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PHILIPPINES

December 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE PHILIPPINES

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with the Philippines, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 24, 2025 consideration of the staff report that concluded the Article IV consultation with the Philippines.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 24, 2025, following discussions that ended on October 1, 2025, with the officials of the Philippines on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 7, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for the Philippines.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR25/418

IMF Executive Board Concludes 2025 Article IV Consultation with the Philippines

FOR IMMEDIATE RELEASE

- *The Philippines' growth is expected to slow to 5.1 percent in 2025 as increasing tariffs weigh on exports and investment, before picking up moderately to 5.6 percent in 2026, a downward revision relative to previous forecasts due to sharper-than-expected slowdown in 2025Q3.*
- *Inflation declined amid a restrictive monetary policy stance and concerted efforts by the government to reduce food prices. Inflation is projected to average 1.7 percent in 2025 then pick up to 2.8 percent in 2026 as negative base effects recede.*
- *Gradual fiscal consolidation over the medium term will help reinforce fiscal space. Accelerated implementation of structural and governance reforms would support investor confidence and raise fiscal multipliers and potential growth.*

Washington, DC – December 14, 2025: On November 24, 2025, the Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation[1] with the Philippines. The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

Growth rose to 5.7 percent in 2024 on strong public consumption and investment but moderated to 5.4 percent in the first half of 2025 amid strong imports and an election-related public spending ban. Real GDP growth slowed down sharply in the third quarter (4.0 percent year-on-year) driven by weaker-than-anticipated growth in gross fixed capital formation and private consumption. Inflation declined amid a restrictive monetary policy stance and concerted efforts by the government to reduce food prices. Headline and core inflation averaged 1.7 and 2.4 percent (year-on-year) in 2025 as of October, respectively. The current account deficit widened to 4.0 percent of GDP in 2024 on weak exports and a rise in outbound tourism. Domestic financial conditions have eased amid a more accommodative monetary policy stance, and the real policy rate has declined to the estimated natural rate, but equity prices are subdued.

Growth is expected to slow to 5.1 percent in 2025 as increasing tariffs weigh on exports and investment, before picking up moderately to 5.6 percent in 2026, a downward revision relative

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the Philippines and the IMF page.

700 19th Street NW
Washington, DC 20431
USA

to previous forecasts due to sharper-than-expected slowdown in 2025Q3. Potential growth is estimated to be around 6.0 percent over the medium term. Inflation is projected to average 1.7 percent in 2025 then pick up to 2.8 percent in 2026 as negative base effects recede. The current account deficit is expected to narrow slightly to 3.8 percent and 3.4 percent in 2025 and 2026 respectively, amid lower commodity prices. The risks to the near-term growth outlook are tilted to the downside. The main external risks stem from prolonged global trade policy uncertainty, geopolitical tensions, and disruptive financial market corrections. On the domestic front, more frequent and intense climate shocks would cause notable macroeconomic losses. On the upside, accelerated implementation of structural and governance reforms would support investor confidence and raise fiscal multipliers and potential growth. Risks around inflation are broadly balanced.

Executive Board Assessment[3]

Executive Directors commended the authorities' well calibrated macroeconomic policies and reforms, which have supported successful disinflation and resilient growth amid external headwinds. However, Directors concurred that the balance of risks to the growth outlook is tilted to the downside amid uncertainty from global trade policies, corruption allegations related to flood control projects, and extreme climate events. Directors underscored the need to continue prioritizing governance reforms, greater private investment, economic diversification, and resilience to climate shocks to sustain inclusive growth.

Directors welcomed the authorities' plan to implement gradual fiscal consolidation over the medium term, which will help reinforce fiscal space and external balance and support a growth friendly strategy. They encouraged the implementation of concrete and durable tax and expenditure measures to limit the need for restraint in priority spending. Efforts to enhance public financial management and raise spending efficiency remain critical, including strengthening overall investment management and procurement to enhance accountability and governance. A number of Directors suggested embedding fiscal targets in a formal fiscal rule.

Directors agreed that the monetary policy stance should remain accommodative amid elevated downside risks to growth and well anchored inflation expectations, and welcomed the authorities' data dependent approach. Directors urged the authorities to continue to allow the exchange rate to play its role as a shock absorber with any interventions used on a temporary basis to address disorderly market conditions. They encouraged continued efforts to deepen capital markets and enhance monetary policy transmission.

Directors concurred that overall systemic financial risks remain moderate but encouraged close monitoring of vulnerabilities in the real estate sector, interconnectedness between banks and complex conglomerate structures, and fast-growing consumer credit including through NBFIs and digital finance. They advised the authorities to enhance the macroprudential policy framework to help preempt the build-up of vulnerabilities and raise buffers. Directors welcomed the Philippines' successful exit from the Financial Action Task Force grey list while noting that advancing AML/CFT efforts should remain a priority.

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[3] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing up can be found here: https://www.imf.org/external/np/sec/misc/qualifiers.htm

Directors welcomed recent reforms to improve the business environment and encouraged the authorities to build on these reform efforts by ensuring their effective implementation. Directors also recommended reducing infrastructure and energy gaps and promoting foreign direct investment and productivity. They acknowledged the authorities' efforts to develop deep trade agreements to further enhance global value chain integration and resilience, while noting the need to further lower non-tariff barriers. Directors emphasized the importance of strengthening governance and the rule of law, reducing corruption vulnerabilities, and enhancing human capital and workforce skills to support inclusive and sustainable growth. In view of the Philippines' vulnerability to extreme climate events, Directors welcomed the authorities' efforts to increase resilience to climate shocks and integrate climate risks into policy frameworks.

