Current developments

Overview

Headline inflation rose in November 2024 but remained within the target range. The increase was mainly due to higher food prices, particularly for vegetables and fish, which were affected by weather disturbances. However, slower rice inflation helped temper the overall increase in food prices.

Core inflation measures remained moderate, suggesting the absence of demand-driven price pressures. Official core inflation and the BSP-computed core inflation measures rose slightly in November 2024 but have remained low and manageable.

Global crude oil prices fell due to muted oil demand and expectations of ample supply. Weak global oil demand, influenced by subdued economic growth and expectations of an oil market surplus in 2025, contributed to lower prices. GDP growth in the US, China, and India moderated in Q3 2024. However, geopolitical tensions in the Middle East and between Russia and Ukraine posed upside risks to global oil prices.

Inflation expectations remained well-anchored. The December 2024 BSEF results showed that mean inflation forecasts for 2025–2026 stayed within the 2.0-4.0 percent target range. Analysts expect inflation to remain close to the midpoint of the target range over the medium term, with risks seen as broadly balanced.

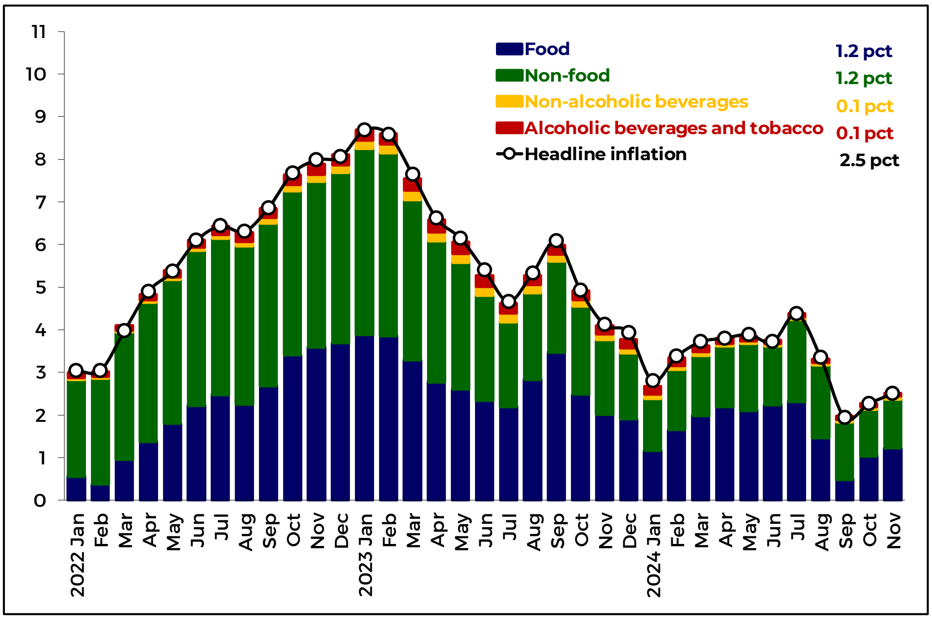
Domestic economic growth moderated in Q3 2024. On the demand side, investments and household consumption drove GDP growth, while exports fell due to weak external demand. Government spending slowed down due to lower disbursements in infrastructure projects and subsidy support to government corporations. On the production side, the services and industry sectors grew more slowly, while the agriculture sector declined due to the adverse impact of El Niño and weather disturbances.

Global economic growth prospects improved amid strong demand and continued business optimism. The IMF maintained its 2024 global economic growth projection, reflecting stronger US growth and increased demand for semiconductors and electronics in emerging Asia. However, risks to the global outlook are tilted toward the downside. This may be attributed to the greater-than-expected impact of monetary policy tightening on economic activity; repricing of financial markets; rising sovereign debt distress in EMDEs; contraction of China's property sector; renewed commodity price spikes due to geopolitical tensions; and protectionist policies.

I. Price conditions

Headline inflation. Headline inflation rose in November 2024, mainly due to higher food inflation. Recent weather disturbances negatively affected supply, leading to higher prices for vegetables and fish. However, this uptrend was moderated by slower rice inflation amid the ongoing harvest season and the continued arrival of rice imports with lower tariffs.

Figure 2
Headline Inflation
2018=100
in percent



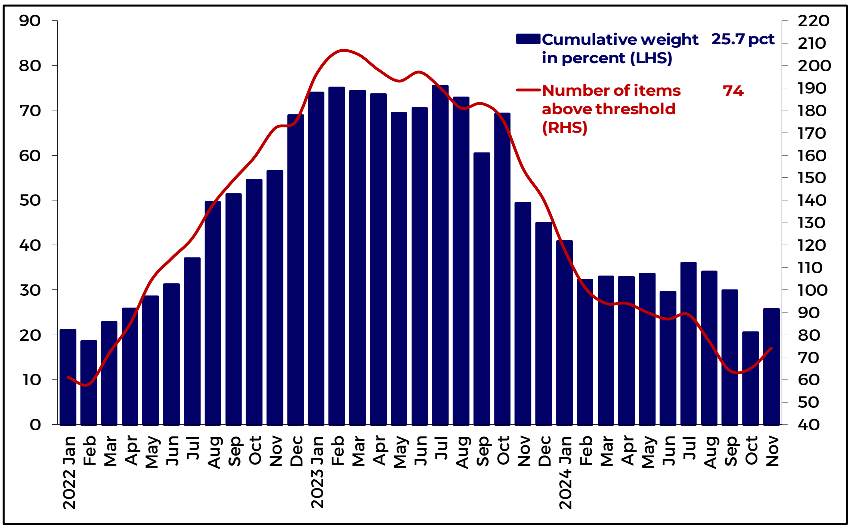
Sources: Philippine Statistics Authority; Bangko Sentral ng Pilipinas

Of the 315 items in the CPI basket, 74 items had inflation rates above target, 55 of which were classified under food, non-alcoholic and alcoholic beverages, and tobacco. In contrast, 144 items had inflation rates below the target. The remaining 97 items (40.9 percent of the CPI basket) had inflation rates within the target range.

Figure 3

Consumer Price Index Items with Inflation Rates Above Threshold

2018=100



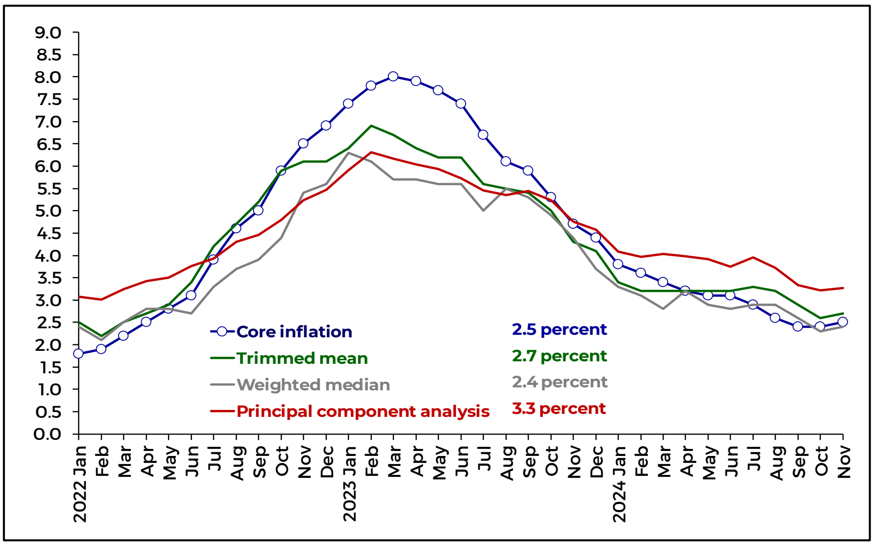
Sources: Philippine Statistics Authority; Bangko Sentral ng Pilipinas
RHS – right-hand side
LHS – left-hand side

Core inflation. The official core inflation rose but remained low in November 2024. Estimates of BSP-computed core inflation measures showed a similar trend, although they remained generally stable. Core inflation, which does not include food and energy, is the component of inflation influenced by monetary policy.

Figure 4

Estimates of Core Inflation Measures

year-on-year; in percent



Sources: Philippine Statistics Authority; Bangko Sentral ng Pilipinas (BSP) staff calculations using five-digit disaggregation for the BSP-computed core inflation, namely trimmed mean and weighted median
Core inflation excludes 10 volatile food and energy Consumer Price Index (CPI) items from the headline CPI. This includes (a) cereals (rice and corn); (b) meat (fresh, chilled, and frozen); (c) fish (live, fresh, chilled, and frozen); (d) dates, figs, and tropical fruits; (e) other vegetables (fresh and chilled); (f) fruit-bearing vegetables; (g) electricity; (h) liquefied hydrocarbons; (i) diesel; and (j) gasoline. In total, this accounts for 29.6 percent of the CPI basket.

Food inflation. Food inflation rose due to faster increases in the prices of meat, fish, oils and fats, vegetables, and non-alcoholic beverages. Meanwhile, rice inflation remained at a single-digit rate.

