

Philippine Economic Dialogue Milan
May 2025

CHARTING A PATH THROUGH UNCERTAINTY

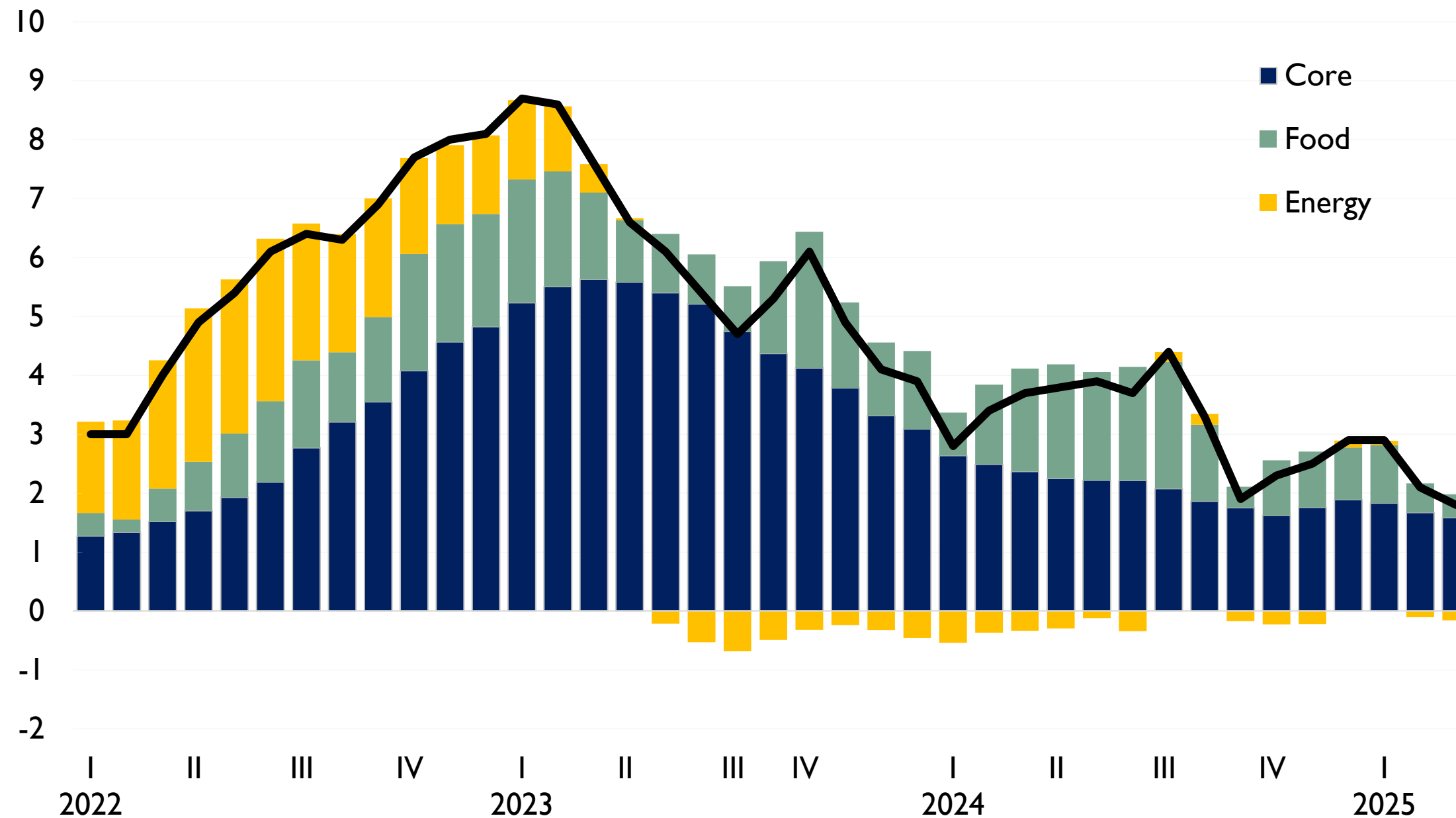
ZENO RONALD R. ABENOJA

**ASSISTANT GOVERNOR
MONETARY POLICY SUB-SECTOR
BANGKO SENTRAL NG PILIPINAS**



Inflation has been trending downward as food and energy prices decline

Contribution to headline inflation
year-on-year, in percentage points



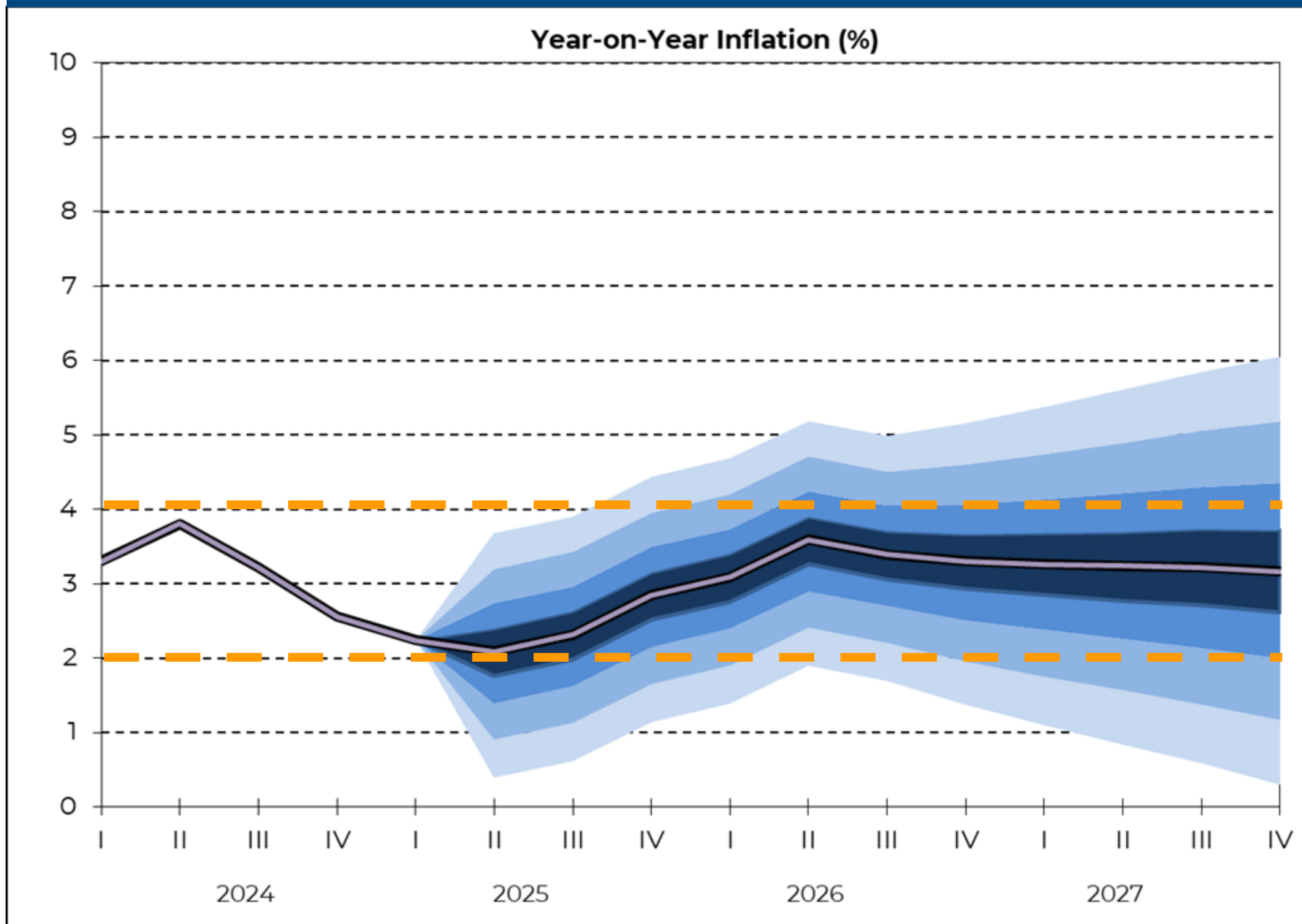
Sources: PSA and BSP staff estimates

Note: Core CPI excludes volatile food and energy components. In total, food and energy components account for 29.6 percent of the total CPI basket. Core component accounts for 70.4 percent of total CPI basket.



Manageable inflation environment for 2025-2027

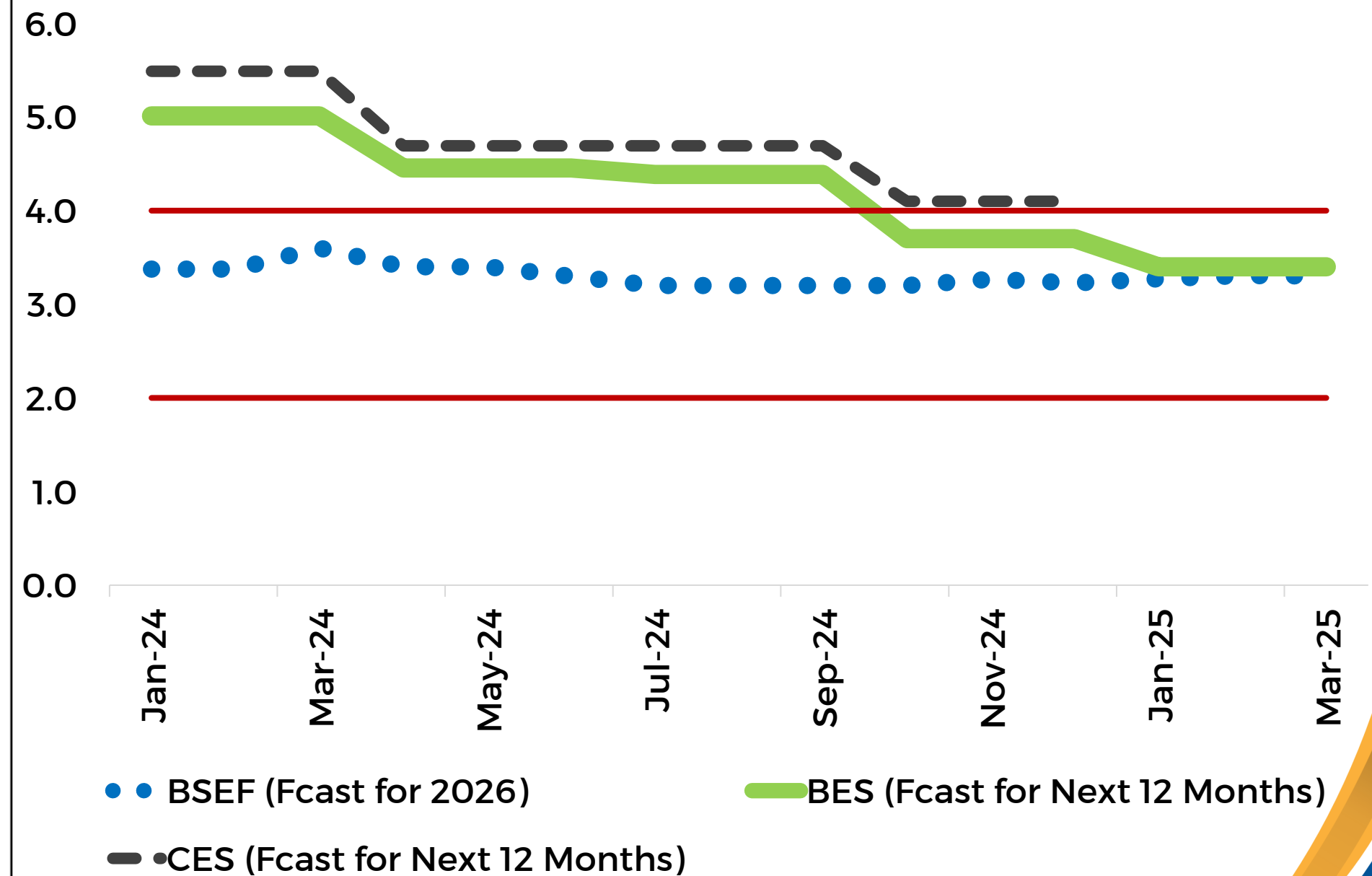
BSP Year-on-Year Inflation Forecast as of 10 April 2025 Monetary Board Policy Meeting