Table 1. Philippines: Selected Economic Indicators, 2023–2028[4]

Demographic: population (2024): 112.9 million; life expectancy at birth (2023): 69.8
Poverty in percent of population: below $2.15 a day (2023): 5.3; below the national poverty line (2023): 15.5.
Inequality (2023, income shares): top 10 percent: 31.6; bottom 20 percent: 6.9.
IMF quota: SDR 2,042.9 million.
Main export products: electronics, mineral, agro-based products, equipments and chemicals.

	2023	2024	2025 Est.	2026 Proj.	2027 Proj.	2028 Proj.
	(Annual percentage change, unless otherwise indicated)					
National account						
Real GDP	5.5	5.7	5.4	5.8	6.1	6.0
Consumption	4.7	5.3	5.0	5.2	5.5	5.6
Private	5.5	4.9	5.7	5.7	5.8	5.8
Public	0.3	7.3	1.4	2.3	3.4	4.5
Gross fixed capital formation	8.2	6.3	5.7	6.9	8.4	7.5
Final domestic demand	5.4	5.5	5.1	5.5	6.1	6.0
Net exports (contribution to growth)	0.0	-0.7	-0.2	-0.3	-0.6	-0.6
Real GDP per capita	4.6	4.8	4.3	4.7	5.0	4.9
Output gap (percent, +=above potential)	0.2	0.0	-0.4	-0.3	-0.1	0.0
Labor market						
Unemployment rate (percent of labor force)	4.4	3.8	3.9	3.9	3.8	3.8
Underemployment rate (percent of employed persons)	12.3	11.9	…	…	…	…
Employment	2.8	1.4	1.8	1.8	1.8	1.8
Price						
Consumer prices (period average)	6.0	3.2	1.7	2.8	3.0	3.0
Consumer prices (end of period)	3.9	2.9	1.7	3.0	3.0	3.0
Core consumer prices (period average)	6.6	3.0	2.4	2.6	2.8	3.0
Residential real estate (Q4/Q4)	3.2	9.8	…	…	…	…
Money and credit (end of period)						
Overnight reverse repo rate (policy rate)	6.5	5.8	…	…	…	…
Claims on private sector (in percent of GDP)	48.3	49.9	51.3	51.4	51.8	52.3
Claims on private sector (yoy growth rate)	9.1	12.2	10.1	8.5	9.8	9.7
Monetary base	5.5	0.6	-3.1	4.1	5.3	5.2
Broad money	7.4	7.7	5.0	6.5	6.8	7.2
Public finances (in percent of GDP)						
National government overall balance 1/	-6.1	-5.7	-5.4	-5.2	-4.7	-4.2
Revenue and grants	15.7	16.7	16.1	16.2	16.2	16.3
Total expenditure	21.8	22.4	21.5	21.4	20.9	20.5
National government gross debt	60.1	60.7	62.2	62.7	62.5	61.8
Balance of payments (in percent of GDP)						
Current account balance	-2.8	-4.0	-3.8	-3.4	-3.1	-2.9
Direct Investment, net	-1.2	-1.4	-1.4	-1.4	-1.4	-1.5
Total external debt	28.7	29.8	31.9	32.3	32.5	32.5
Gross reserves						
Gross reserves (US$ billions)	103.8	106.3	107.3	106.5	105.0	103.3
Gross reserves (percent of short-term debt, remaining maturity)	401.5	390.3	382.8	365.9	332.4	304.9
Memorandum items:						
Nominal GDP (US$ billions)	437.1	461.6	494.3	535.5	582.3	632.8
Nominal GDP per capita (US$)	3,905	4,089	4,322	4,633	4,985	5,360
GDP (in billions of pesos)	24,314	26,446	28,320	30,682	33,363	36,253
Real effective exchange rate (2010=100)	113.1	113.7	…	…	…	…
Peso per U.S. dollar (period average)	55.6	57.3	…	…	…	…

Sources: Philippine authorities; World Bank; and IMF staff estimates and projections.
1/ IMF definition with privatization receipts, equity, and net lending excluded.

[4] Data in this table is based on information available as of November 7, 2025. See the Statement by the IMF Staff Representative (November 24, 2025) for more information.

PHILIPPINES

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

November 7, 2025

KEY ISSUES

Context. The Philippine economy has achieved successful disinflation on the back of a well-calibrated monetary policy tightening cycle and concerted government measures to reduce food prices. Domestic demand, underpinned by public spending, has been resilient, supporting headline growth. The Philippines is affected by the recent increase in global trade barriers, though its direct exposures remain relatively limited, playing a mitigating role. Growth is expected to remain robust but below its potential in the near term amid heightened external challenges, while inflation is expected to remain muted. Risks are tilted to the downside, stemming from rising global trade barriers and policy uncertainty, while natural disasters continue to pose important macroeconomic risks.

Policy Recommendations.

- *Fiscal Policy*. A more gradual pace of fiscal consolidation, in line with the authorities' revised fiscal plans, is appropriate, given a weaker growth outlook and existence of some fiscal space. Fiscal consolidation remains important to reinforce fiscal space and should be underpinned by new tax and expenditure measures to improve its sustainability and quality. Efforts to improve public financial management, manage fiscal risks, and strengthen the medium-term fiscal framework should continue.

- *Monetary Policy*. An accommodative monetary policy stance is appropriate amid a benign inflation outlook, and elevated risks to growth. Natural disasters pose an important tradeoff for monetary policy and efforts to incorporate such shocks in the BSP's policy framework remain important.