Table 14
Inflation Rates for Selected Food Items
2018=100
year-on-year; in percent

Commodity	November 2023	October 2024	November 2024
Food and non-alcoholic beverages	**5.7**	**2.9**	**3.4**
Food	5.8	3.0	3.5
Cereals and cereal products	12.2	7.5	4.3
Cereals	14.3	9.6	5.3
Rice	15.8	9.6	5.1
Corn	-4.5	9.7	8.2
Flour, bread, and other bakery products; pasta products; and other cereals	6.9	2.2	1.9
Meat and other parts of slaughtered land animals	0.5	3.6	3.9
Fish and other seafood	4.9	-0.4	0.4
Milk, other dairy products, and eggs	7.6	3.6	2.9
Oils and fats	-3.1	-0.4	0.2
Fruits and nuts	13.1	11.2	7.3
Vegetables, tubers, cooking bananas, and pulses	-2.0	-9.2	5.9
Sugar, confectionery, and desserts	1.5	-3.3	-2.9
Ready-made food and other food products not elsewhere classified	5.4	4.6	4.2
Non-alcoholic beverages	4.5	1.9	2.3
Alcoholic beverages and tobacco	**9.0**	**3.0**	**3.1**

Sources of basic data: Philippine Statistics Authority; Bangko Sentral ng Pilipinas

Non-food inflation. Non-food inflation increased marginally due to faster inflation for furnishings and household equipment, personal care and miscellaneous goods and services. However, inflation for electricity rates and domestic petroleum prices eased during the month.

Table 15
Inflation Rates for Selected Non-Food Items
2018=100
year-on-year; in percent

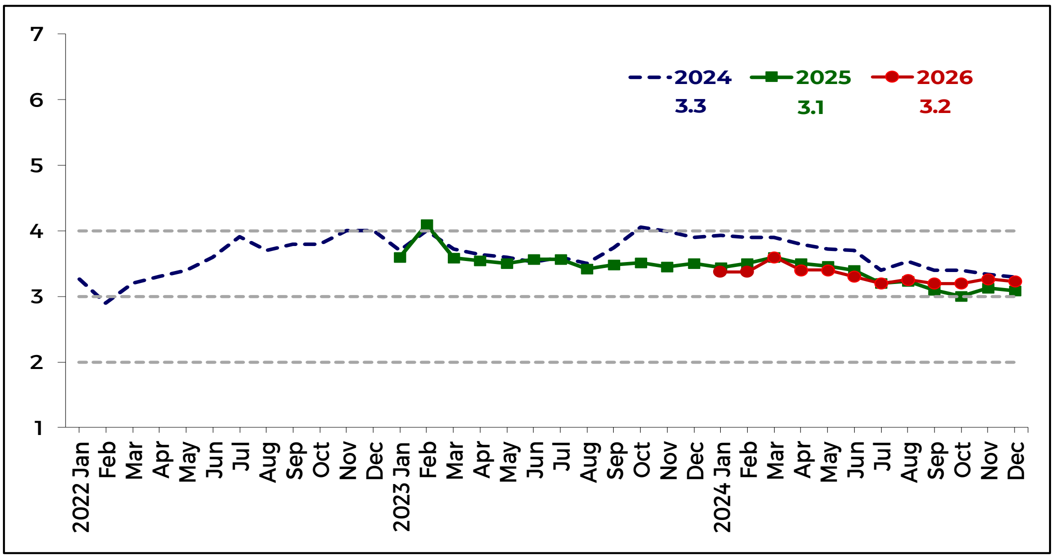
Commodity	November 2023	October 2024	November 2024
Non-food	**2.9**	**1.8**	**1.9**
Clothing and footwear	4.3	2.7	2.6
Housing, water, electricity, gas, and other fuels	2.5	2.4	1.9
Electricity, gas, and other fuels	-0.7	2.2	0.3
Furnishings, household equipment, and routine household maintenance	4.7	2.4	2.7
Health	3.8	2.6	2.6
Transport	-0.8	-2.1	-1.2
Passenger transport services	2.8	2.5	1.5
Information and communication	0.6	0.2	0.2
Recreation, sport, and culture	4.9	2.6	2.4
Education services	3.5	4.3	4.3
Restaurant and accommodation services	5.6	3.9	3.9
Financial services	0.0	-0.6	-0.6
Personal care and miscellaneous goods and services	4.8	2.8	2.9

Sources of basic data: Philippine Statistics Authority; Bangko Sentral ng Pilipinas

II. Inflation expectations

Results from the BSEF for December 2024 showed that the mean inflation forecasts for 2025 remain unchanged. Meanwhile, private economists expect inflation for 2026 to move closer to the midpoint.

Figure 5
Survey of External Forecasters
mean forecast for full year; in percent



Source: Bangko Sentral ng Pilipinas
This was based on forecasts provided by 24 respondents. The survey was conducted from 6-12 December 2024.

Inflation forecasts for 2025 and 2026 remain well within the 2.0-4.0 percent target range. Risks are broadly balanced, with headline inflation expected to stay low and manageable in the medium term.

Downside risks to the inflation outlook are seen to emanate largely from lower rice prices, amid the implementation of EO No. 62 and lower oil prices. Respondents also mentioned a more favorable outlook for global oil prices and the general downtrend of core inflation.

On the other hand, the main upside risks to inflation include supply disruptions due to geopolitical tensions and adverse weather conditions. The potential spike in electricity rates, higher-than-expected wage adjustments, and protectionist US trade policies were also identified as upside risks.

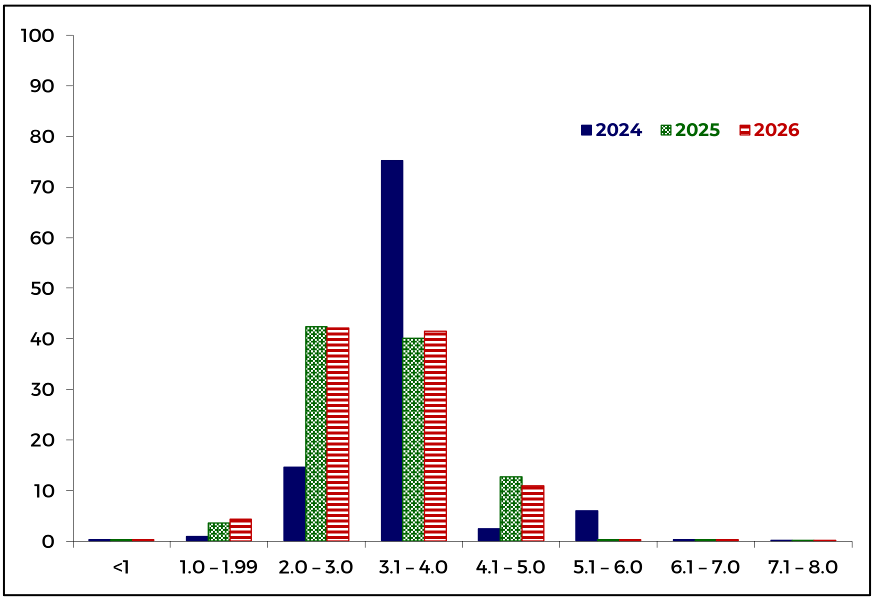
Table 16
BSP Survey of External Forecasters
annual percentage change
December 2024

	2024		2025			2026
	Q4	FY	Q1	Q2	FY	FY
1) Al-Amanah Islamic Bank	3.00	5.50	3.50	3.50	5.00	5.00
2) ANZ	-	3.20	-	-	3.40	3.50
3) Bank of Commerce	2.45	3.19	2.66	3.34	3.29	-
4) Barclays	2.40	3.20	2.20	2.40	2.70	3.70
5) Chinabank	2.50	3.20	2.30	2.60	2.70	3.10
6) CTBC Bank	2.40	3.20	2.30	2.50	2.70	3.10
7) Deutsche Bank	-	3.10	-	-	3.00	3.30
8) eManagement for Business and Marketing Services	2.40	3.30	-	-	3.60	3.50
9) Goldman Sachs	2.30	3.10	2.10	2.50	2.50	3.00
10) HSBC	2.80	3.30	2.20	2.40	2.40	3.00
11) Land Bank of the Phils	2.50	3.20	2.90	3.50	3.40	3.00
12) Maybank	2.60	3.20	3.10	3.20	3.30	3.60
13) Maybank Investment Banking Group	2.50	3.20	2.90	3.40	3.10	3.00
14) Metrobank	2.40	3.20	2.40	3.10	3.20	3.00
15) Mizuho	3.20	3.50	3.20	3.10	-	-
16) Moody's Analytics	2.60	3.20	3.10	2.90	3.10	3.20
17) Nomura	2.30	3.10	2.50	2.80	2.90	3.00
18) Regis Partners	-	3.10	-	-	3.50	-
19) Pantheon Macroeconomics	2.50	3.20	2.60	2.30	2.40	2.50
20) Philippine National Bank	2.50	3.20	2.50	2.60	2.90	3.00
21) Security Bank	2.40	3.20	2.30	3.40	3.20	3.10
22) Standard Chartered	2.30	3.10	2.20	2.90	3.10	3.50
23) Sun Life Investment Management and Trust Corp	2.50	3.30	2.00	2.30	2.50	2.70
24) Union Bank of the Philippines	2.50	3.20	2.60	2.90	3.00	3.00
Median forecast	2.50	3.2	2.5	2.9	3.1	3.1
Mean forecast	**2.5**	**3.3**	**2.6**	**2.9**	**3.1**	**3.2**
High	3.2	5.5	3.5	3.5	5.0	5.0
Low	2.3	3.1	2.0	2.3	2.4	2.5
Number of observations	21	24	20	20	23	21
Government target	**3.0 ± 1.0**	**3.0 ± 1.0**	**3.0 ± 1.0**	**3.0 ± 1.0**	**3.0 ± 1.0**	**3.0 ± 1.0**

Source: Bangko Sentral ng Pilipinas

Forecasts provided by 18 out of 24 survey respondents indicated an 82.6 percent likelihood (from 79.7 percent in November 2024) that inflation will settle within the 2.0-4.0 percent target range in 2025. Meanwhile, analysts assigned a 13.6 percent probability (from 14.2 percent) that inflation will breach the upper end of the target range. For 2026, the probability that inflation will remain within the target range is estimated at 83.5 percent (from 81.1 percent).[10]

Figure 6
Probability Distribution for Analysts' Inflation Forecasts
2024–2026



Source: Bangko Sentral ng Pilipinas Survey (December 2024)
Probability distributions were averages of those provided by 18 out of 24 respondents.