Source: BSP staff calculations

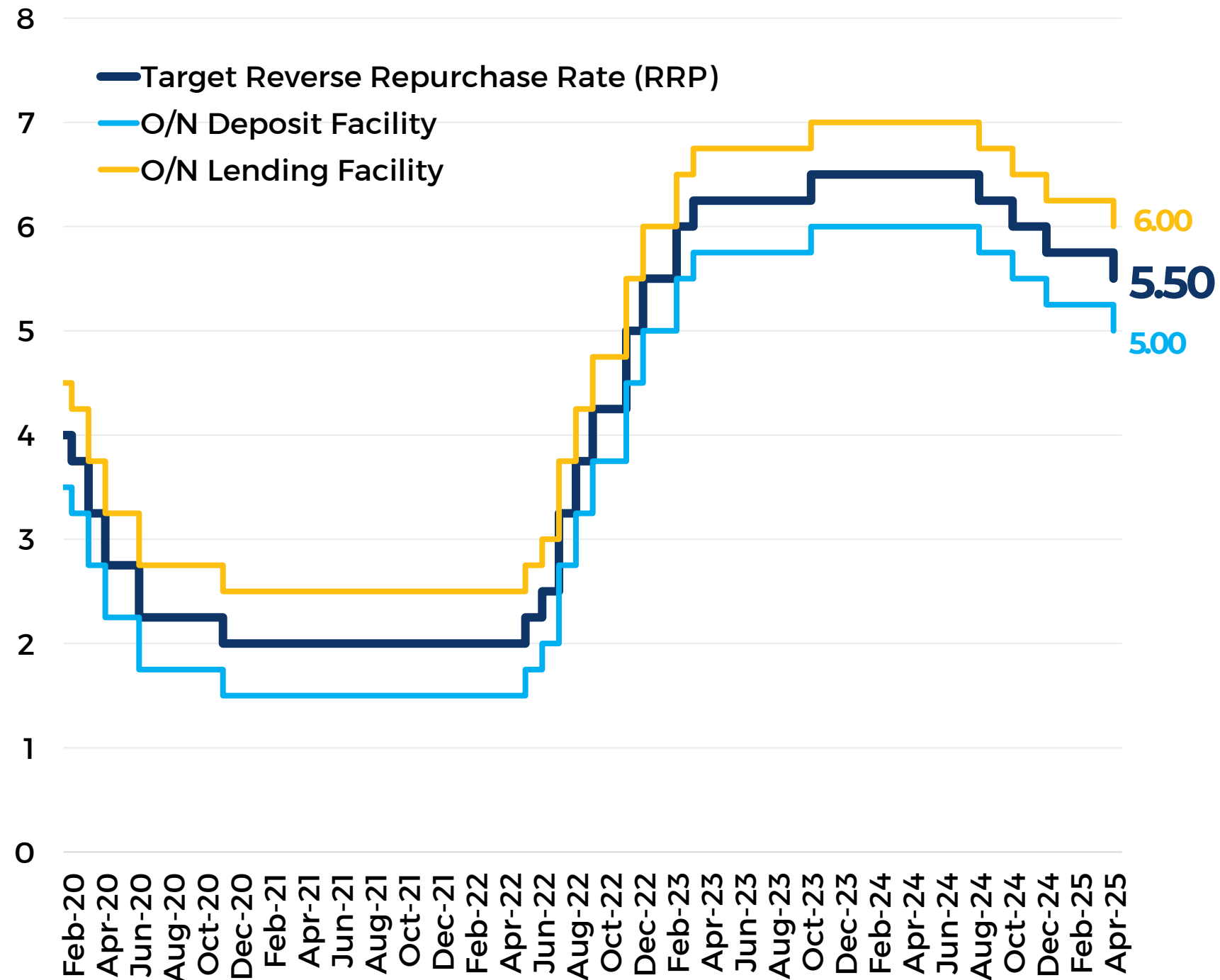
Inflation Expectations

Mean forecasts, for full-year in percent

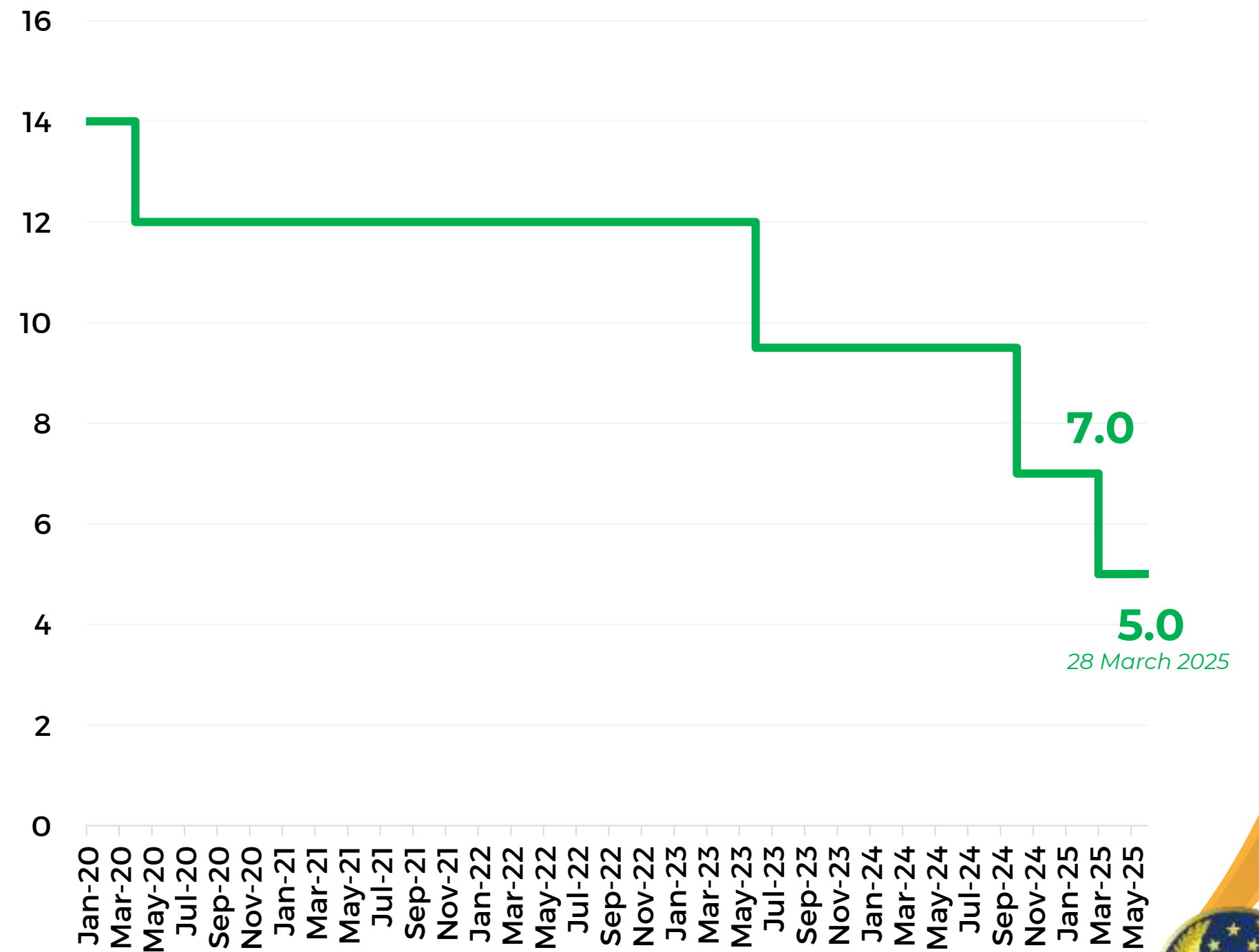


Within-target outlook for 2025-2027 supports continued monetary policy easing

BSP Policy Interest Rate
in percent



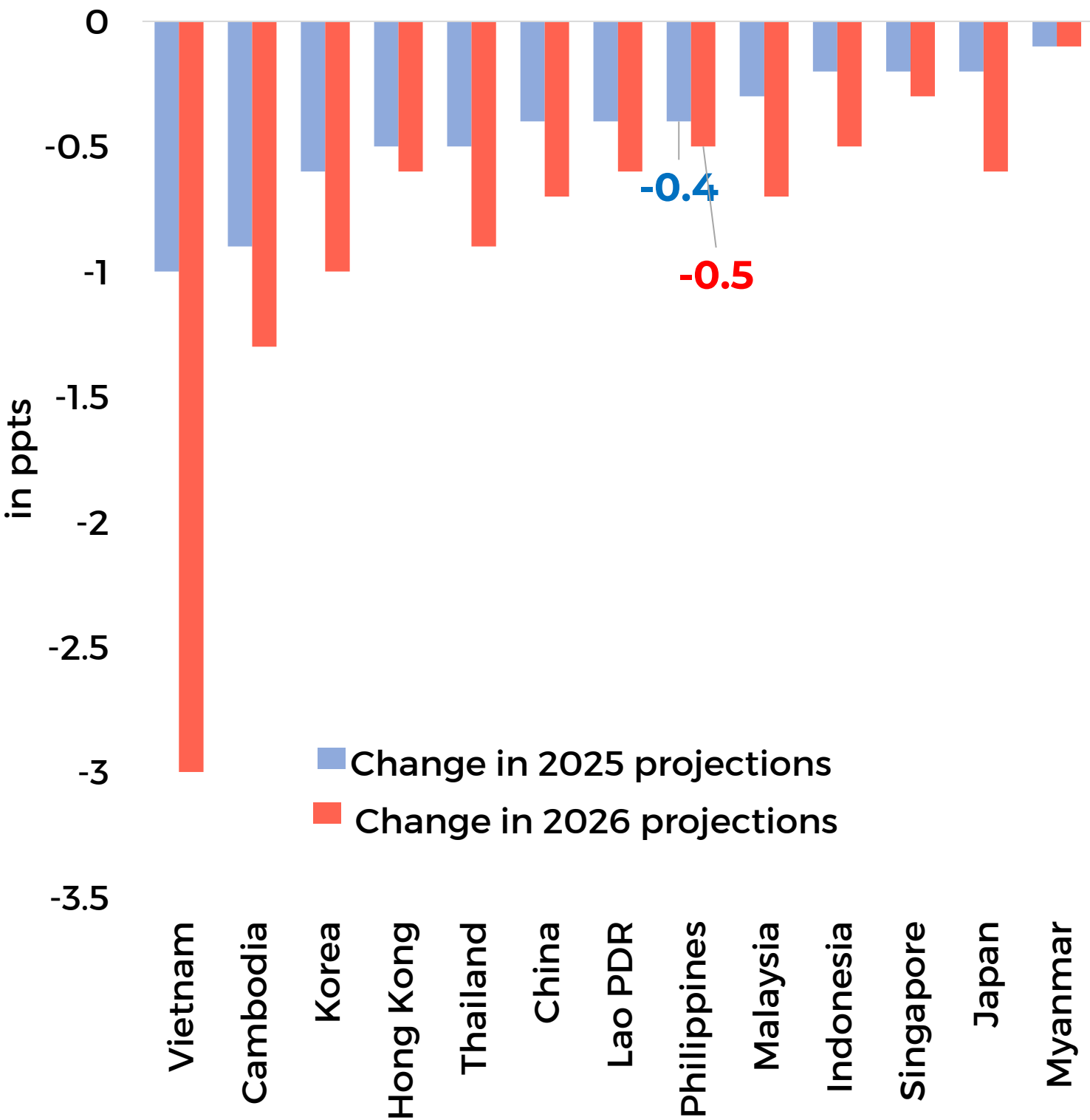
Reserve Requirement Ratio for Large Banks
in percent