- *Financial Policies*. Overall systemic risk is moderate and broadly unchanged since last year. Continued vigilance is warranted against vulnerabilities in the real estate, consumer credit, and manufacturing sectors. Efforts to enhance macroprudential frameworks (e.g., reforms to the countercyclical capital buffer) and strengthen financial supervision and regulation related to conglomerates, non-bank financial institutions (NBFIs), and crypto assets should continue. Advancing Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) efforts should remain a priority.

- *Structural Policies*. Continued reforms to enhance investment and productivity are critical. Reforms can focus on addressing gaps in connectivity infrastructure, energy, and climate resilience, easing constraints on doing business, enhancing trade integration, tackling corruption, and strengthening governance and human capital.

Approved By
Nada Choueiri (APD) and Eugenio Cerutti (SPR)

Discussions took place in Manila and Puerto Princesa City during September 18-October 1, 2025. The mission comprised Elif Arbatli Saxegaard (Mission Chief), Denis Petrus Johannes Botman (Resident Representative), Yinqiu Lu, Margaux MacDonald, and Jeongwon Son (all APD). Staff in the office of the Resident Representative supported the mission. Idwan Hakim, and Maria Cynthia Sison (OED) joined some of the meetings. Agnes Isnawangsih, Shutong Niu, and Patricia Tanseco (all APD) contributed to the preparation of this report.

CONTENTS

CONTEXT 4

RECENT ECONOMIC DEVELOPMENTS 5

OUTLOOK AND RISKS 8

POLICY DISCUSSIONS 10

A. Fiscal Policies 10

B. Monetary and Exchange Rate Policies 16

C. Financial Sector Policies 18

D. Downside Risks and Contingent Policies 22

E. Structural Policies 23

STAFF APPRAISAL 26

FIGURES

1. Recent Macroeconomic Developments 28
2. Inflation 29
3. Labor Market 30
4. External Sector 31
5. Monetary and Financial Conditions 32
6. Macrofinancial Linkages 33
7. Fiscal Developments 34
8. Poverty and Business Environment 35
9. Climate Change and Natural Hazards 36
10. Structural Transformation 37

TABLES

1. Selected Economic Indicators, 2023-28 38
2. National Government Cash Accounts, 2023-28 39

3. General Government Operations, 2023-28 ____ 40
4. Depository Corporation Survey, 2019–24 ____ 41
5. Balance of Payments, 2023–28 ____ 42
6. Medium-Term Outlook, 2024-30 ____ 43
7. Financial Soundness Indicators, 2020-25 ____ 44
8. Indicators of External Vulnerability, 2023-28 ____ 45

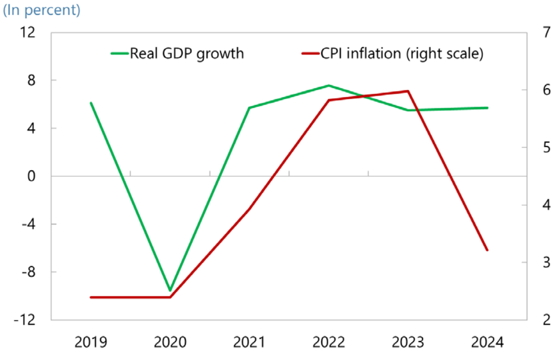
ANNEXES

I. Implementation of Main Recommendations of the 2024 Article IV Consultation ____ 46
II. External Sector Assessment ____ 48
III. Risk Assessment Matrix ____ 51
IV. Sovereign Risk and Debt Sustainability Assessment ____ 53
V. Integration of Capacity Development and Surveillance ____ 61
VI. Data Issues ____ 65
VII. Implementation of FSAP Recommendations ____ 67

CONTEXT

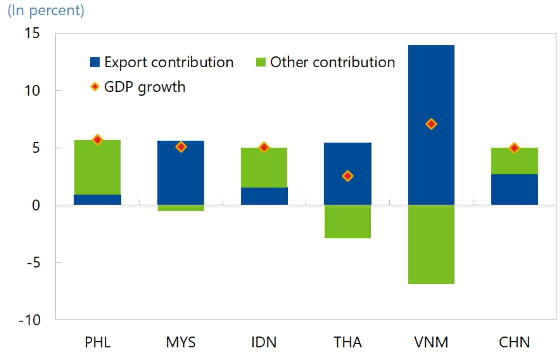
1. The Philippine economy has achieved successful disinflation, and growth has been resilient despite external headwinds. Inflation declined to within the Bangko Sentral ng Pilipinas's (BSP) target range in 2024, following monetary policy tightening and concerted government measures to reduce food prices. Domestic demand, underpinned by public spending, supported growth, while exports remained subdued, and the current account deficit widened. The poverty rate has been trending down, though it remains high at 15.5 percent in 2023. Policies have been broadly in line with past Article IV policy advice (Annex I), yet implementation of reforms to raise tax revenues and progress with devolution and military and uniformed personnel (MUP) pension reforms have been slow.

GDP Growth and CPI Inflation
(In percent)



Source: IMF, World Economic Outlook.

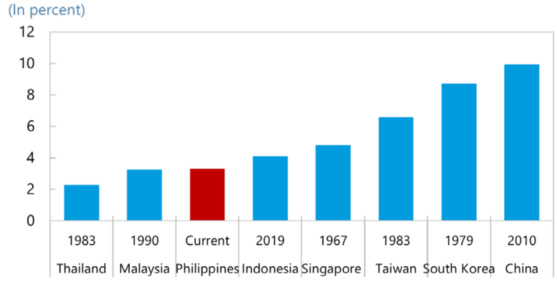
Export Contribution To Growth, 2024
(In percent)



Sources: IMF, World Economic Outlook; and IMF staff calculations.