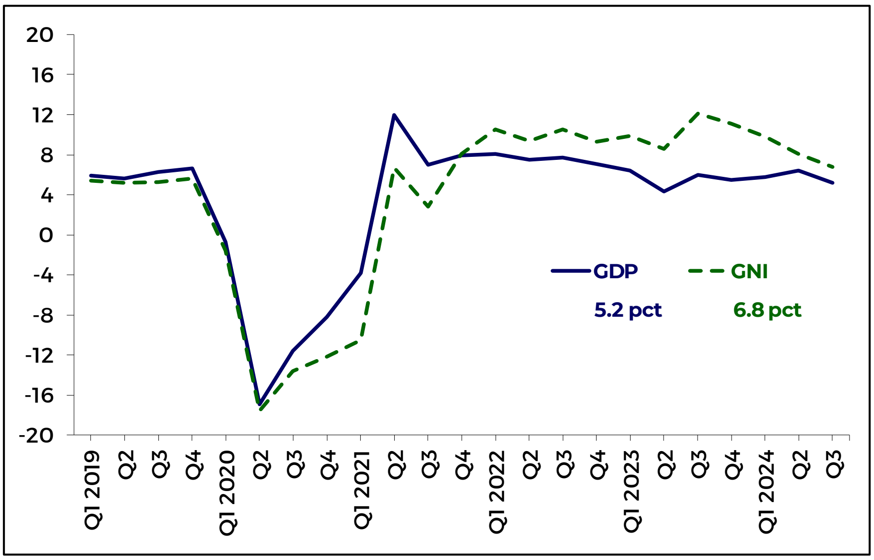
Most analysts expect the BSP to cut the policy rate by at least 25 bps in Q4 2024. For 2025, the general view is that the BSP will ease its monetary policy stance by a range of 50-100 bps. Meanwhile, analysts have mixed views on the Target RRP rate for 2026.

III. Demand conditions

Output growth moderated in Q3 2024. Real GDP growth from Q1 2024 to Q3 2024 was at 5.8 percent, slightly below the government target of 6.0–7.0 percent for 2024. The Q3 2024 growth was supported by domestic demand, particularly investments and household consumption. Gross national income (GNI) grew slower, reflecting a slightly subdued net primary income growth.

[3] The histogram results of the BSP's survey of private sector economists for October 2024 showed that most of the respondent-analysts expect inflation to settle within the 2.0-4.0 percent target range for 2025 and 2026.

Figure 7
Gross Domestic Product and Gross National Income
at constant 2018 prices; year-on-year; growth rate in percent



Source: Philippine Statistics Authority

Aggregate demand. On the expenditure side, household spending, government expenditure and investments (or capital formation) contributed 3.7 ppts, 0.7 ppt, and 2.8 ppts, respectively to GDP. Conversely, exports detracted 0.3 ppt from overall growth in Q3 2024.

Household spending, which accounted for 72.8 percent of GDP in Q3 2024, accelerated. This was mainly due to higher spending on miscellaneous goods and services, food and non-alcoholic beverages, restaurants and hotels, transport, and health.

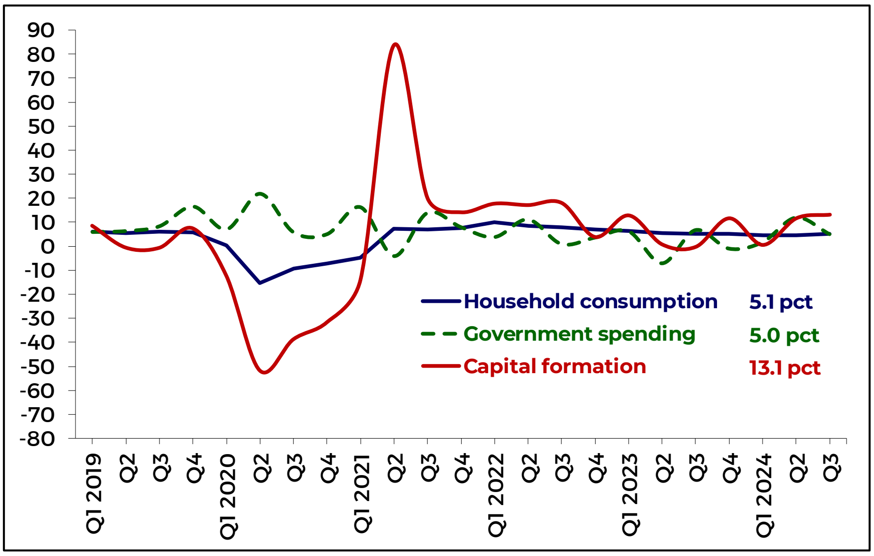
In contrast, government expenditure slowed in Q3 2024 due to lower disbursements in infrastructure projects and subsidy support to government corporations. Lower disbursements were recorded in the Department of Public Works and Highways (DPWH) amid administrative delays and adverse weather conditions, which slowed down project implementation.[11]

[11] Department of Budget and Management. (2024). *National government disbursement performance*. https://www.dbm.gov.ph/wp-content/uploads/DBCC/2024/August_2024_Disbursements_Table_in_billions.pdf

Figure 8

Gross Domestic Product by Expenditure Shares

at constant 2018 prices; growth rate in percent



Source: Philippine Statistics Authority

Capital formation grew faster, driven by private construction, particularly commercial construction. Durable equipment and intellectual property products also contributed to the growth in Q3 2024.

Overall exports dropped amid weakness in external demand. Growth in exports of goods declined due to contractions in components/devices (semiconductors), cathodes and sections of cathodes of refined copper, pineapple and pineapple products, metal components, and office equipment.

Meanwhile, overall imports grew faster compared to the previous quarter. Imports of goods rebounded due to higher imports of components/devices (semiconductors), base metals, electronic data processing, consumer electronics, and plastics in primary and non-primary forms. Imports of services also expanded, particularly in travel, transport, telecommunications, computer and information services, miscellaneous services, and insurance and pension services.

Table 17

Gross Domestic Product by Expenditure Shares

at constant 2018 prices; growth rate in percent

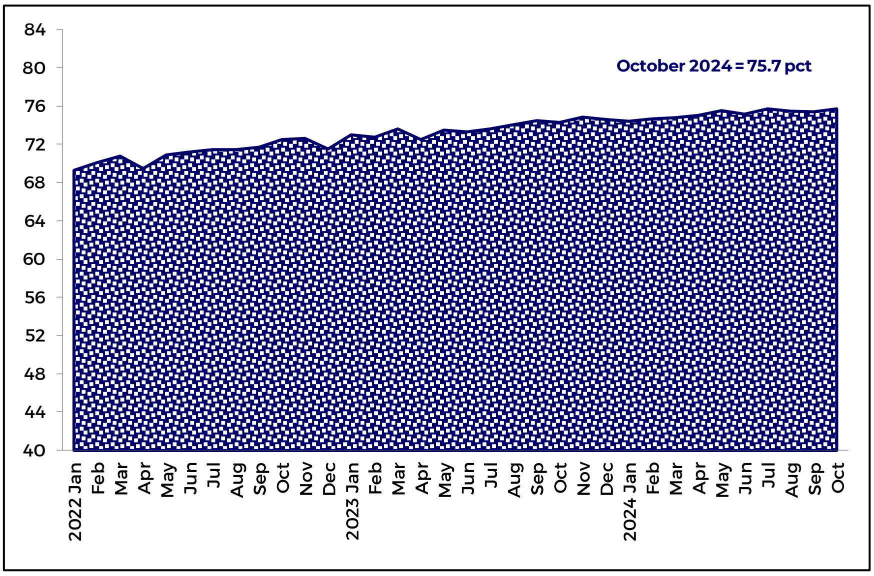
Expenditure shares	2023	2024	
	Q3	Q2	Q3
Household final consumption expenditure	5.1	4.7	5.1
Government final consumption expenditure	6.7	11.9	5.0
Gross capital formation	-0.3	11.6	13.1
Gross fixed capital formation	8.2	9.7	7.5
Exports of goods and services	2.5	4.2	-1.0
Imports of goods and services	-1.6	5.3	6.4

Source: Philippine Statistics Authority

Other demand indicators

Capacity utilization. Based on the PSA's Monthly Integrated Survey of Selected Industries (MISSI), the preliminary average capacity utilization rate of the manufacturing sector rose in October 2024.