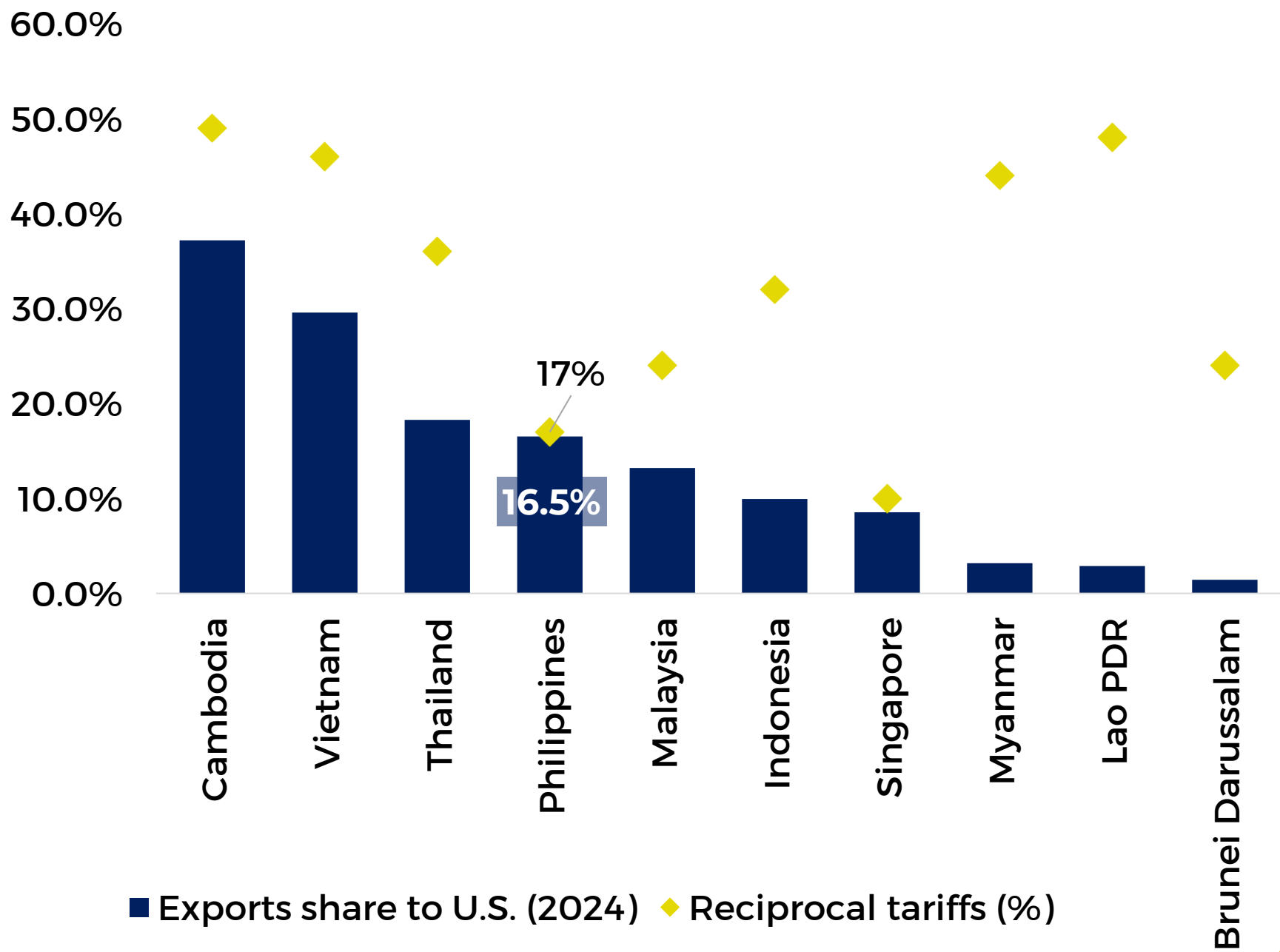
Source of basic data: PSA and BSP

Preliminary estimates show moderate impact of US trade and industrial policy on the Philippines

Change in GDP Projections for Asian economies, 2025-2026
in percentage points



ASEAN Trade Exposure to the United States
in percent

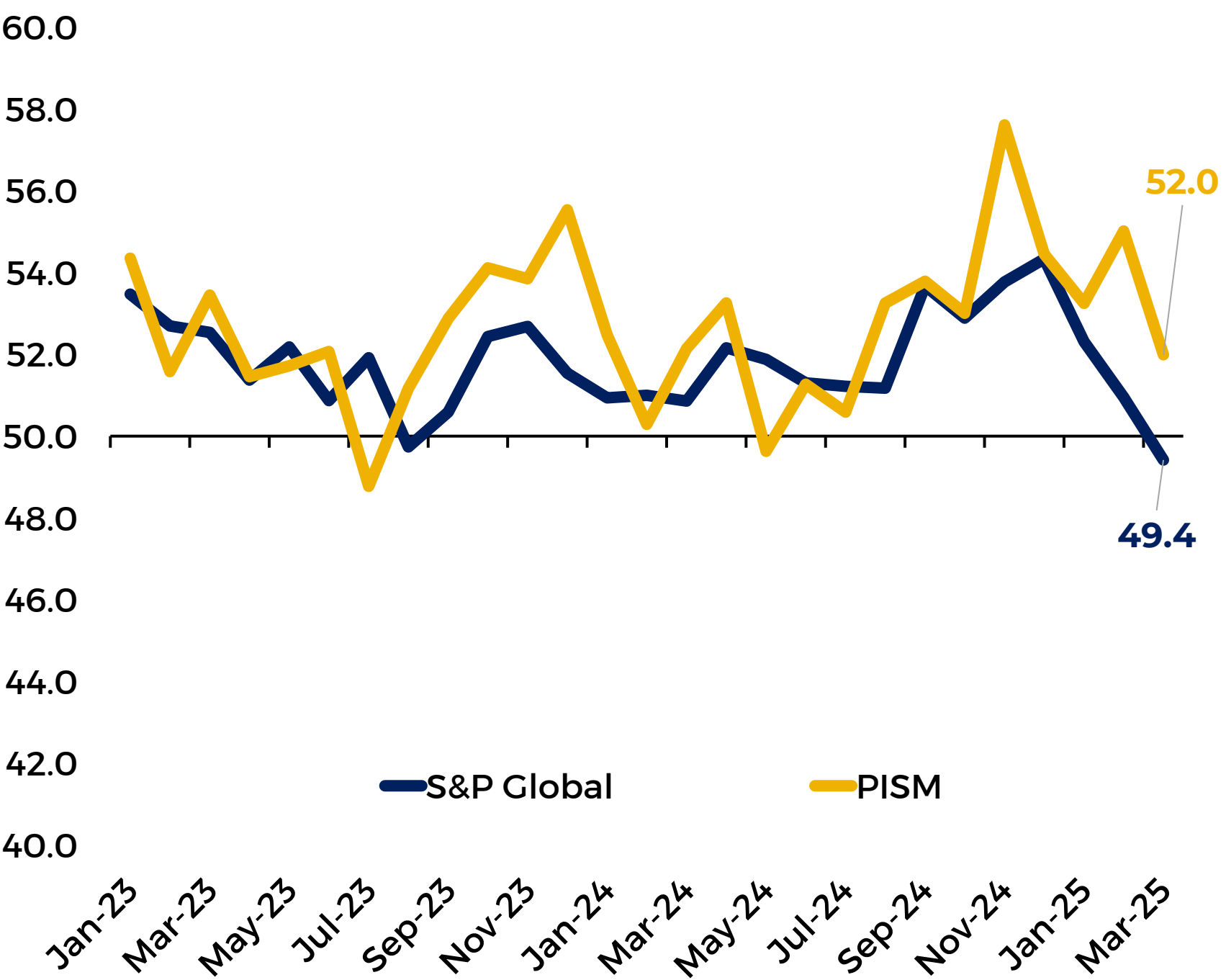


Source: PSA, ASEANStats, and BSP Staff computation.