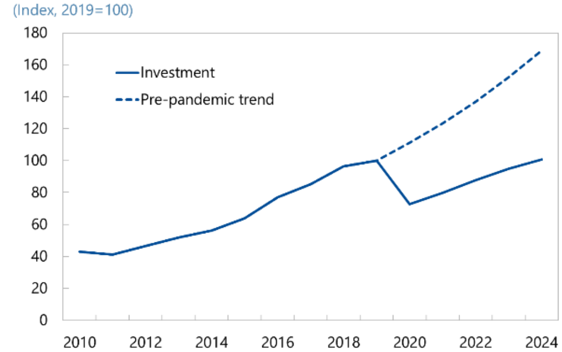
2. To sustain robust and inclusive growth, the authorities are prioritizing private investment, economic diversification, and resilience. The Philippines is on its way to achieve upper middle-income status and aims to become a high-income country, which will require sustaining high growth rates. With investment significantly below its pre-pandemic trend, the authorities have appropriately prioritized critical infrastructure projects, alongside legislative reforms to support private investment. Increasing renewable energy capacity and enhancing resilience to natural disasters (to which the Philippines is highly exposed) are additional critical elements of the authorities' development strategy.

Average GDP Per Capita Growth 10 Years Prior to Achieving Upper-Middle Income Status
(In percent)



Sources: Haver Analytics; and IMF staff estimates.
Note: Year indicates when country first acheived Upper Middle Income Status ($4,466-$13,845); 10 year average includes the year GDP per capita first exceed the UMI threshold.

Investment
(Index, 2019=100)

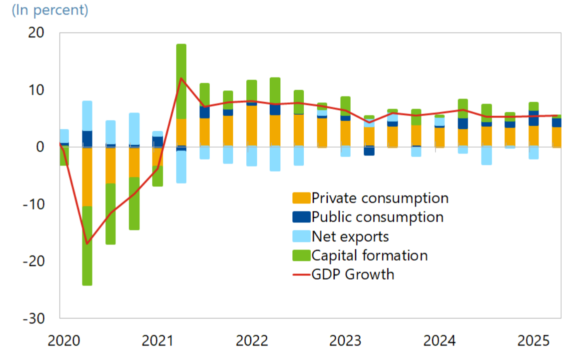


Sources: IMF, World Economic Outlook; and IMF staff calculations.

RECENT ECONOMIC DEVELOPMENTS

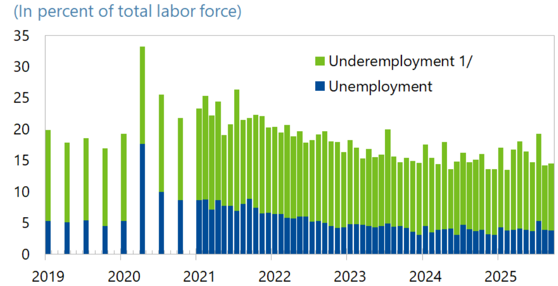
3. **Growth slowed in the first half of 2025**. Growth has moderated from 5.7 percent in 2024 to 5.4 percent yoy in 2025 H1 amid strong imports and an election-related public spending ban in the second quarter (Figure 1).[1] Unemployment has been low, averaging 4.1 percent in 2025Q1-Q3, but there are indications of slack in the labor market, with high underemployment (Figure 3). Real wages continued to increase in 2024, but remained below pre-pandemic levels, reflecting broader labor productivity trends. High-frequency indicators point to muted growth momentum in H2, with weak manufacturing activity and foreign direct investment (FDI), a deterioration in business confidence, and disruptions caused by flooding and typhoons. In July 2025, President Marcos disclosed allegations of corruption in publicly funded flood-control projects and formed an independent investigation commission. Senate hearings have led to further details implicating legislators and government officials.

Contribution to Growth
(In percent)



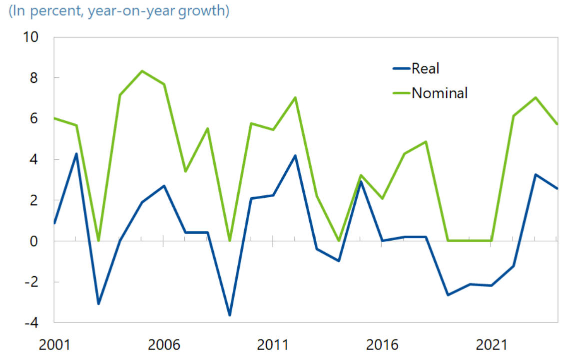
Sources: Haver Analytics; and IMF staff calculations.

Unemployment and Underemployment Rate
(In percent of total labor force)



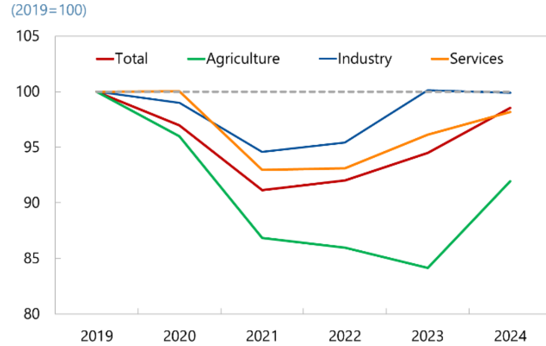
Sources: Philippine Statistics Authority; and IMF staff calculations.
1/ Employed persons who expressed the desire to have additional hours of work in their present job, or an additional job, or a new job with longer working hours are considered underemployed.
Note: Since 2021 data is available at a monthly frequency.

Average Daily Wages for Non-Agricultural Workers
(In percent, year-on-year growth)



Source: Department of Labor and Employment Philippines.