Figure 9
Monthly Average of Capacity Utilization for Manufacturing
2018=100
in percent



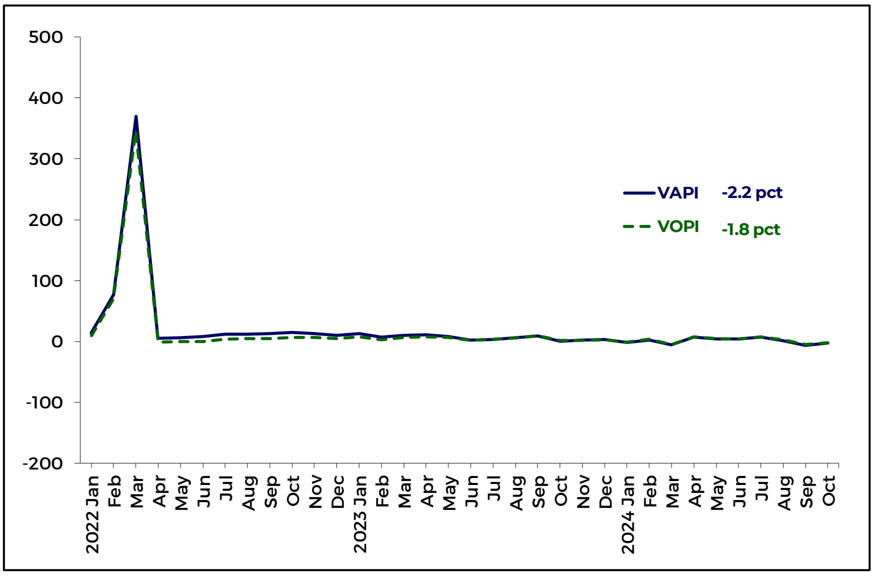
Source: Philippine Statistics Authority

Of the 575 establishments surveyed by the PSA, 55.4 percent operated at or above the 80.0 percent capacity level, an increase from 51.8 percent in September 2024.[12]

Volume and value of production. Preliminary MISSI results showed that factory output, as measured by the volume of production index (VoPI), fell in October 2024. Among the 22 subsectors, the manufacture of electrical equipment posted the highest year-on-year (y-o-y) expansion, followed by the manufacture of leather and related products including footwear, and the manufacture of machinery and equipment except electrical equipment. In contrast, the manufacture of basic metals posted the largest contraction for the month.

[12] Monitoring the response rate helps the BSP assess the reported data's quality and representativeness. The response rate of surveyed establishments increased from 58.0 percent (preliminary) in September 2024 to 60.2 percent (preliminary) in October 2024. The revised response rate for September 2024 was 72.8 percent.

Figure 10
Volume and Value Indices of Manufacturing Production
2018=100
year-on-year; in percent



Source: Philippine Statistics Authority

The value of production index (VaPI) also contracted in October 2024. Among the monitored subsectors, those with the highest growth rates and steepest contractions aligned with the trends observed in the VoPI.

Table 18

Growth in Volume of Production Index by Industry Division

2018=100

year-on-year; in percent

Gainers	October 2024
1) Electrical equipment	64.8
2) Leather and related products, including footwear	29.0
3) Machinery and equipment, except electrical	28.8
4) Wood, bamboo, cane, rattan articles and related products	26.4
5) Wearing apparel	23.6
6) Textiles	17.8
7) Paper and paper products	11.8
8) Furniture	10.3
9) Tobacco products	10.2
10) Rubber and plastic products	7.3
11) Beverages	6.8
12) Transport equipment	6.7
13) Food products	5.9
Losers	**October 2024**
1) Basic metals	-30.7
2) Printing and reproduction of recorded media	-23.0
3) Other manufacturing, repair, and installation of machinery and equipment	-14.8
4) Coke and refined petroleum products	-11.1
5) Other non-metallic mineral products	-5.6
6) Fabricated metal products, except machinery and equipment	-5.1
7) Chemical and chemical products	-4.8
8) Basic pharmaceutical products and pharmaceutical preparations	-3.7
9) Computer, electronic and optical products	-0.9

Source: Philippine Statistics Authority

Table 19

Growth in Value of Production Index by Industry Division

2018=100

year-on-year; in percent

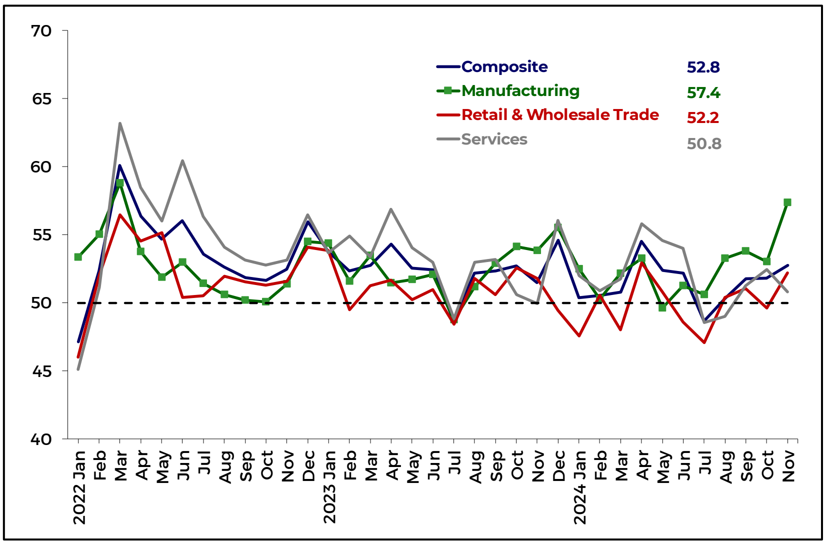
Gainers		October 2024
1)	Electrical equipment	60.5
2)	Leather and related products, including footwear	33.2
3)	Machinery and equipment, except electrical	32.1
4)	Wearing apparel	26.8
5)	Wood, bamboo, cane, rattan articles and related products	26.2
6)	Textiles	15.7
7)	Tobacco products	13.6
8)	Paper and paper products	10.3
9)	Furniture	9.1
10)	Beverages	8.6
11)	Transport equipment	7.9
12)	Food products	7.5
13)	Rubber and plastic products	6.0
14)	Computer, electronic, and optical products	1.4
Losers		**October 2024**
1)	Basic metals	-29.3
2)	Printing and reproduction of recorded media	-20.0
3)	Other manufacturing, repair, and installation of machinery and equipment	-12.7
4)	Coke and refined petroleum products	-12.0
5)	Other non-metallic mineral products	-8.8
6)	Fabricated metal products, except machinery and equipment	-8.1
7)	Chemical and chemical products	-4.5
8)	Basic pharmaceutical products and pharmaceutical preparations	-2.5

Source: Philippine Statistics Authority

Purchasing managers' index. The preliminary composite purchasing managers' index (PMI) for November 2024 rose to a seven-month high. The economy expanded faster during the month, driven by holiday sales that boosted overall demand conditions.[13] Business activity in the manufacturing, and retail and wholesale sectors grew faster due to rising consumer spending. Meanwhile, growth in the service sector moderated but remained above the expansion threshold. Looking ahead, business managers expect firm economic conditions until the end of 2024, supported by improving consumer confidence during the holiday season.

[13] The formula used to calculate the PMI assigns weights to each common element and multiplies them by 1.0 for improvement, 0.5 for no change, and 0 for deterioration. As a result, an index above 50 indicates economic expansion, while an index below 50 implies a contraction. PMI surveys are conducted on the last week of the month.

Figure 11
Purchasing Managers' Index Diffusion Index



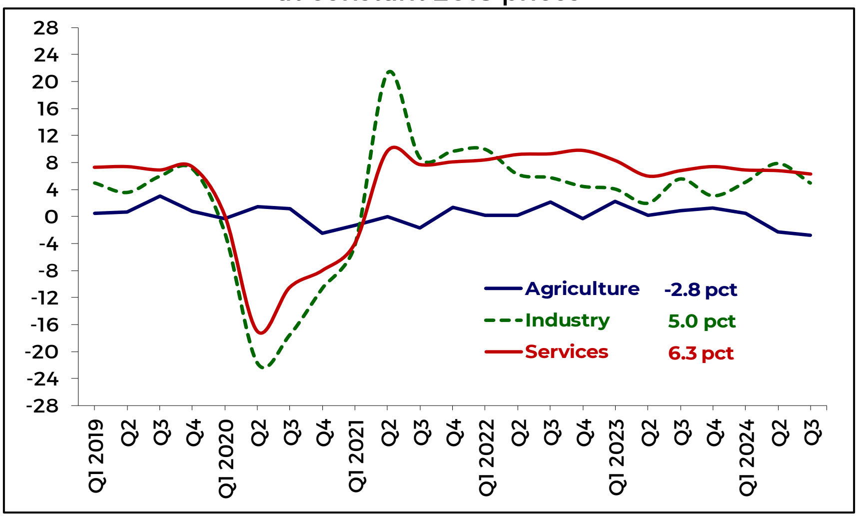
Source: Philippine Institute of Supply Management

IV. Supply conditions

Aggregate supply. On the production side of the economy, the slower growth in Q3 2024 was attributed to the contraction in agriculture and the deceleration in the industry and services sectors.