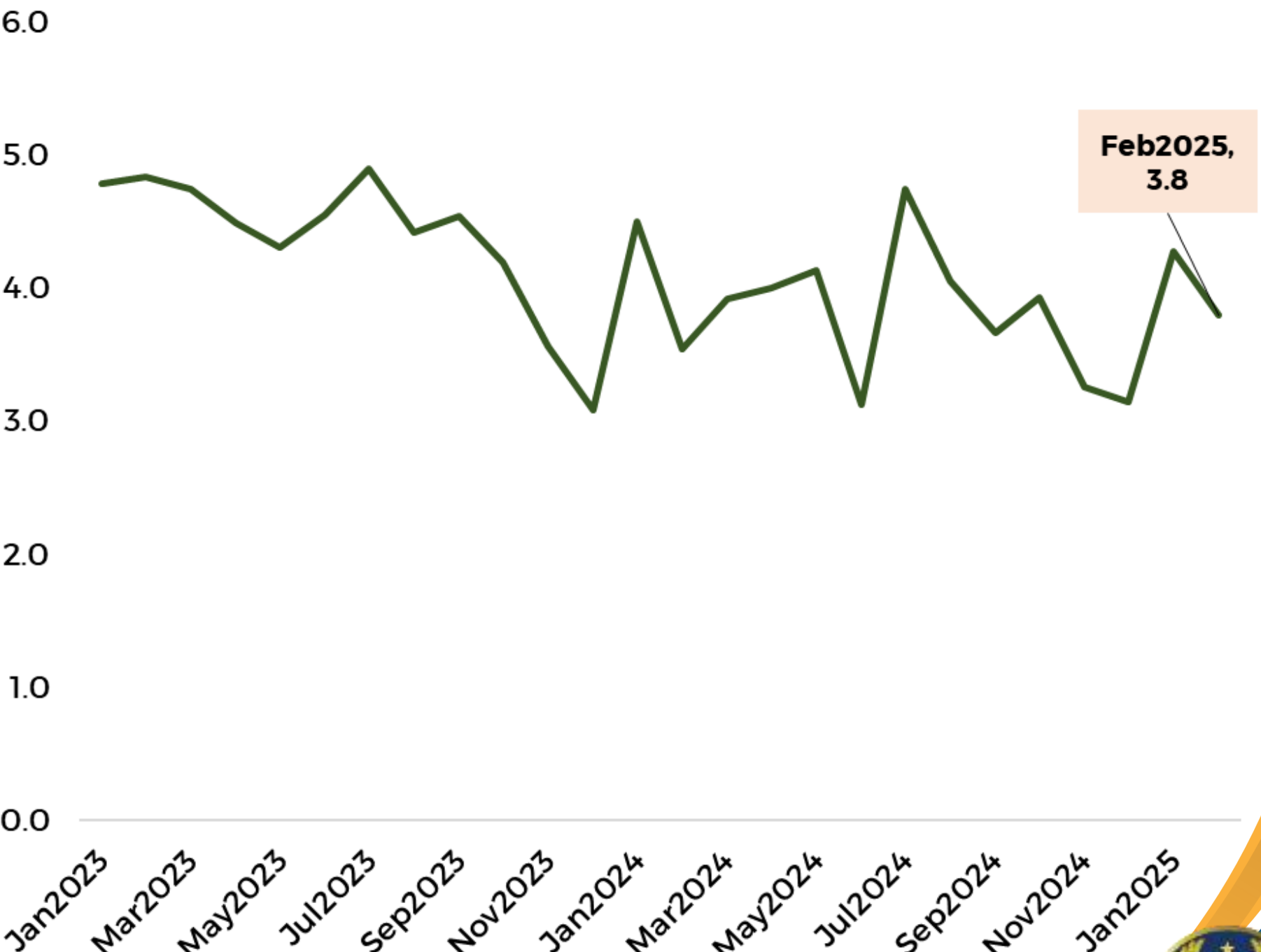
Domestic demand is seen to remain firm despite downside risks