Post-Pandemic Labor Productivity, by Sector
(2019=100)

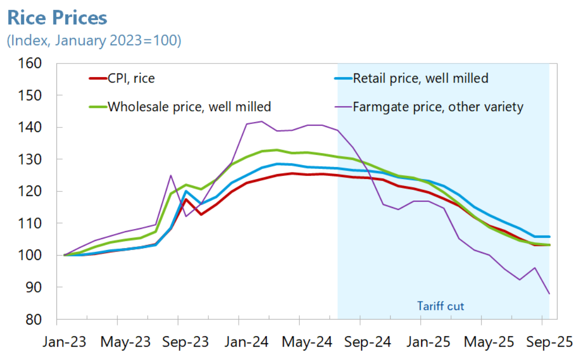


Sources: PSA via Haver Analytics; and IMF staff calculations.

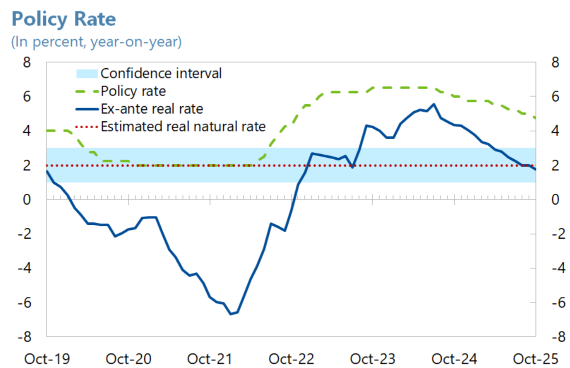
4. **Inflation declined amid a restrictive monetary policy stance and concerted efforts by the government to reduce food prices**. The BSP's tighter monetary policy stance, administrative measures to lower food prices (e.g., lower tariff on rice) and easing global commodity prices helped

[1] From the national accounts, the distinction between public and private investment is reported only for the construction component of gross capital formation, see Annex VI.

reduce inflation from 6.0 percent in 2023 to 3.2 percent in 2024. Headline inflation averaged 1.7 percent in 2025Q1-Q3 reflecting lower food and transport prices (Figure 2); and core inflation remained low at 2.4 percent during the same period.

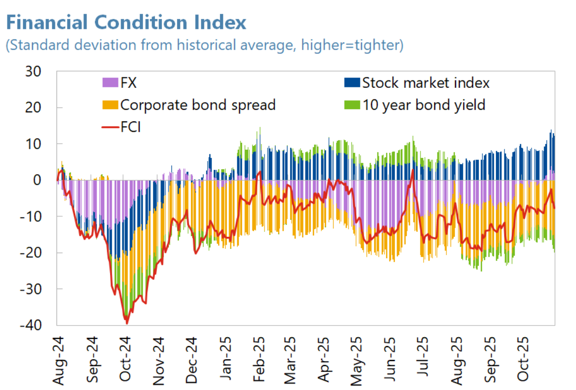


Sources: PSA; and IMF staff calculations.

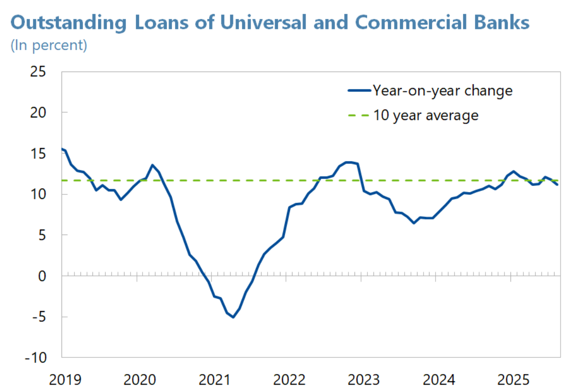


Source: IMF staff calculations.
Note: Ex-ante rate is calculated using staff's inflation forecast.

5. **Domestic financial conditions have eased but are still moderately tight**. Since August 2024, a 175-bps reduction in the policy rate and a 450-bps reduction in the reserve requirement ratio (RRR) have helped ease financial conditions, and the real policy rate has declined to the estimated natural rate. Equity prices rose in 2024 along with policy easing but declined significantly since then amid global trade policy shocks and recent allegations of corruption related to flood-control projects, while credit growth picked up towards its historical average (Figure 6). Financial conditions have fluctuated since 2025Q1, largely reflecting developments in the exchange rate and equity prices.



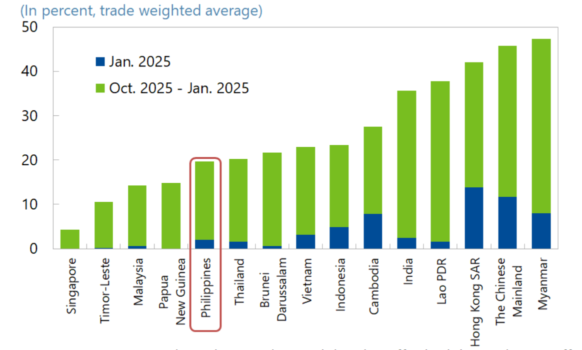
Sources: Bloomberg LP; and IMF staff calculations.



Sources: BSP; and IMF staff calculations.