The agriculture sector declined due to the adverse impact of *El Niño*, followed by a series of tropical cyclones and heavy rains brought by the southwest monsoon. Consequently, output fell for major crops such as *palay*, livestock, fishing and aquaculture, and other crops like sugarcane, banana, mango, cassava, coconut, rubber, and pineapple.

Figure 12
Gross Domestic Product by Industrial Origin
at constant 2018 prices



Source: Philippine Statistics Authority

Growth in the industry and services sectors also moderated compared with that in the previous quarter, largely due to weather disturbances that caused administrative delays and supply chain disruptions. Despite the slower pace, all industry segments grew, led by construction, mining and quarrying, electricity, steam, water, and waste management, and manufacturing. Services also expanded, albeit at a slower pace, led by wholesale and retail trade, financial and insurance activities, and professional and business services.

Table 20
Gross Domestic Product by Industrial Origin
at constant 2018 prices; growth rate in percent

Industrial origin	2023	2024	
	Q3	Q2	Q3
Agriculture, forestry, and fishing	0.9	-2.3	-2.8
Industry sector	5.6	7.9	5.0
Mining and quarrying	5.0	6.6	1.0
Manufacturing	1.9	3.9	2.8
Electricity, steam, water, and waste management	6.3	9.1	7.4
Construction	14.5	16.1	9.0
Service sector	6.8	6.8	6.3
Wholesale and retail trade, repair of motor vehicles and motorcycles	5.0	5.8	5.2
Transportation and storage	12.1	14.8	6.3
Accommodation and food service activities	21.0	12.1	10.7
Information and communication	4.1	6.6	4.3
Financial and insurance activities	9.6	8.0	8.8
Real estate and ownership of dwellings	4.2	7.6	5.4
Professional and business services	6.5	7.8	8.3
Public administration and defense, compulsory social security	3.6	1.8	3.7
Education	6.3	1.9	2.6
Human health and social work activities	7.2	9.4	11.9
Other services	15.8	10.2	7.3

Source: Philippine Statistics Authority

Oil market developments. The spot price of Dubai crude oil decreased in the first week of December 2024 compared with the full-month and first-week average in November 2024. The decline was driven by a subdued oil demand outlook, especially for China, and market expectations of ample oil supply in 2025.[14]

Upside risks to global oil prices stemmed from heightened geopolitical tensions in the Middle East and between Russia and Ukraine. The uncertainty created by the removal of Syrian President Bashar al-Assad, along with Israel's continued threats and attacks in Lebanon despite a ceasefire, increased the geopolitical risk premium on global oil prices.

[14] Reuters (6 December 2024). "Oil prices fall on supply glut fears despite OPEC+ output cut extension." https://www.reuters.com/business/energy/oil-prices-dip-extended-opec-supply-cuts-highlight-weak-demand-2024-12-06/

The extension of the OPEC+ voluntary oil supply cuts—2.2 mb/d until March 2025 (originally until December 2024) and 1.7 mb/d until end-2026 (originally until end-2025)—helped offset the decline in global oil prices. Expectations of continued easing monetary policy and expanding manufacturing activity in China in November 2024 also partly tempered the downtrend in global oil prices in December 2024.[15,16,17]

On the domestic front, week-on-week (w-o-w) prices for gasoline rose by ₱0.90 per liter. Meanwhile, w-o-w prices for kerosene and diesel declined by ₱0.41 per liter and ₱2.70 per liter, respectively, as of 3 December 2024.

Developments in the agriculture sector. Agriculture, forestry, and fishing (AFF) output contracted in Q3 2024 amid the decline in the gross value added from *palay*, livestock, and fishing and aquaculture. This was partially offset by increases in poultry and egg production, corn, and support activities for the AFF sector.

Crop production, which contributed 53.2 percent of the total value of agriculture and fisheries, fell in Q3 2024.[18] This contraction may be attributed to the negative impact of *El Niño* on crops. *Palay*, the largest contributor to the decline, posted an annual decrease of 12.3 percent. This was partly offset by the improved production of other crops such as corn, onion, and cabbage.

Livestock production, which accounted for 15.5 percent of total agricultural output, decreased in Q3 2024. While local hog production has shown improvement since the ASF outbreak, it has yet to return to pre-ASF levels. Despite ongoing vaccination efforts by the NG, ASF remains a threat to the domestic hog supply.

The fisheries sector, which comprised 14.0 percent of the total value of production in agriculture and fisheries, also recorded a contraction in Q3 2024. The government has emphasized the need to upgrade and expedite the development of more aquaculture farms and mariculture parks to support the fisheries sub-sector.

Poultry production, which contributed 17.3 percent to total agricultural output, grew in Q3 2024. This improvement can be attributed to recoveries from Avian flu. Based on the Department of Agriculture's status update as of 2 December 2024, Avian flu cases remain in only four regions or eight provinces in the country.

Global food prices. The Food and Agriculture Organization (FAO) All Rice Price Index decreased to an average of 125.7 points in October 2024. The month-on-month (m-o-m) decline was driven by increased export competition as India relaxed its export restrictions.

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[15] Somasekhar, A. (2024, December 9). Oil rises over 1% on ouster of Syria's Assad, Chinese monetary policy. *Reuters*. https://www.reuters.com/business/energy/oil-prices-mixed-rising-mideast-tensions-offset-demand-concerns-2024-12-08

[16] Khan, S. (2024, December 3). Oil rises on fears about Lebanon, further OPEC+ supply cuts. *Reuters*. https://www.reuters.com/markets/commodities/oil-prices-little-changed-ahead-opec-meeting-2024-12-03

[17] Somasekhar, A. (2024, December 3). Oil steady, traders hopeful on China demand but worried about Fed. *Reuters*. https://www.reuters.com/markets/commodities/oil-inches-up-upbeat-china-data-shaky-israel-lebanon-ceasefire-2024-12-02

[18] The growth rates of the subsectors and commodities are derived from the July to September 2024 *Performance of Philippine Agriculture Report*, which was published by the PSA on 6 November 2024.

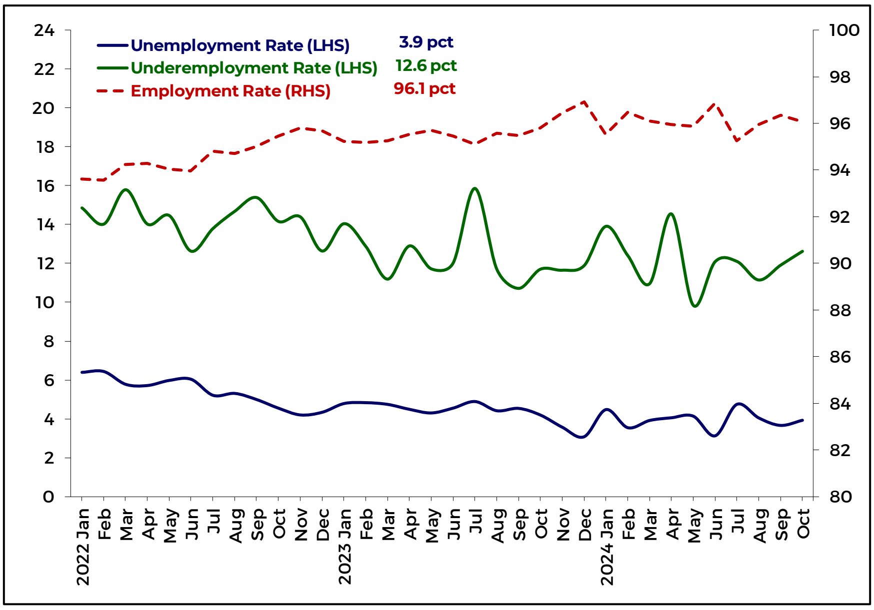
As of October 2024, quotes for 5% broken rice varieties from Vietnam, Thailand, and Pakistan were higher y-o-y by 11.1 percent, 12.1 percent, and 10.7 percent, respectively.

The FAO Food Price Index rose to 127.4 points in October 2024. The m-o-m increase was attributed to higher price quotations for all commodities in the index, except for meat.

V. Labor market conditions

Unemployment rate increased slightly to 3.9 percent in October 2024. Nonetheless, it remained lower than last year's rate of 4.2 percent and the 10-year average of 4.9 percent, indicating improving labor market conditions. Underemployment rate also rose to 12.6 percent but remained lower than the 10-year average rate of 14.5 percent. This rise was due to the increases in both visible and invisible underemployment.