Manufacturing Purchasing Managers' Indices
Seasonally-adjusted



Sources: PISM and S&P Global HIS Markit

Unemployment Rate
in percent

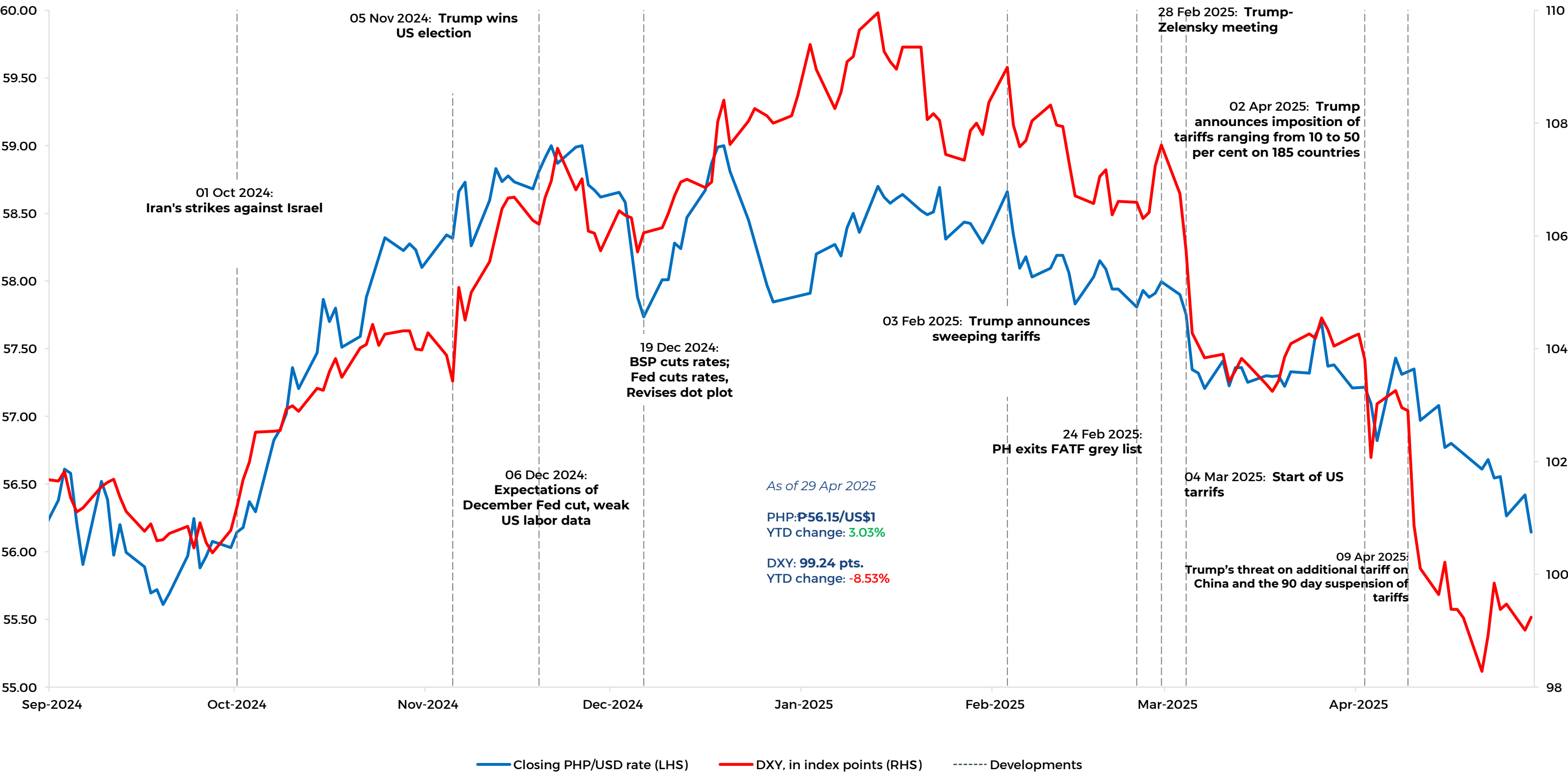


source: PSA



Peso strengthens on weaker US dollar and favorable domestic developments

Closing PHP-USD rate and DXY
September 2024 to April 2025



Resilient Philippine banking system supports domestic economic activity



Assets + 8.0%
Deposits + 5.7%
Income + 9.8%
Adequate capital buffer

As of February 2025; As of December 2024, for Income

- Banks maintain solid balance sheet performance



CAR (Conso) 16.5%
LCR (Conso) 178.2%
NSFR (Conso) 136.5%

Highly liquid banks

As of December 2024, for UKBs

- Capital and liquidity metrics are above international thresholds



NPL ratio 3.4%
NPL Coverage ratio 95.4%

Satisfactory loan quality

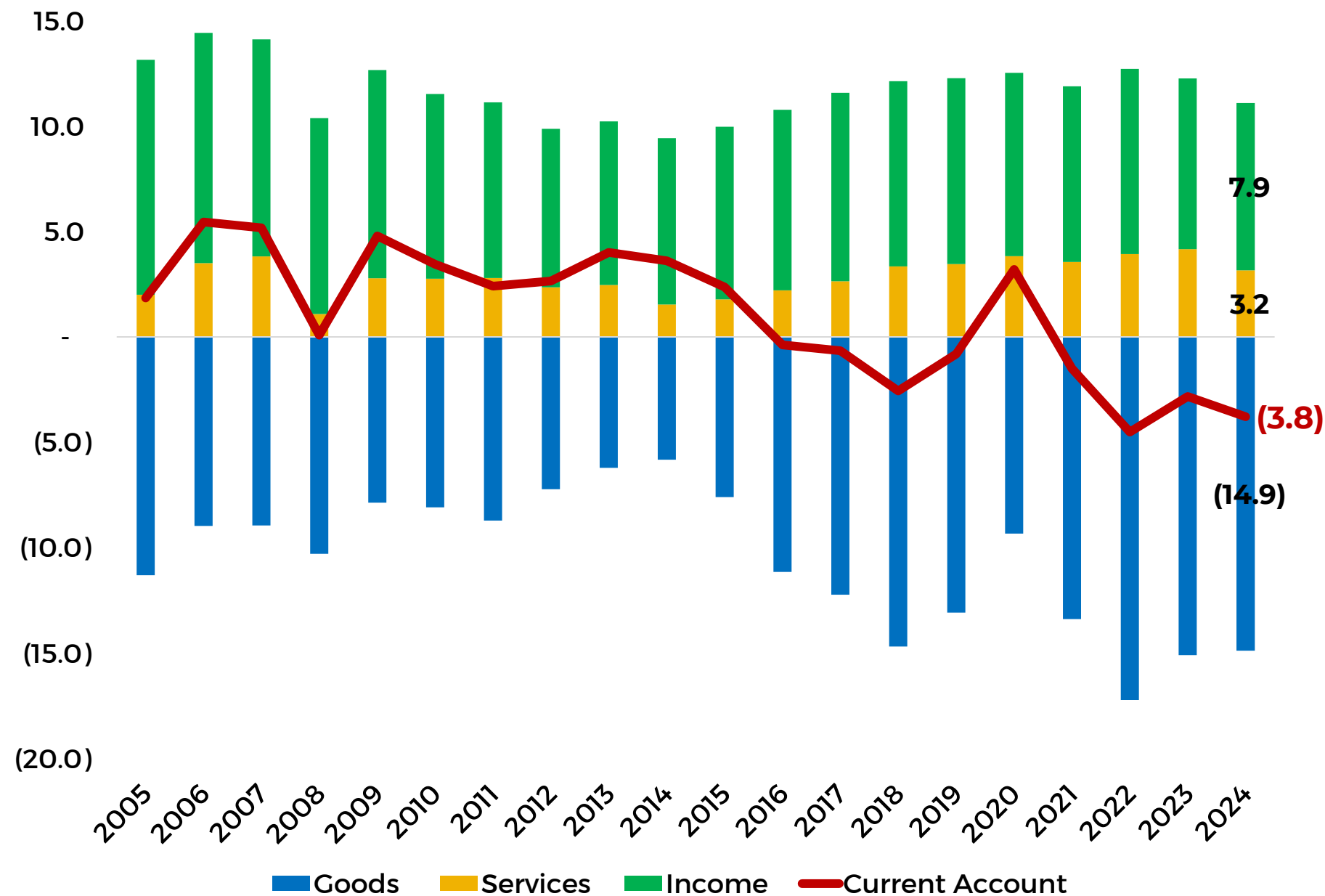
As of February 2025

- NPLs remain steady and well covered

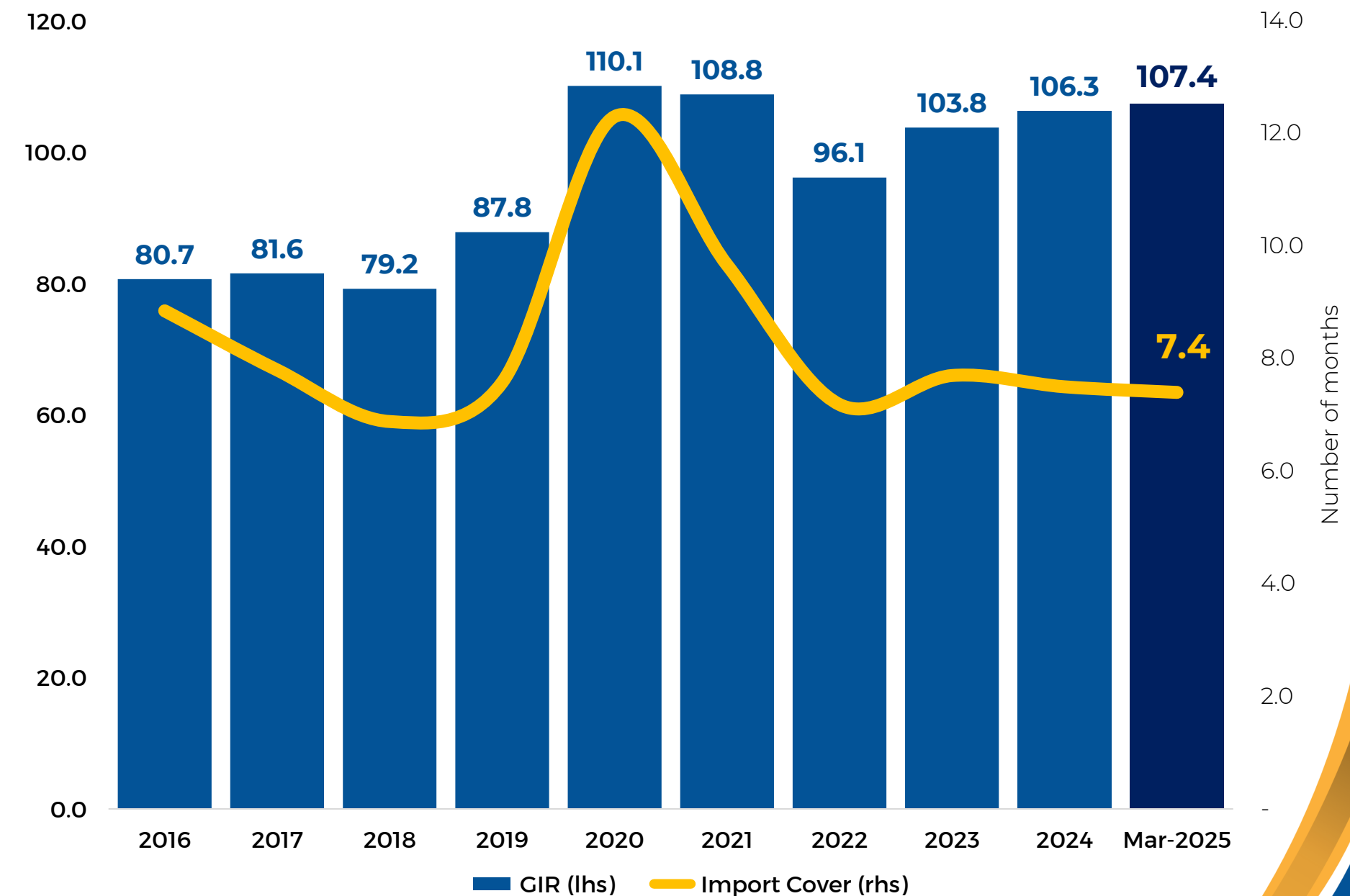


Sustained foreign exchange inflows and robust reserves provide a buffer amid external challenges

Current Account and Components
as percent of GDP



Gross International Reserves and Import Cover
as of end-of-periods indicated



* The overall BOP registered a deficit of US\$992 million in Jan-Feb 2025, almost unchanged from the recorded US\$936 million deficit in Jan-Feb 2024



Capital market reforms will support efficient monetary policy transmission and improve price discovery



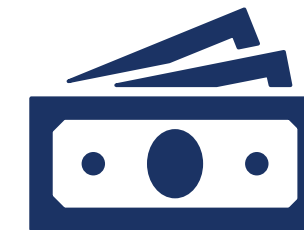
Transparent and reliable financial market benchmarks

Use of ORR as overnight benchmark rate
Launch of enhanced Interest Rate Swap market



More efficient transmission of monetary policy

GMRA-based RRP
Expansion of counterparties



Issuances and Taxation

Debt Issuance Strategy
Taxation Framework



Outcome: Deeper Capital Markets



**While uncertainty
clouds the way
forward, we are on
better footing in
2025**



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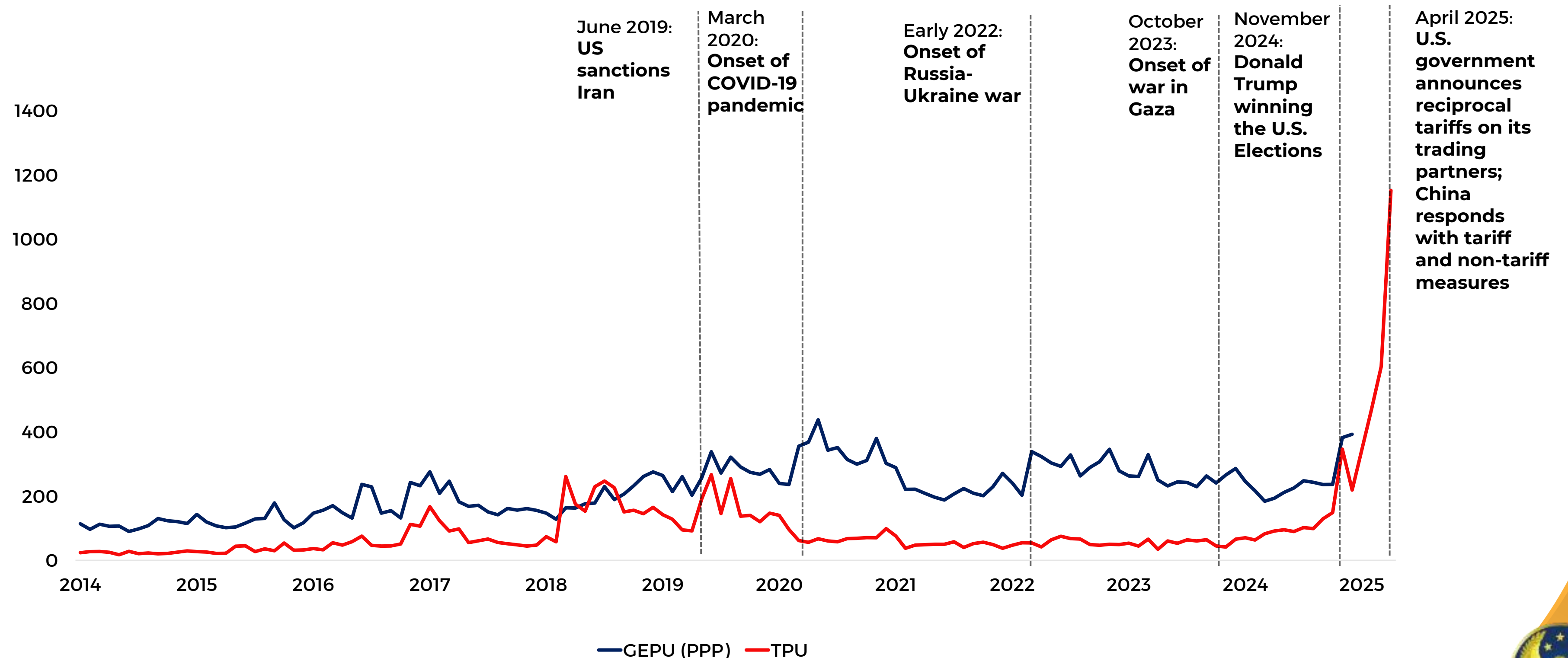
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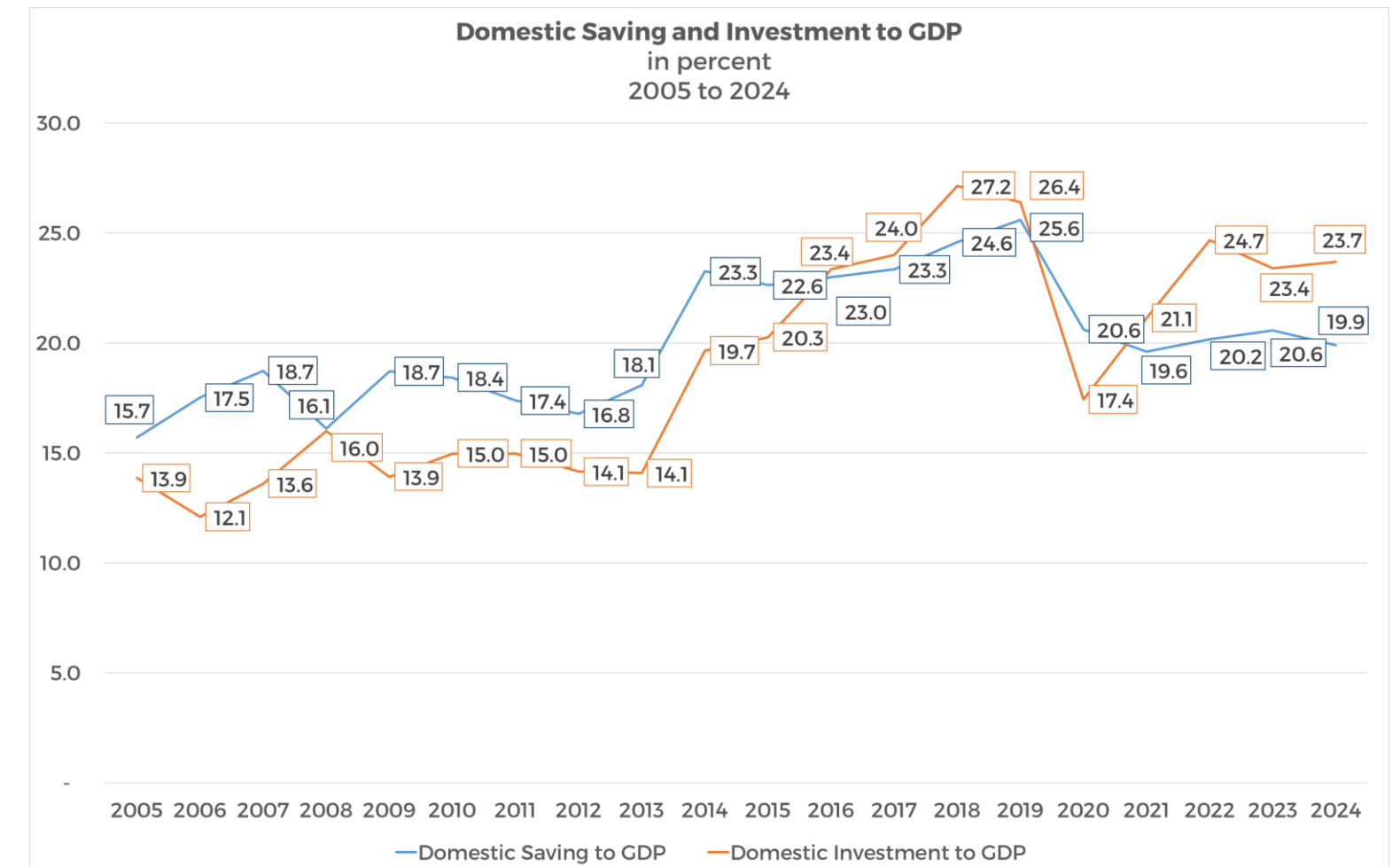
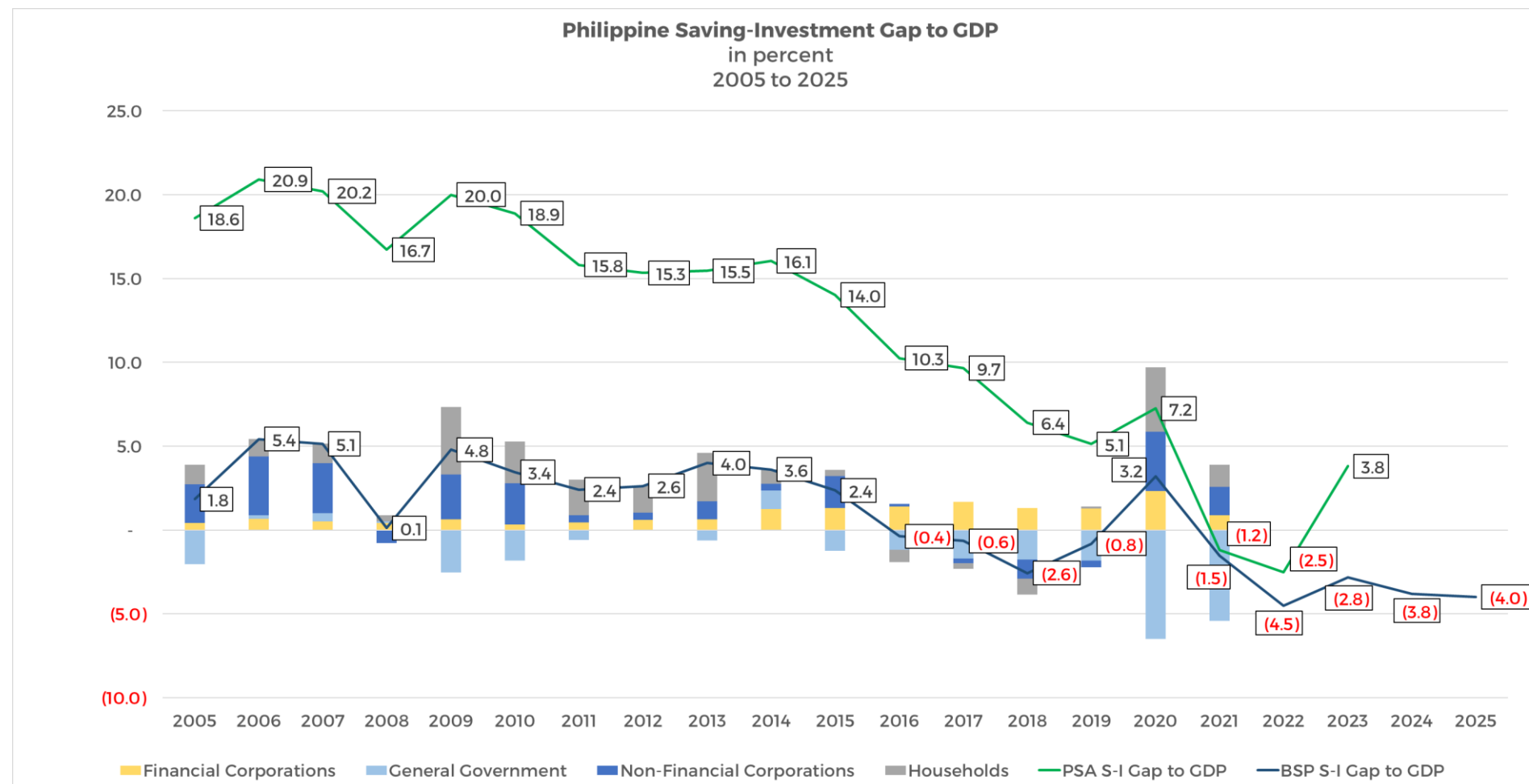