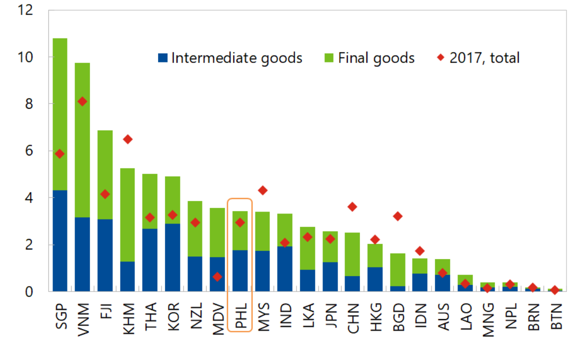
6. **The Philippines is facing negative spillovers from higher global trade barriers**. While the details are not yet finalized, the Philippines' trade agreement with the U.S. implies that its goods exports will be subject to a 19 percent tariff rate. This corresponds to an effective tariff rate of about 19 percent, with 20 percent of exports assumed to be currently exempt (e.g., semi-conductors) and some products subject to higher product-specific tariffs. Staff estimate the direct growth impact of higher US tariffs to be about 0.1-0.3 percentage points (ppt), however, the indirect impact of higher global trade barriers—through lower trading partner growth and elevated trade policy uncertainty—are potentially larger.

Tariff Rates on Exports to the United States
(In percent, trade weighted average)



Sources: WTO; Integrated Database and Consolidated Tariff Schedules; and IMF staff calculations.

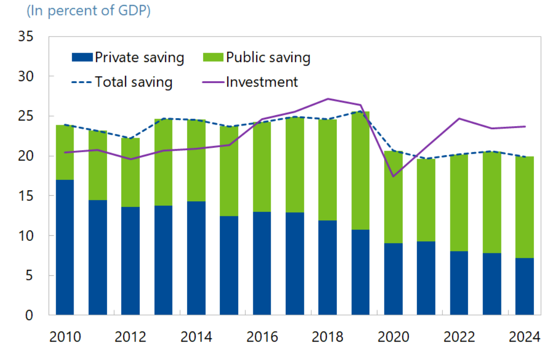
Domestic Value Added in Exports of Goods to the US, 2023
(In percent of GDP)



Sources: ADB MRIO Tables; and IMF staff calculations.

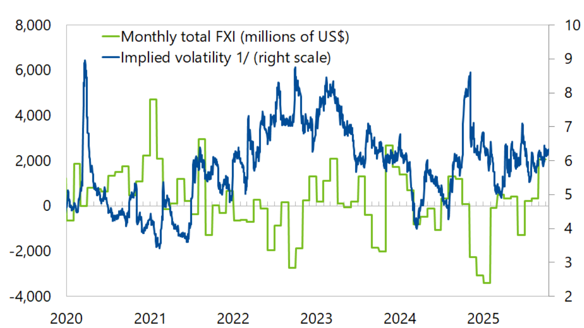
7. **The Philippines' external position in 2024 is assessed to be weaker than the level implied by fundamentals and desirable policies**. The current account deficit widened to 4.0 percent of GDP in 2024 as goods exports stagnated, reflecting weak electronics exports and higher outbound tourism (Figure 4). Adjusting for cyclical factors, staff assess the current account gap to be -2.8 percent of GDP (Annex II). The contribution of identified policy gaps is -0.6 percent of GDP, driven by a higher fiscal deficit relative to its medium-term norm. Staff estimates suggest that the BSP engaged in foreign exchange intervention (FXI) in 2024Q4 and early-2025, amid elevated UIP premiums and sharp depreciation pressures with potential risk of de-anchoring inflation expectations. FXI in 2025 H1 has been relatively limited. Gross international reserves stood at US$109.1 billion as of end-September 2025, lower than their peak in September 2024, but remained comfortable at about 200 percent of the IMF's reserve adequacy metric as of end-2024. The nominal effective exchange rate (NEER) appreciated in 2025 H1, largely due to broad U.S. dollar and Chinese yuan depreciation, but depreciated in 2025Q3 amid trade policy shocks and news of corruption allegations, and is lower by 2.7 percent year-to-date as of September 2025.

Saving and Investment
(In percent of GDP)



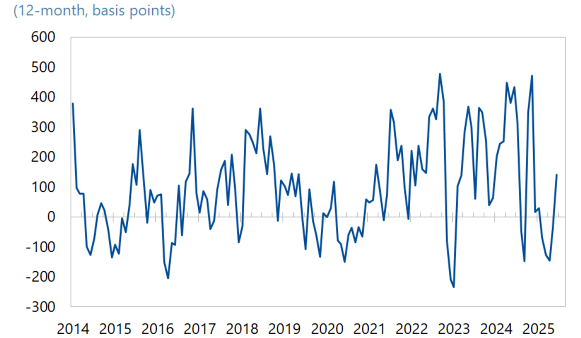
Sources: Haver Analytics; and IMF staff calculations.

FX Volatility and Intervention



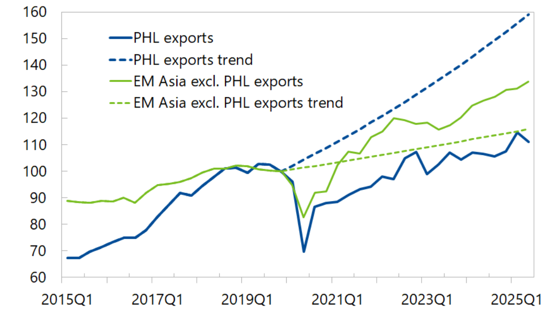
Sources: Bloomberg L.P.; and IMF staff calculations.
1/ Rolling standard deviation.

UIP Premium
(12-month, basis points)



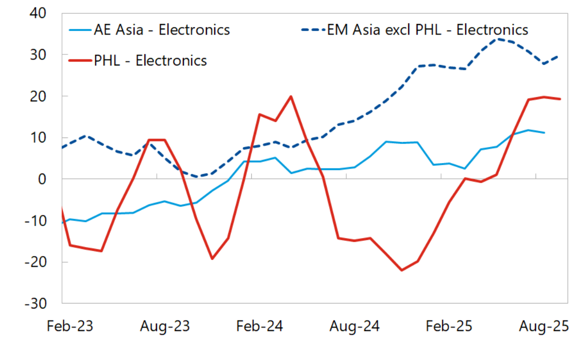
Sources: Refinitiv; Consensus Forecast; and IMF staff calculations.