Figure 13
Labor Market Indicators
in percent



Source: Philippine Statistics Authority

VI. Monetary operations

The total outstanding amount absorbed in the BSP liquidity facilities reached ₱2.047 trillion, reflecting a 12.0-percent m-o-m and 11.4-percent y-o-y increase. The robust demand for BSP liquidity facilities continued amid ample liquidity in the financial system. Term instruments, namely the BSP bills (BSPB) and the term deposit facilities (TDF), accounted for most of the BSP's monetary operations with a combined share of 63.6 percent.[19] Meanwhile, the overnight RRP facility and

19 Out of the 63.6 percent, BSPB and TDF had shares of about 45.1 percent and 18.6 percent, respectively.

overnight deposit facility (ODF) had shares of 28.5 percent and 7.9 percent, respectively.

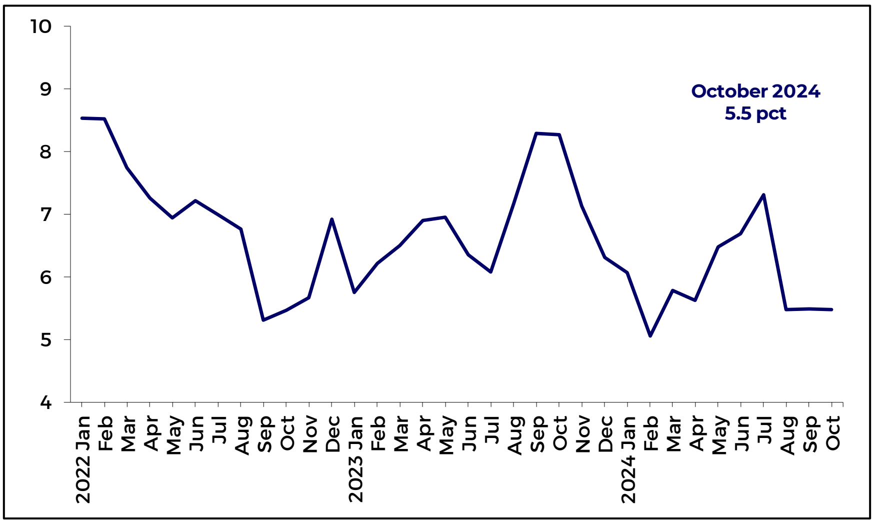
ON RRP Rate. During the 11 December 2024 auction, the ON RRP rate settled at 5.9866 percent, 1.34 bps lower than the target RRP rate of 6.0 percent. The month-to-date average spread between the ON RRP rate and the target RRP rate narrowed to -0.56 bps as of 11 December 2024, a decline from the average of -0.64 bps in the previous month.

TDF and BSPB Interest Rates. Interest rates for the TDF and BSPB have declined since the cumulative 50-bp reductions in the policy rate in August 2024 and October 2024. During the 11 December 2024 TDF auction, the WAIRs for the 7-day and 14-day TDF declined by 48.71 bps to 6.02 percent and by 48.26 bps to 6.06 percent, respectively. Similarly, during the 6 December 2024 BSPB auction, the WAIRs for the 28-day and 56-day BSPBs fell by 37.08 bps to 6.19 percent and by 38.19 bps to 6.20 percent, respectively.

VII. Financial conditions

Domestic liquidity. Preliminary data showed that domestic liquidity (M3) grew by 5.5 percent y-o-y to ₱17.7 trillion in October 2024, maintaining the same pace as the previous month.

Figure 14
Domestic Liquidity
year-on-year; growth rate in percent

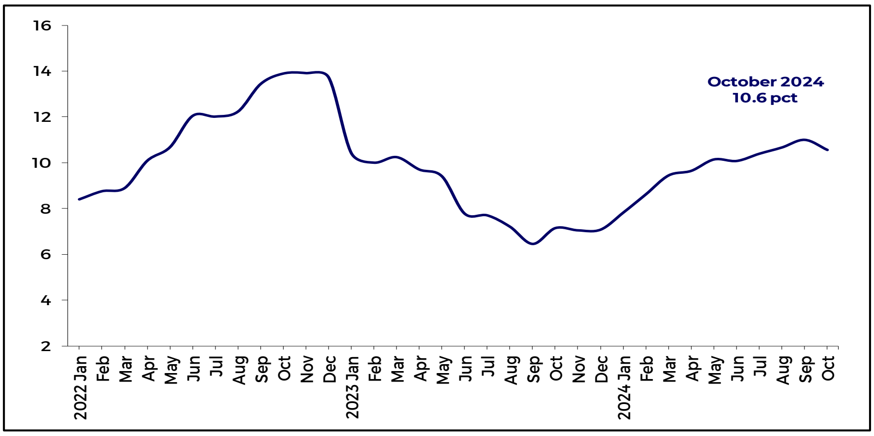


Source: Bangko Sentral ng Pilipinas

The expansion in M3 was driven by an increase in domestic claims, as bank lending to non-financial private corporations and households grew. Net claims on the central government also expanded due to higher borrowings by the NG. On the liabilities side, the growth in time deposits mainly contributed to the increase in M3.

Bank lending. Bank lending sustained double-digit growth, supported by strong demand from households and businesses. Preliminary data showed that outstanding loans of universal and commercial banks (U/KBs), net of RRP placements with the BSP, grew at a slightly slower pace y-o-y in October 2024.

Figure 15
Outstanding Loans of Commercial Banks
year-on-year; growth rate in percent



Source: Bangko Sentral ng Pilipinas

Outstanding loans to residents, net of RRPs, decelerated slightly in October 2024. Meanwhile, outstanding loans to non-residents rose.[20] Loans for production activities increased, driven by loans to key industries such as real estate, wholesale and retail trade, repair of motor vehicles and motorcycles, and manufacturing. Consumer loans to residents grew at a slightly faster rate in October, mainly due to higher credit card and motor vehicle loans.

Credit standards

In Q3 2024, bank respondents reported unchanged credit standards and loan demand from enterprises. Over the next quarter, participating banks anticipate a broadly steady business loan demand.

Lending to enterprises. Survey results showed that majority of respondent banks retained credit standards for firms in Q3 2024. The diffusion index (DI) approach indicated a sustained net tightening of credit standards due to the deterioration of borrowers' profiles and the profitability of banks' portfolios.

[20] Outstanding loans to non-residents include loans extended by U/KBs through their foreign currency deposit units.

Table 21
General Credit Standards for Loans to Enterprises (Overall)

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Tightened considerably	10.0	6.5	10.4	4.3	6.7	4.3	2.1	0.0	0.0	1.9	2.0
Tightened somewhat	16.0	13.0	8.3	12.8	13.3	4.3	10.6	12.0	11.8	11.1	13.7
Remained basically unchanged	**72.0**	**76.1**	**77.1**	**80.9**	**73.3**	**89.1**	**80.9**	**88.0**	**86.3**	**87.0**	**80.4**
Eased somewhat	2.0	4.3	4.2	2.1	6.7	2.2	6.4	0.0	2.0	0.0	3.9
Eased considerably	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100	100	100	100	100	100	100	100	100	100	100
Diffusion index for credit standards	**24.0**	**15.2**	**14.6**	**14.9**	**13.3**	**6.5**	**6.4**	**12.0**	**9.8**	**13.0**	**11.8**
Weighted diffusion index	**17.0**	**10.9**	**12.5**	**9.6**	**10.0**	**5.4**	**4.3**	**6.0**	**4.9**	**7.4**	**6.9**
Mean	2.7	2.8	2.8	2.8	2.8	2.9	2.9	2.9	2.9	2.9	2.9
Number of banks responding	**50**	**46**	**48**	**47**	**45**	**46**	**47**	**50**	**51**	**54**	**51**

Source: Bangko Sentral ng Pilipinas
A positive diffusion index for credit standards indicates that banks that tightened their credit standards outnumbered those that eased ("net tightening"), whereas a negative diffusion index indicates that banks that eased their credit standards outnumbered those that tightened ("net easing").

Lending to households. Modal results indicated that many banks maintained their lending standards for households in Q3 2024. However, the DI method reflected a net tightening of overall credit standards, following unchanged loan standards in the previous quarter. This net tightening was mainly attributed to the deterioration in borrowers' profiles, profitability of banks' portfolios, and banks' lower risk tolerance.

Table 22
General Credit Standards for Loans to Households (Overall)

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Tightened considerably	2.5	5.4	5.4	5.7	3.0	3.0	0.0	0.0	0.0	0.0	2.9
Tightened somewhat	12.5	5.4	10.8	8.6	18.2	9.1	15.6	11.8	11.4	7.9	8.6
Remained basically unchanged	**62.5**	**73.0**	**64.9**	**71.4**	**51.5**	**69.7**	**68.8**	**70.6**	**77.1**	**84.2**	**80.0**
Eased somewhat	17.5	13.5	18.9	14.3	27.3	12.1	12.5	14.7	11.4	7.9	8.6
Eased considerably	5.0	2.7	0.0	0.0	0.0	6.1	3.1	2.9	0.0	0.0	0.0
Total	100	100	100	100	100	100	100	100	100	100	100
Diffusion index for credit standards	**-7.5**	**-5.4**	**-2.7**	**0.0**	**-6.1**	**-6.1**	**0.0**	**-5.9**	**0.0**	**0.0**	**2.9**
Weighted diffusion index	**-5.0**	**-1.4**	**1.4**	**2.9**	**-1.5**	**-4.5**	**-1.6**	**-4.4**	**0.0**	**0.0**	**2.9**
Mean	3.1	3.0	3.0	2.9	3.0	3.1	3.0	3.1	3.0	3.0	2.9
Number of banks responding	**40**	**37**	**37**	**35**	**33**	**33**	**32**	**34**	**35**	**38**	**35**

Source: Bangko Sentral ng Pilipinas
A positive diffusion index for credit standards indicates that more banks have tightened their credit standards compared to those that eased ("net tightening"), whereas a negative diffusion index for credit standards indicates that more banks have eased their credit standards compared to those that tightened ("net easing").