Policy uncertainty poses downside risks to global economic activity

Trade Policy Uncertainty (TPU) Index, Geopolitical Risk Index (GPR), and Global Economic Policy Uncertainty (GEPU) Index as of April 2025



The S-I deficit to GDP widened as Domestic Investment to GDP grew while Domestic Saving to GDP declined

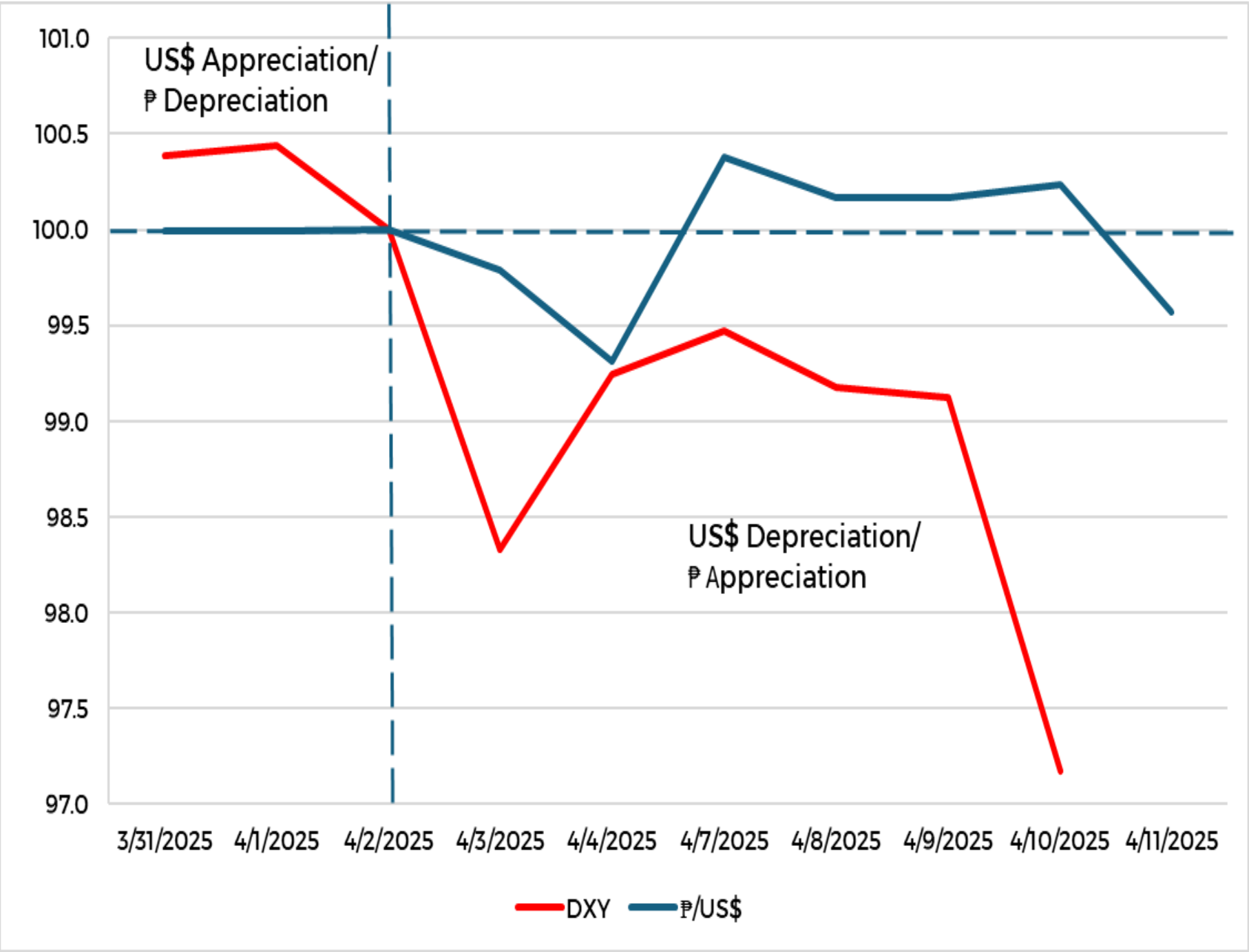


- The 2024 BSP S-I gap was based on the 2024 Balance of Payments and the 2024 National Accounts of the Philippines.
- The 2025 BSP S-I gap was based on the Current Account Balance projection of the Department of Economic Research as of Q1 2025.
- GDP for 2025 was based on the low-end projected GDP from the BESF/Medium-Term Macroeconomic Assumptions from DBM.
- Saving data required to compute the 2024 PSA S-I gap will become available by June 2025.

