

## Republic of the Philippines

**Composite Rating:** BBB

**Bond/s:** ROP 1.648 31, ROP 1.950 32

**Outlook:** Positive

### Country Overview

- The Philippines is the world's 34<sup>th</sup> largest economy with an estimated GDP of about USD 470 billion. As of 2024, services make up 65.8 percent of the total GDP while manufacturing accounts for 17.9%. Electronic products captured 56.9% of its exports goods followed by agricultural products (8.7%) and minerals (4.7%). The country's natural resources are timber, petroleum, nickel, cobalt, silver, gold, salt, and copper.
- As of 2023, the Philippines main export partners are USA (15.7%), ASEAN (15.2%), China (14.8%), and Japan (14.2%).

### Macro Fundamentals

- One of the fastest growing economies in the world, the Philippines is expected to grow by 6.2% in 2025 and 2026, underpinned by a resurgence in capital formation, infrastructure spending, and consumer spending.
- We project a 50-basis-point rate cut to 5.25% by 2025 given the steady improvement in the inflation rate, which is expected to decline to 3% in 2025 amid deceleration from lower retail prices.
- The current account deficit is expected to narrow, driven by lower a fiscal deficit as the government targets a decreased debt-to-GDP in the succeeding years.

### Risk & Catalysts

- The economy is driven by strong consumer spending bolstered by a young population and remittances sent home by 10.2 million overseas Filipino migrant workers.
- US President Donald Trump's tariff could affect trade in the Philippines, possibly leading to wider deficits.
- The upside risks to inflation may come from persistent FX weakness but it could be offset by weaker energy prices.
- A significant proportion of the labor force is still employed in the informal economy, which limits the tax revenues for the government.

## Key Macro Indicators

|                    | FY2021 | FY2022 | FY2023 | FY2024 | 2025F |
|--------------------|--------|--------|--------|--------|-------|
| Real GDP Growth    | 5.70%  | 7.60%  | 5.50%  | 5.80%  | 6.20% |
| Inflation Rate     | 3.90%  | 5.80%  | 6.00%  | 3.30%  | 3.00% |
| Policy Rate        | 2.00%  | 5.50%  | 6.50%  | 5.75%  | 4.25% |
| Fiscal Balance/GDP | -6.20% | -5.50% | -4.40% | -3.90% | -     |
| Debt-to-GDP        | 60.40% | 60.90% | 60.10% | 62.05% | -     |
| Reserves/Import    | 8.55x  | 7.68x  | 7.78x  | 7.43x  | -     |

Sources: International Monetary Fund (IMF), Metrobank Research

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