For Q4 2024, modal results showed that majority of respondent banks expect unchanged household loan standards. Similarly, the DI method indicated that banks anticipate steady lending standards with expectations of unchanged risk tolerance and stable borrower profiles.

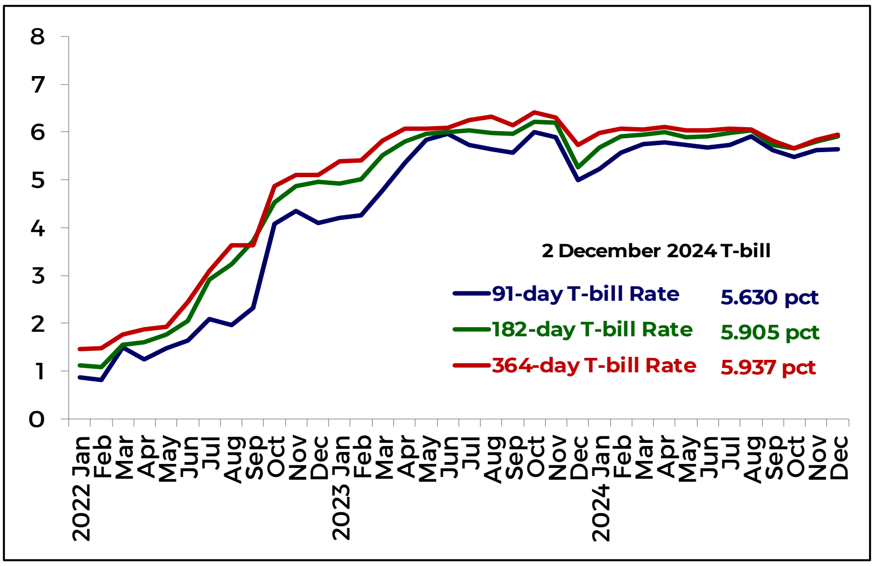
Loan demand. For Q3 2024, modal approach results showed a slight decrease in the percentage of banks indicating unchanged household loan demand. Meanwhile, the DI approach suggested a higher net increase in household loan demand, driven mainly by higher household consumption and favorable financing terms offered by banks.[21]

For Q4 2024, modal results indicated that most respondent banks expect steady demand for household credit. However, DI results showed banks' expectations of a net increase in household loan demand due to higher household consumption and more favorable lending terms.

Capital markets

Primary government securities market and rates. During the 2 December 2024 Treasury bill (T-bill) auction, the average interest rates for the 182-day and 364-day T-bills rose by 2.3 bps and 3.2 bps, respectively. Meanwhile, the 91-day T-bill rate declined by 1.7 bps from the rate fetched during the 25 November 2024 auction.

Figure 15
Treasury Bill Rates
in percent



Source: Bureau of the Treasury

The Bureau of the Treasury (BTr) Auction Committee fully awarded the offered amount of ₱5.0 billion each for the 91-day, 182-day, and 364-day T-bills. Total tenders

[21] The BSP's Q3 2024 Consumer Expectations Survey (CES) indicated that consumer sentiment improved due to expectations of: (a) higher income from wages/salaries, remittances, and other sources; (b) additional sources of income; (c) permanent employment and more available jobs; and (d) additional working family members.

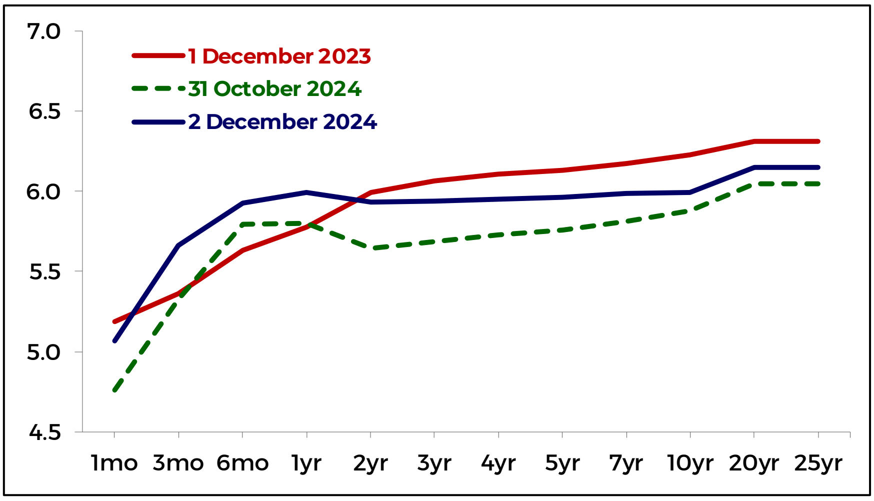
for all maturities reached ₱57.8 billion, about 3.9 times the total amount offered of ₱15.0 billion.

On 26 November 2024, the BTr fully awarded ₱15 billion of the reissued 5-year Treasury bonds (T-bonds) with a remaining life of four years and five months. The T-bond fetched an average rate of 5.954 percent, lower by 20.2 bps from the 6.156 percent average interest rate quoted for the same tenor during the 13 February 2024 auction. The auction was oversubscribed with tenders reaching around ₱55.8 billion, or 3.7 times the offered amount.

Secondary market government securities yield curve. On 2 December 2024, secondary market GS yields increased relative to end-October 2024, driven by the continued cautious sentiment among market participants ahead of the release of key economic indicators such as the November CPI data on 5 December 2024 and US jobs data on 6 December 2024. Additionally, the recent victory of Donald J. Trump contributed to the rise in yields, as market participants anticipated inflationary effects from his proposed tariffs and pro-US growth policies. As a result, the generally negative spreads in the secondary market rates over the BSP overnight RRP rate narrowed.

As of 2 December 2024, the spreads between the 10-year and 1-year GS rates and the 10-year and 5-year GS rates marginally narrowed to 0.2 bp (from 7.6 bps as of end-October 2024) and 3.1 bps (from 11.6 bps as of end-October 2024), respectively. This narrowing was due to the larger increase in the 1-year and 5-year GS rates relative to the rise in the 10-year GS rate.

Figure 17
Yields of Government Securities in the Secondary Market
in percent



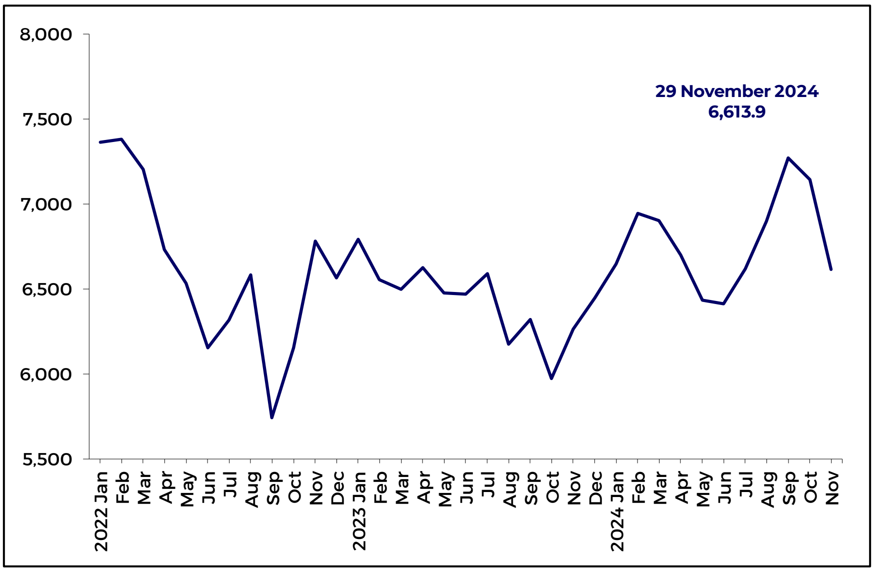
Source: Bloomberg

Stock market. The Philippine Stock Exchange Index (PSEi) closed below the 7,000-mark at 6,613.9 index points on 29 November 2024. The decline in the index was attributed to increased investor uncertainty following the results of the 2024 US elections. On the domestic front, the lower-than-expected Q3 2024 GDP growth,[22]

[22] The Philippine GDP posted a year-on-year growth of 5.2 percent in the third quarter of 2024, lower than the 6.0 percent recorded in the same period last year. This brings the country's annual GDP growth rate to 5.8 percent, lower than the government's target of 6.0-7.0 percent for the year. (psa.gov.ph)

declines in the country's gross international reserves (GIR)[23] and foreign direct investments (FDIs), and the lower growth forecast of Fitch Solutions' Business Monitoring International (BMI) unit also weighed on the PSEi.[24] However, positive investor sentiment amid expectations of a BSP monetary policy interest rate cut in December, S&P's upgraded credit rating outlook for the country,[25] and Goldman Sachs' "overweight" rating on the PSEi[26] probably helped temper the decline in the local bourse.