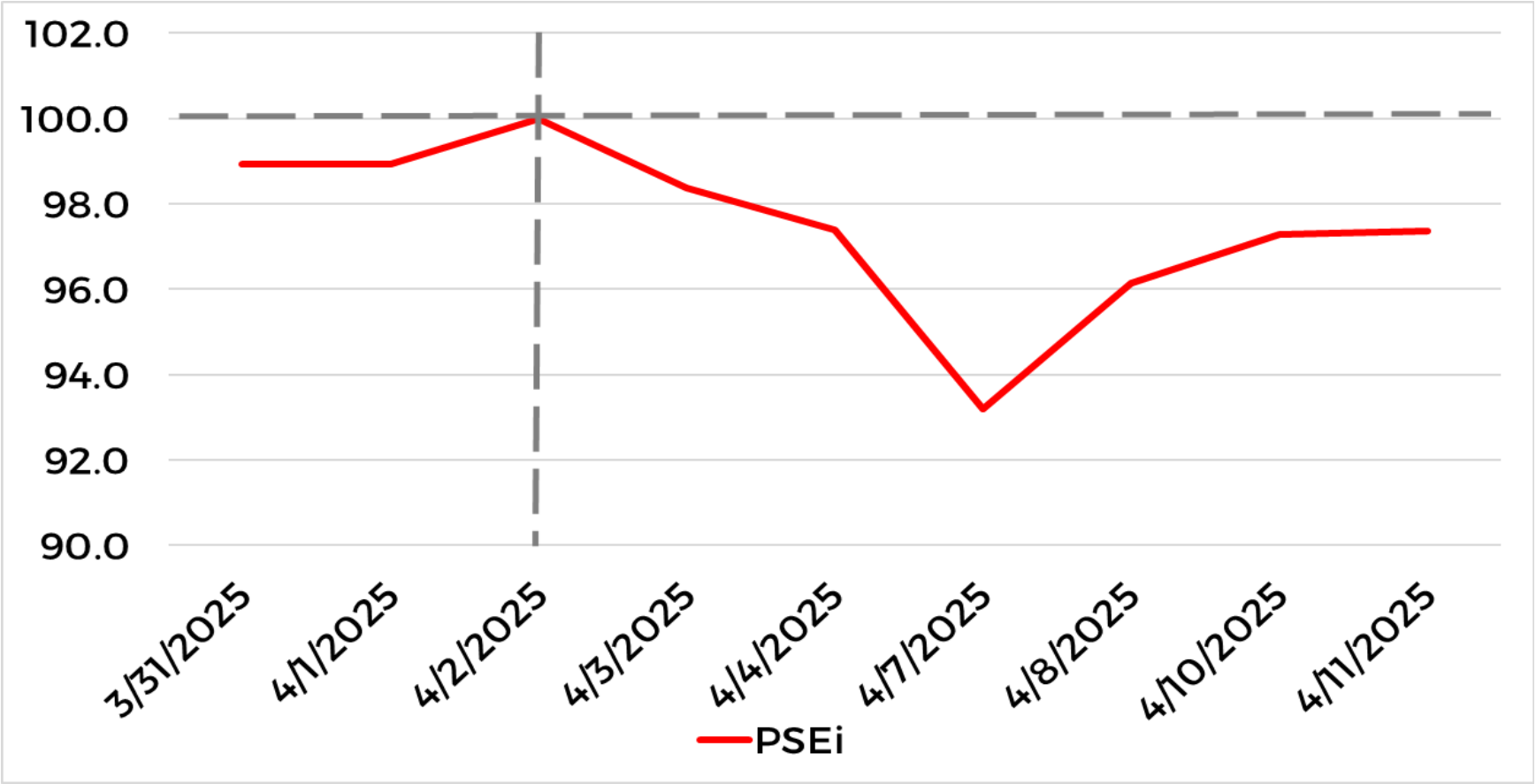


Domestic financial markets continue to digest the tariff announcements

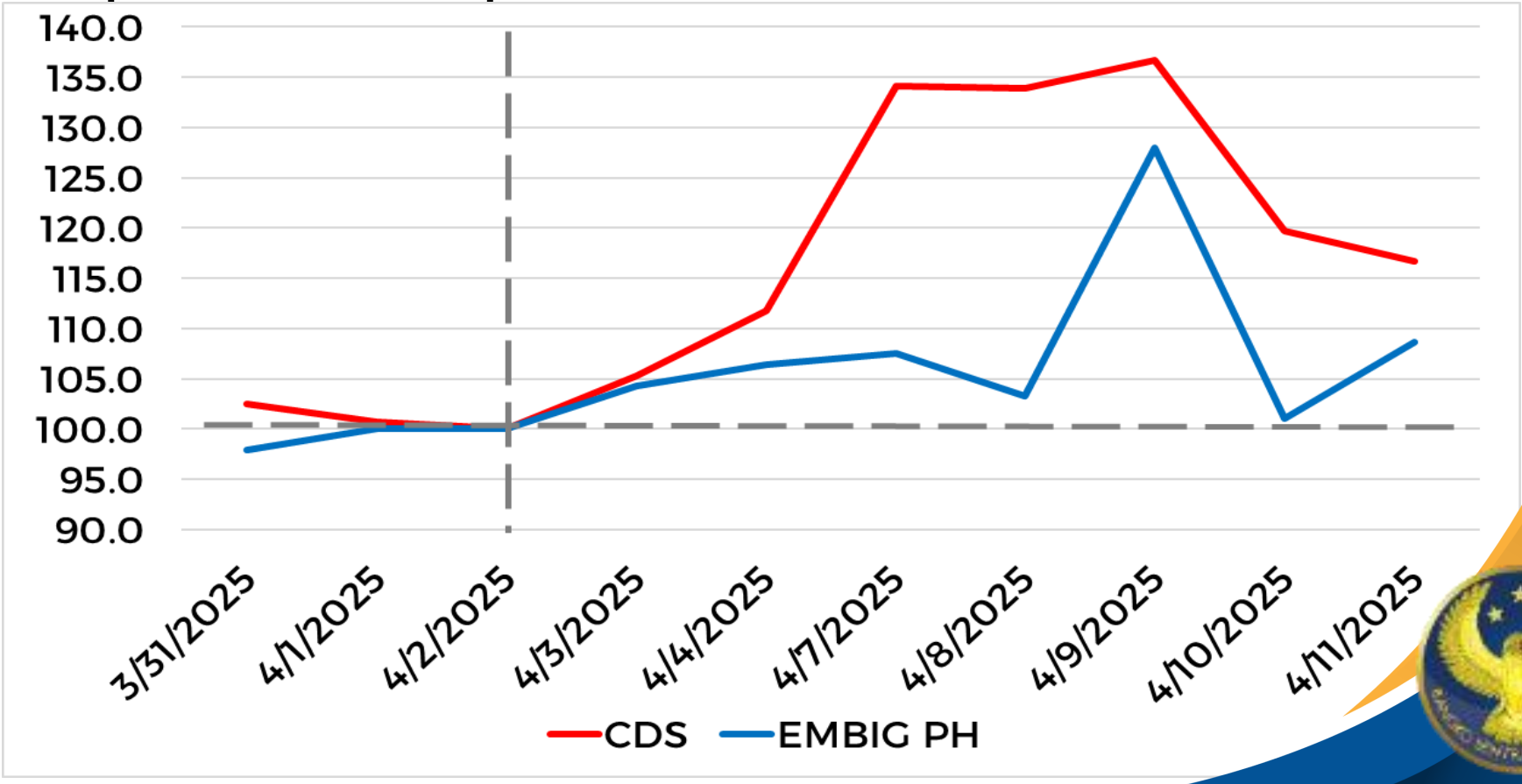
Closing PHP-USD rate and DXY
2 April=100 index points



