Rice and fish prices increased due to higher post-harvest and transportation costs. Transport inflation rose with higher domestic petroleum prices at the pump, while electricity rates increased due to higher generation charges.
- In April, BSP raised target reverse repurchase rate by 25bps to 4.5%. Inflation outlook has deteriorated amid the ongoing conflict in the Middle East. Higher global oil and fertilizer prices have begun feeding through to domestic fuel and food prices.
- BSP deemed it necessary to take timely and preemptive policy action to safeguard price stability. The policy rate increase is intended to anchor inflation expectations and contain the buildup of second round effects.
- Central projections as of April 2026 Monetary Board Meeting:
  - ✓2026: 6.3%
  - ✓2027: 4.3%

Policy Rates (%)



Headline CPI of Selected ASEAN Countries



### S&P and Fitch affirm investment-grade ratings; revise outlooks on rising risks due to global energy developments

"Elevated energy prices will widen the Philippines' current account deficit this year, reducing cushion on its net external asset position. [...]"

The stable outlook reflects our expectation that the Philippines will maintain healthy economic growth and its fiscal deficit will decline over the next two years."

**-S&P Global**

"Reform momentum has remained solid, with recent measures focused on boosting investment by enhancing tax incentives, improving FDI attractiveness, rationalising mining sector regulations, and improving public service delivery. The Philippines has a strong record of adopting economic reforms and policy continuity across political administrations, which could mitigate risks to the medium-term outlook."

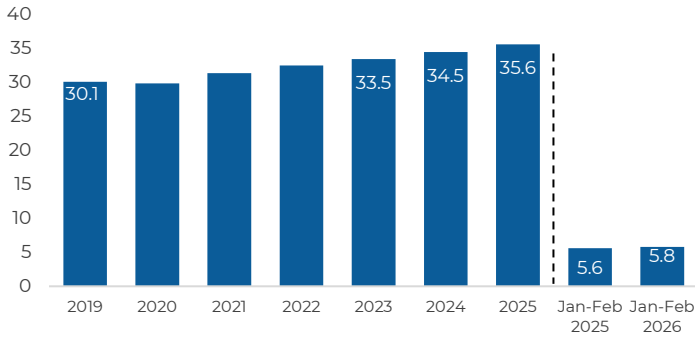
**-Fitch Ratings**

### Philippines' Credit Ratings

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

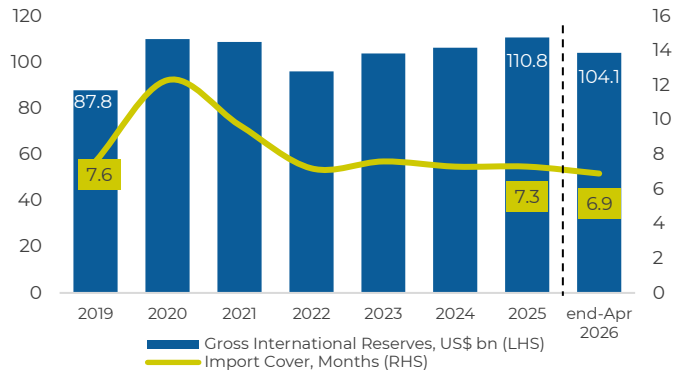
**Remittances are a steady source of income for households and stability for the Peso**

OFs' Cash Remittances (US\$ bn)



