

Republic of the Philippines

Composite Rating: BBB

Outlook: Positive

Bond/s: ROP 1.648 31, ROP 1.950 32

YTM: 4.734%, 4.961%

Country Overview

- The Philippines is the world's 34th 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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