Figure 18
Philippine Stock Exchange Index
index points



Sources: Philippine Stock Exchange; Bangko Sentral ng Pilipinas

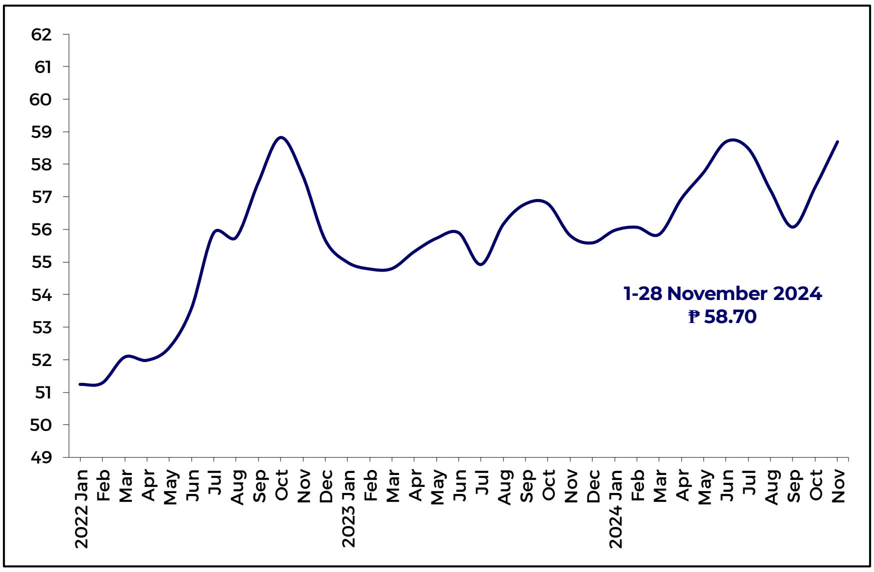
Exchange rate. For the period 1-28 November 2024, the peso averaged ₱58.70/US$1, depreciating by 2.37 percent against the September average. The peso depreciated in October and November due to the broad strengthening of the US dollar after the US Fed signaled that there was no urgency to ease policy rates further.[27] Concerns about the inflationary impact of US President-elect Donald J. Trump's economic policies also weighed on the peso. On the domestic front, the peso's depreciation was influenced by the slower GDP growth in Q3 2024, higher outstanding NG debt in September, a wider trade-in-goods deficit in September, a larger balance of payments deficit in October, and increased political uncertainty.

[23] The country's GIR level, based on preliminary data, settled lower at US$112.4 billion as of end-October 2024 from the end-September 2024 level of US$112.7 billion. (bsp.gov.ph)
[24] Fitch Solution's BMI unit lowered its GDP growth forecast for the Philippines from 6.0 percent to 5.8 percent for 2024.
25 S&P Global Ratings affirmed the Philippines' investment grade rating and raised its outlook to from 'stable' to 'positive', reflecting the economy's strong growth potential. (bworldonline.com)
26 Overweight rating indicates that the PSEi is expected to outperform its stock market peers.
[27] Chairman Jerome Powell stated that strong economic activity, a resilient labor market, and moderating inflation allow the US Fed to slow the pace of its monetary policy easing. US inflation rose to 2.6 percent (year-on-year) in October from 2.4 percent in September. Similarly, the seasonally adjusted US Producer Price Index increased by 0.2 percent (month-on-month) in October 2024 from 0.1 percent in September. Meanwhile, initial US jobless claims decreased to 217,000 for the week ending 9 November from previous week's 221,000. (US DOL, US BLS, Bloomberg)

Nonetheless, the peso's depreciation was partly tempered by sustained structural FX inflows from FDIs and foreign portfolio investment, and higher overseas Filipinos remittances.

On a year-to-date basis, the peso closed at ₱58.67/US$1 on 28 November 2024, depreciating by 5.63 percent against the US dollar.

Figure 19
Peso-Dollar Rate
PHP/USD



Source: Reference Exchange Rate Bulletin

On a real trade-weighted basis, the peso gained external price competitiveness y-o-y in October 2024, as reflected in the decline in the real effective exchange rate (REER) indices against the currency baskets of all trading partners, partners in AEs, and partners in developing countries.[28] The real depreciation of the peso was primarily driven by the sustained strength of the US dollar.[29]

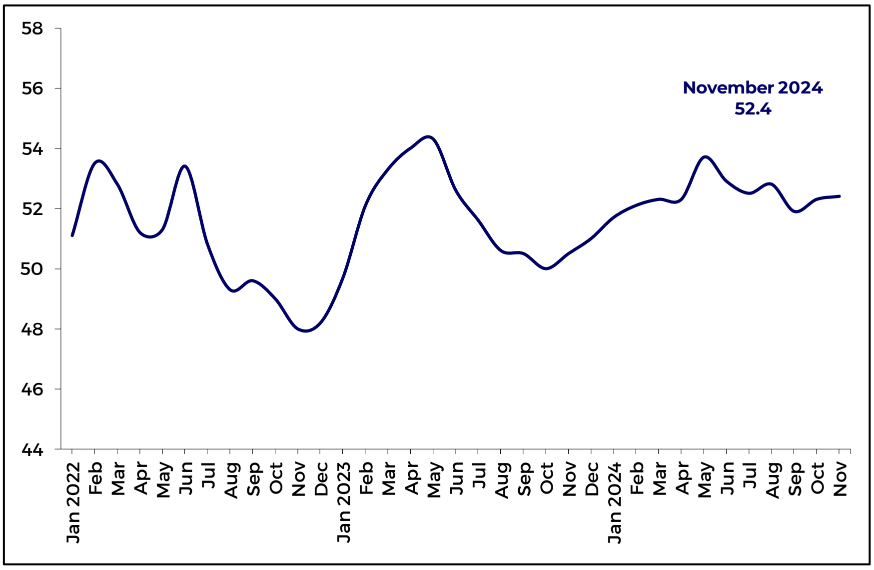
VIII. External developments

Global economic activity expanded amid subdued demand and renewed business optimism. In November 2024, the JP Morgan All-Industry Output Index increased as economic activity in the service and manufacturing sectors improved. Business activity in the service sector continued to rise due to higher output in the business, consumer, and financial service sub-industries. Manufacturing activity also expanded after contracting in October, driven by increased demand for consumer goods ahead of the holiday season. Among the surveyed countries, India, Ireland,

[28] The Trading Partners Index (TPI) measures the nominal and real effective exchange rates of the peso against the currencies of 14 major trading partners of the Philippines, which include the US, euro area, Japan, Australia, China, Singapore, South Korea, Hong Kong, Malaysia, Taiwan, Indonesia, Saudi Arabia, United Arab Emirates (UAE), and Thailand. The TPI-Advanced measures the effective exchange rates of the peso across currencies of trading partners in advanced countries, consisting of the US, Japan, euro area, and Australia. The TPI-Developing measures the effective exchange rates of the peso across 10 currencies of partner developing countries, which include China, Singapore, South Korea, Hong Kong, Malaysia, Taiwan, Indonesia, Saudi Arabia, UAE, and Thailand.
[29] The REER index represents the peso's nominal effective exchange rate (NEER), adjusted for inflation rate differentials with the countries whose currencies comprise the NEER index basket. Meanwhile, the NEER index represents the weighted average exchange rate of the peso vis-à-vis a basket of foreign currencies.

and the US saw strong expansion rates, while business activity in the euro area remained in contraction.[30]

Figure 20
JP Morgan Global All-Industry Output Index
index points



Source: Marikit Economics

In its October 2024 World Economic Outlook (WEO) Update, the International Monetary Fund (IMF) maintained its 2024 global economic growth projection at 3.2 percent, unchanged from the forecast in the July WEO Update. The outlook reflects stronger growth in the US, which more than offsets deteriorating growth prospects in other advanced economies (AEs). In emerging market and developing economies (EMDEs), downward revisions caused by weather-related disruptions in Central Asia and heightened geopolitical tensions in the Middle East were mitigated by upgrades in emerging Asia (EA). The higher growth forecasts for EA were driven primarily by increased demand for semiconductors and electronics amid significant investments in artificial intelligence.

Overall, risks to the global outlook are tilted to the downside. The following downside risks to the revised growth forecasts have gained more prominence:

1. Monetary policy tightening having a greater-than-expected impact on global economic activity.
2. Repricing of financial markets.
3. Rising sovereign debt distress in EMDEs.
4. China's property sector contracting more than expected.
5. Renewed spikes in commodity prices due to climate shocks, regional conflicts, and broader geopolitical tensions.
6. Protectionist policies.
7. Social unrest.

[30] JP Morgan Global Composite PMI, https://www.pmi.spglobal.com/. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease.

Nonetheless, more favorable outcomes for global growth remain plausible, including:

1. Stronger recovery in investment in AEs.
2. Accelerated implementation of structural reforms.

Policy actions by other central banks. In their December 2024 meetings, the Reserve Bank of India and the Reserve Bank of Australia maintained their respective key policy rates.