Exports
(Index, 2019Q4=100)



Sources: Haver Analytics; and IMF staff calculations.
Note: Dashed line represents 5-year pre-pandemic trend.

Electronics Exports Growth
(3-month moving averages of yoy growth rates)

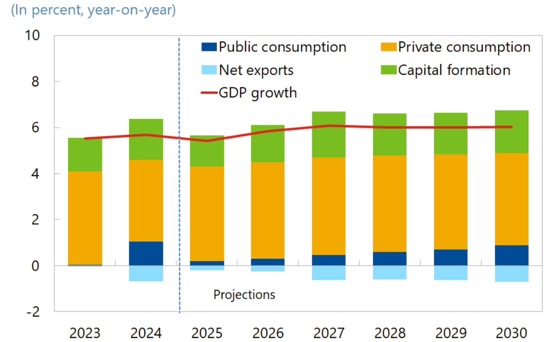


Sources: Haver Analytics; and IMF staff calculations.

OUTLOOK AND RISKS

8. Growth is expected to slow down in 2025, before picking up moderately, while inflation is projected to increase toward the midpoint of the BSP's 2-4 percent target band. Growth is projected to decline to 5.4 percent in 2025. Increasing tariffs are projected to weigh on exports and investment, while the anticipated slower growth of government expenditures is expected to more than offset an increase in private consumption. Growth is anticipated to increase to 5.8 percent in 2026 as monetary easing and recent policy initiatives support private investment. While highly uncertain, staff estimates of potential growth suggest a modest negative output gap. Growth is projected to increase moderately over the medium term towards potential of around 6 percent, supported by higher investment and productivity growth that are underpinned by recent legislative and structural reforms; despite a moderately contractionary fiscal policy stance.[2] Inflation, which is projected to average 1.7 percent in 2025, is anticipated to start increasing in 2026 as negative base effects from lower food and transport prices recede. Core inflation is expected to remain muted, increasing slightly to 2.6 percent in 2026, in line with a slightly negative output gap.

Contribution to Growth
(In percent, year-on-year)



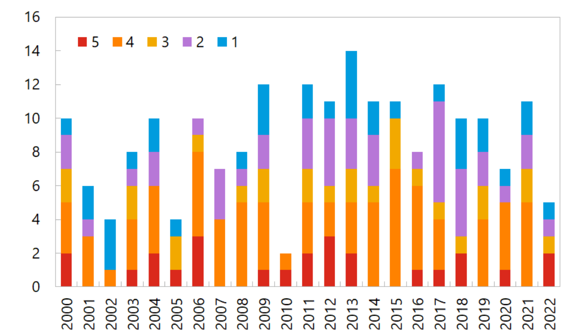
Sources: Haver Analytics; and IMF staff estimates.

9. The current account deficit is projected to improve modestly. The current account deficit is expected to decline to 3.8 percent of GDP in 2025, supported by lower commodity prices. It is projected to improve modestly over the medium term, driven by higher public and private saving, but higher investment will sustain the current account deficit through the medium term, while reforms to boost FDI will help with its financing.

[2] Estimates of potential growth have been revised down from 6.0-6.3 percent in the 2024 Article IV consultation reflecting a downward revision in investment growth.

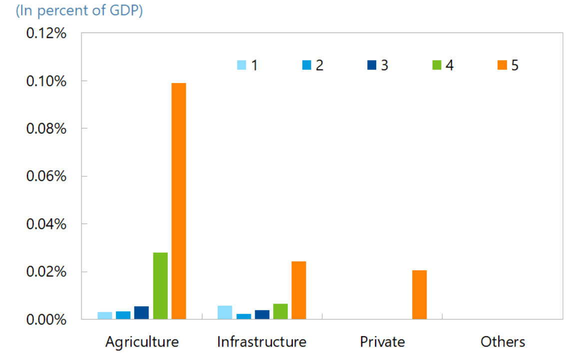
10. Climate events cause notable macroeconomic costs in the baseline. Typhoons are the most frequent natural disasters in the Philippines, causing recurring economic losses—about 0.2-0.3 percent of GDP annually, mainly impacting agriculture—and contributing to higher inflation.[3] These impacts are incorporated into staff's baseline. Over the long term, the economic effects of climate shocks and trends are expected to increase, with climate models forecasting more intense typhoons and sea level rise causing economic losses reaching up to 2 percent of GDP annually in the absence of adaptation measures.

Number of Typhoon Occurance by Category



Sources: National Disaster Risk Reduction and Management Council (NDRRMC); and IMF staff estimates.

Average Cost of Damages by Sector and Typhoon Category
(In percent of GDP)



Sources: Authorities data; and IMF staff estimates.

11. Risks to the growth outlook are tilted to the downside and have increased relative to last year, while inflation risks are broadly balanced (Annex III). The main external downside risks include an escalation of trade measures and prolonged uncertainty, heightened geopolitical tensions and disruptive financial market corrections. On the domestic front, in the near term, the recent corruption allegations related to flood-control projects may lead to a slowdown in public investment and lower investor confidence. Extreme climate events and lower-than-expected reform momentum represent other domestic downside risks. On the upside, accelerated implementation of structural and governance reforms and reducing infrastructure gaps can boost investment and FDI, and increase fiscal multipliers.[4] Risks around inflation are broadly balanced, with downside risks to growth and global commodity prices from an escalation of trade tensions posing deflationary pressures and higher commodity prices from escalating geopolitical tensions, supply chain disruptions from trade uncertainty, reversal of rice tariff reduction, and climate shocks posing inflationary risks.