PSEi
2 April=100 index points

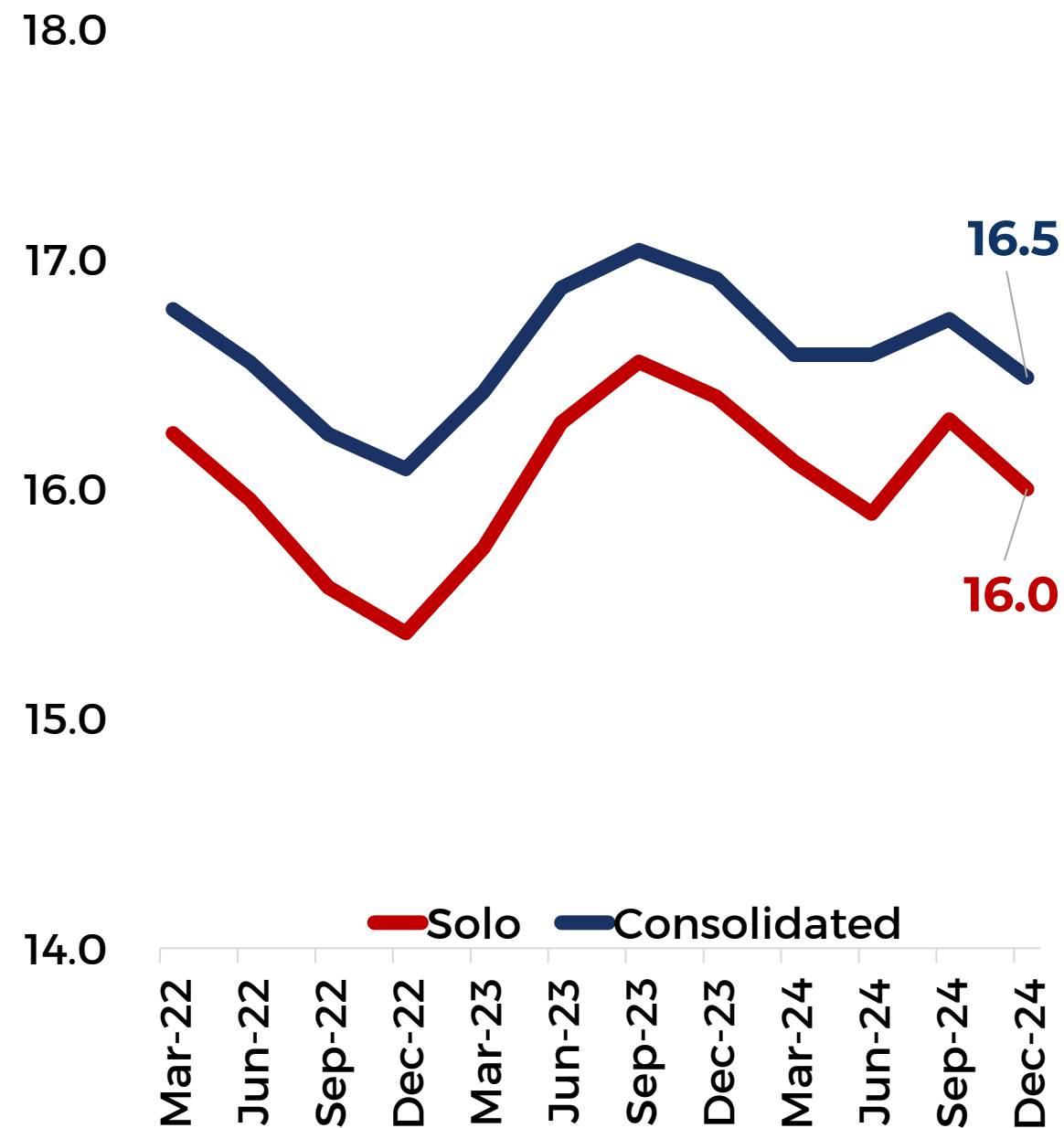


CDS and EMBIG Spreads
2 April=100 index points

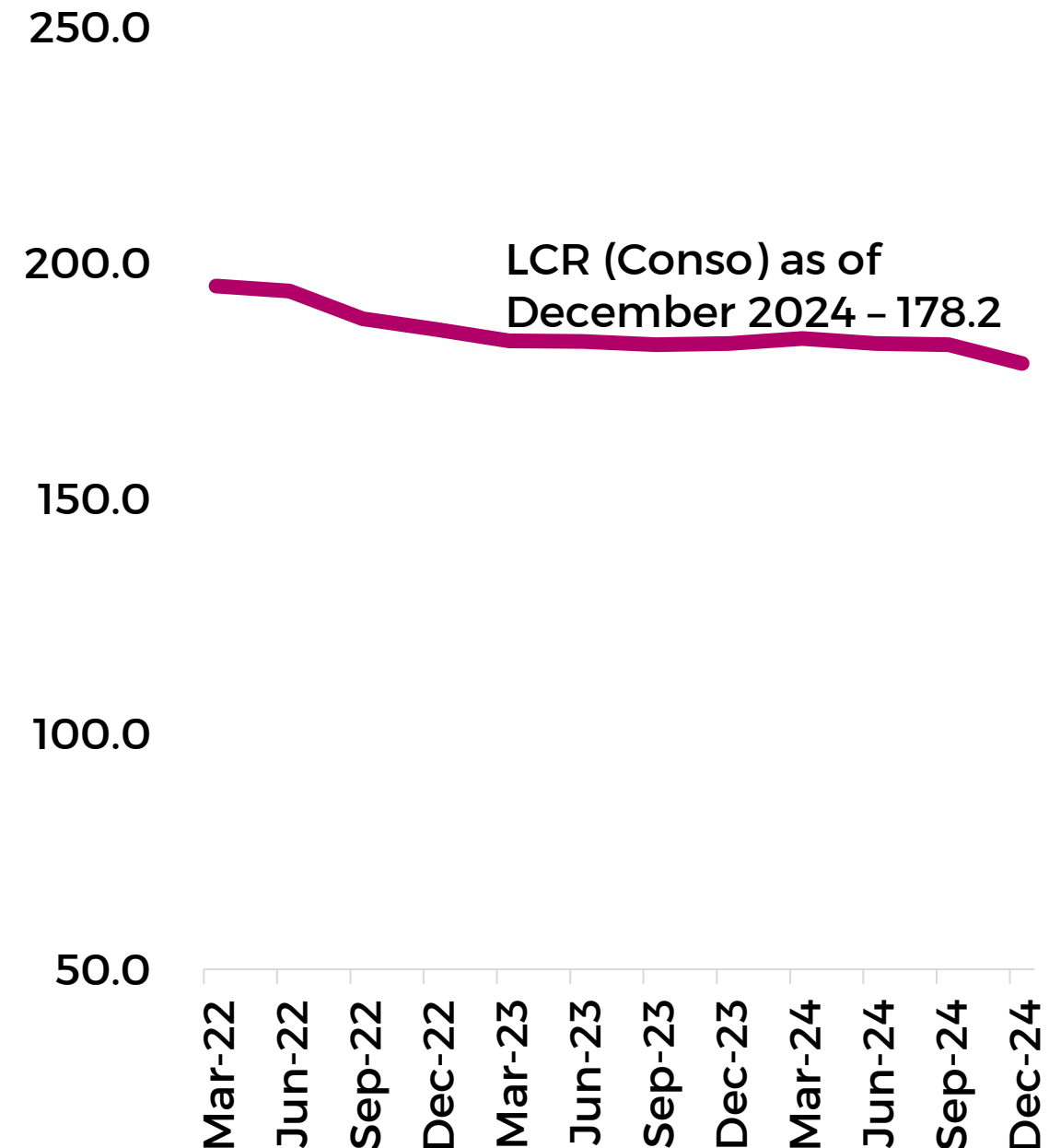


Resilient Philippine banking system supports domestic economic activity

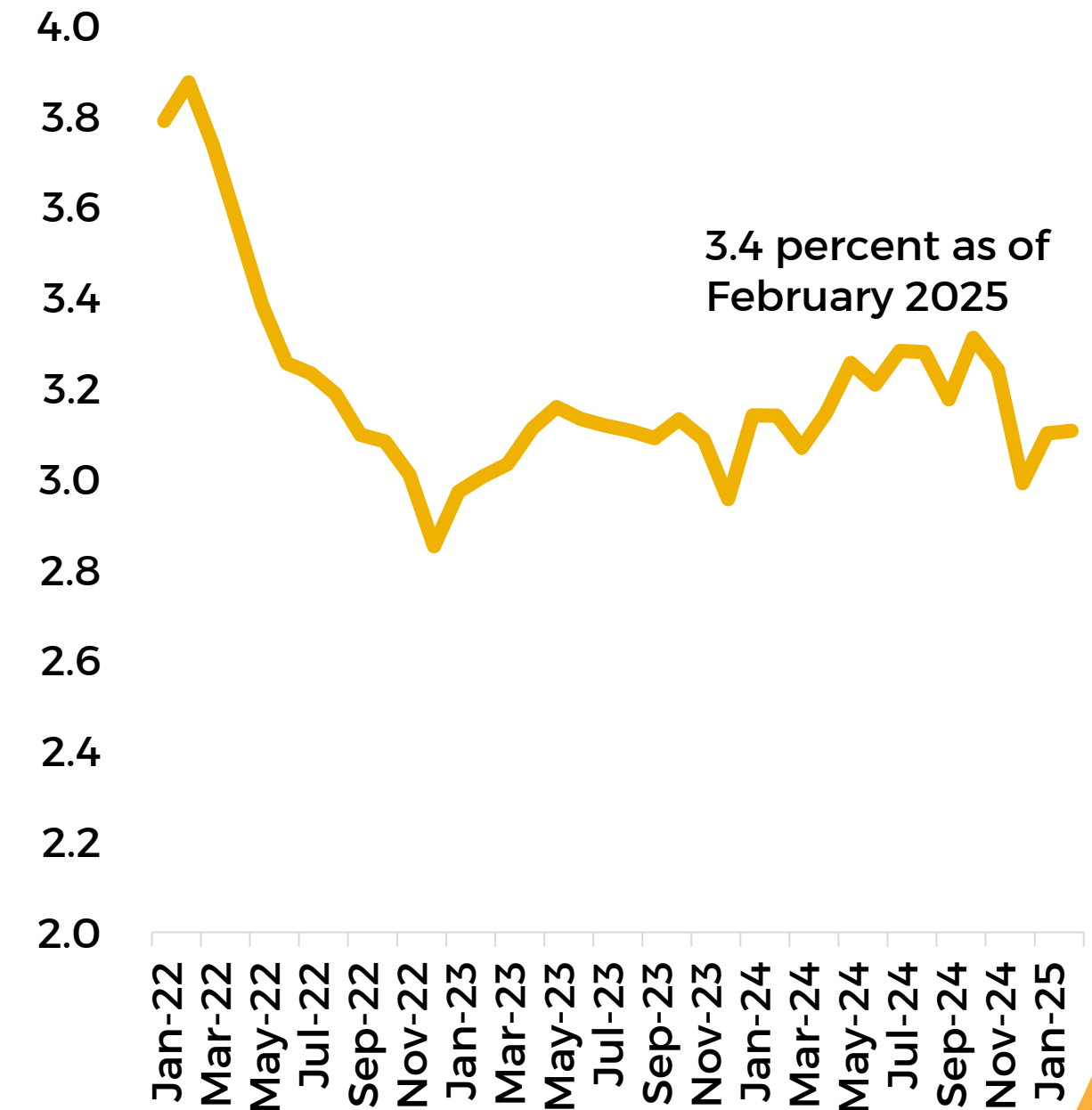
Capital Adequacy Ratio - UKBs
in percent



Liquidity Coverage Ratio - UKBs
in percent

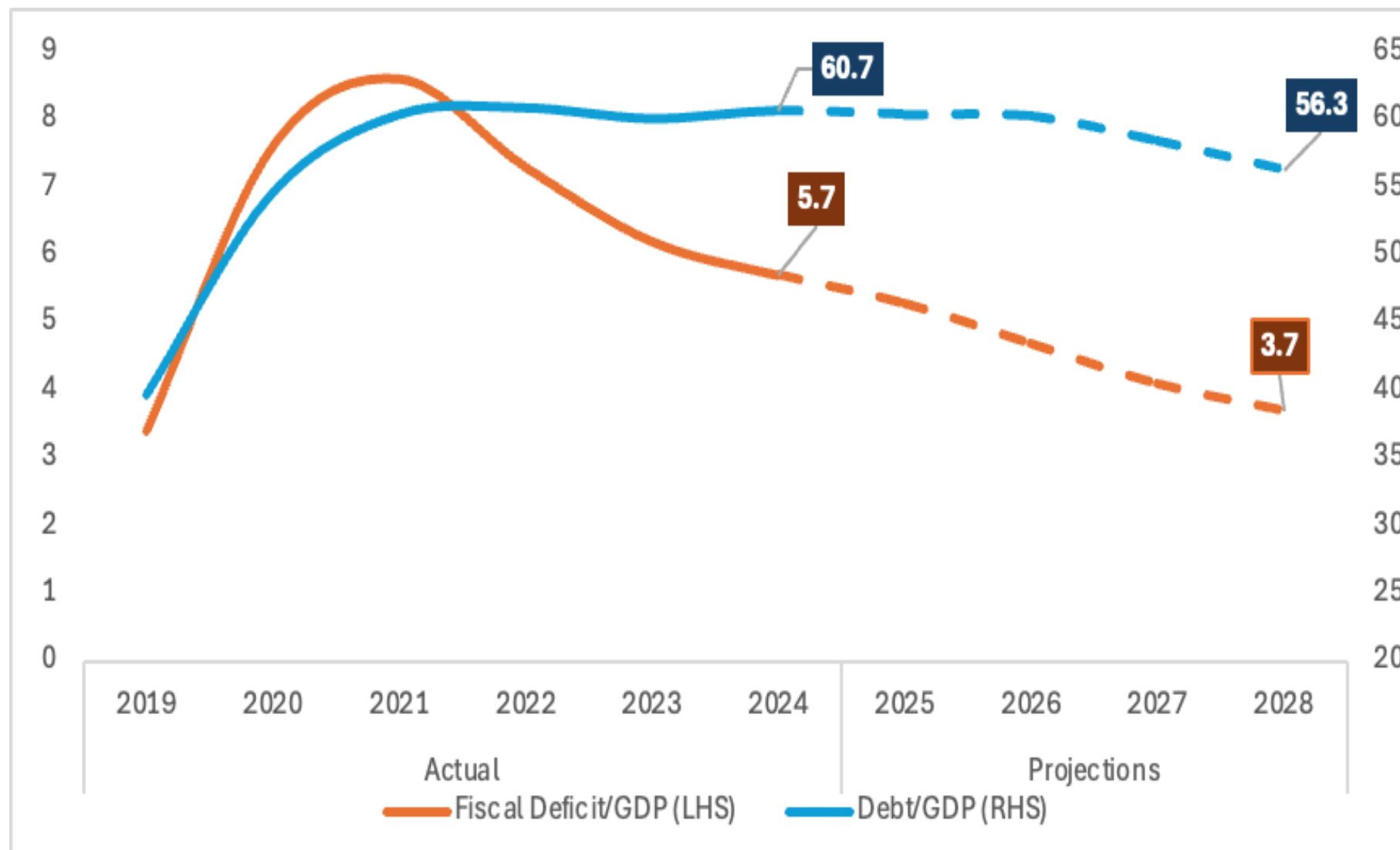


Gross Non-Performing Loan Ratio - UKBs
in percent



Strategic fiscal consolidation remains a key priority, complemented by growth-supportive structural reforms

Fiscal and Debt Performance as percent of GDP



Structural reforms implemented



Amendments to the Public Service Act



Amendments to the Foreign Investment Act



Amendments to the IRR of the Renewable Energy Act of 2008



Amendments to the Retail Trade Liberalization Act



Public-Private Partnership (PPP) Code



CREATE MORE Act