**Foreign reserves continue to provide strong external buffer**

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

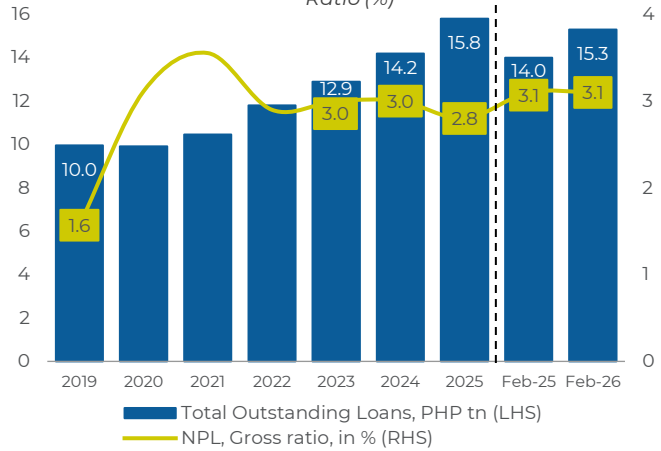


**Strong loan expansion led by household consumption**

	Feb 2026 (PHP bn)	Share to Total (%)	Growth (%)
<b>Loans to Productive Sector</b>	<b>12,040.5</b>	<b>78.8</b>	<b>8.6</b>
Real Estate Activities	2,847.5	18.6	9.0
Wholesale & Retail Trade, Repair of Motor Vehicles, Motorcycles	1,608.3	10.5	8.4
Manufacturing	1,178.4	7.7	(5.8)
Electricity, Gas, Steam and Air-Conditioning Su	1,918.2	12.5	23.6
Financial and Insurance Activities	1,091.4	7.1	3.9
Construction	493.7	3.2	(7.6)
Information and Communication	715.0	4.7	5.8
Transportation and Storage	583.2	3.8	19.1
Agriculture, Forestry and Fishing	254.2	1.7	12.9
Others	1,350.4	8.8	11.7
<b>Loans to Household Consumption Under RRP's Arrangement</b>	<b>1,957.4</b>	<b>12.8</b>	<b>20.8</b>
<b>Interbank Loans</b>	<b>513.6</b>		
<b>Loans to Residents</b>	<b>14,884.1</b>	<b>97.4</b>	<b>9.4</b>
<b>Loans to Non-Residents</b>	<b>402.5</b>	<b>2.6</b>	<b>-2.3</b>
<b>Total Loans to Residents and Non-Residents</b>	<b>15,286.6</b>	<b>100.0</b>	<b>9.1</b>

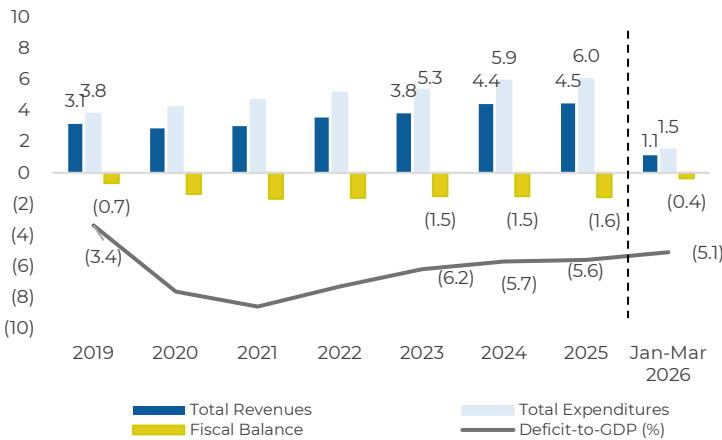
**Improving loan demand year-on-year; asset quality satisfactory underpinned by slower NPLs**

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

**Debt structure remains resilient**

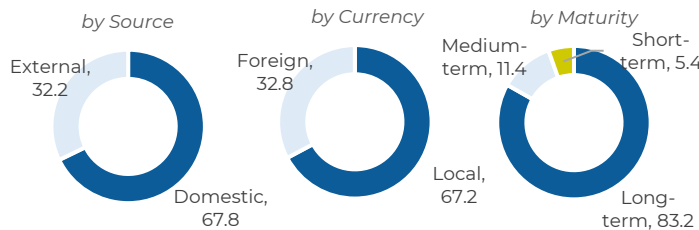
NG Outstanding Debt (As of Mar 2026)

**65.2**  
% of GDP

by Source (PHP tn, % of GDP)

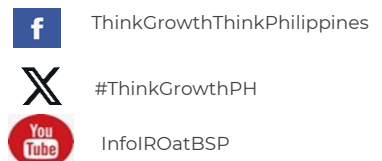
Domestic	12.5 (44.2)
External	6.0 (21.0)

NG Outstanding Debt (% share)



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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