Authorities' Views

12. The authorities expect growth to remain robust though external headwinds will weigh on the outlook. The official growth target ranges were revised down from 6.0-8.0 percent[5] to 5.5-6.5 percent for 2025 and 6.0-7.0 percent for 2026; and the output gap is estimated to be

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[3] See the companion Selected Issues Paper.

[4] See IMF Country Report No. 2024/352.

[5] As approved during the 189th Development Budget Coordination Committee (DBCC) Meeting held on December 2, 2024.

moderately negative. Growth will be propelled by private consumption in the near-term, supported by low inflation and favorable labor market conditions, while investment and exports will be subdued given higher tariffs and global policy uncertainty. The authorities note that the recent governance problems may weigh on confidence and investment in the near-term, but they are confident that ongoing legislative and structural reforms will boost private investment over the medium-term. Likewise, intensified spending in human capital development may further raise productivity and help alleviate poverty across the country over the coming years. The authorities share staff's assessment that the inflation outlook is favorable and concur with staff's projected path for the current account deficit that slowly narrows to below 3 percent of GDP over the medium-term. The authorities project a slightly faster decline in the current account deficit but broadly agree that the external position is weaker than levels implied by fundamentals and desirable policies. The authorities see geopolitical tensions and shifts in global trade and economic policies as key external risks that can, together with domestic supply shocks and climate-induced disturbances, impact the Philippine economy.

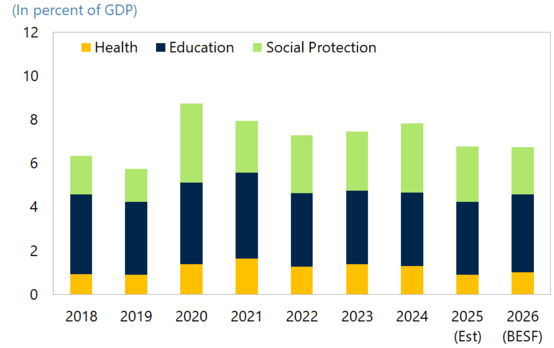
POLICY DISCUSSIONS

Policies should focus on building resilience amid heightened downside risks. Gradual fiscal consolidation over the medium-term, in line with the authorities' revised targets, is important to reinforce fiscal space and should be underpinned by durable tax and expenditure reforms. An accommodative monetary policy is warranted given a benign inflation outlook. Macroprudential policies should be adjusted to preempt the build-up of vulnerabilities and to boost releasable capital buffers. In the event external risks materialize, macroeconomic policies should respond nimbly to support growth and protect the most vulnerable while preserving fiscal sustainability and financial stability. Continued implementation of structural reforms, alongside improvements in governance, are critical to raise potential growth and diversify the economy. Structural reforms and gradual fiscal consolidation will also support external balance over the medium-term by enhancing competitiveness and raising savings.

A. Fiscal Policies

13. The national government headline fiscal position improved in 2024, largely due to one-off factors. The headline deficit declined by 0.4 ppt of GDP to 5.7 percent driven by one-off remittances from government-owned and controlled corporations (GOCCs) and higher value-added tax (VAT) receipts—due to the transition from monthly to quarterly VAT collections in 2023—which more than offset

Social Spending by National Government
(In percent of GDP)



Sources: Philippine authorities; and IMF staff calculations.

higher than programmed spending.[6] National government debt increased modestly to 60.7 percent of GDP at end-2024. Staff estimate the underlying fiscal stance in 2024 to be broadly neutral as the economic impact of one-off revenues was minimal. While the broadly neutral stance in 2024 is appropriate from a cyclical perspective, the deterioration in the structural primary balance means that more fiscal effort (Paragraph 18) is needed in future years to achieve the medium-term fiscal framework (MTFF) targets.

14. The fiscal stance in 2025 is expected to tighten amid a weaker growth outlook. While the 2026 Budget of Expenditures and Sources of Financing (BESF) envisions a modest 0.2 ppt of GDP reduction in the headline deficit to 5.5 percent of GDP in 2025, the expenditure adjustment underpinning the authorities' plans is significant—about 1 ppt of GDP—to accommodate the reversal of one-off remittances from GOCCs in 2024. It implies that the fiscal adjustment will rely on broad-based expenditure restraint, including in social and capital spending. This pro-cyclical tightening in the fiscal stance contributes to the slowdown in growth, against the backdrop of heightened external headwinds and risks.

National Government Fiscal Operations, 2023–2028

(In percent of GDP, unless otherwise indicated)

	2023	2024	2025			2026			2027		2028	
	Actual	Actual	2025 BESF	2026 BESF	Staff est.	2025 BESF	2026 BESF	Staff proj.	2026 BESF	Staff proj.	2026 BESF	Staff proj.
Revenues	15.7	16.7	15.8	15.9	16.1	16.2	15.8	16.2	16.0	16.2	16.3	16.3
Tax revenues	14.1	14.4	15.1	14.9	14.7	15.5	15.0	14.8	15.2	14.8	15.5	15.0
Non-tax revenues	1.6	2.3	0.7	1.1	1.4	0.7	0.8	1.4	0.8	1.4	0.8	1.3
Expenditure	21.8	22.4	21.4	21.3	21.5	20.8	21.4	21.4	20.7	20.9	20.5	20.5
Current expenditure	16.9	17.4	16.9	16.6	16.8	16.2	17.3	17.3	15.7	17.1	15.2	16.8
of which:												
Compensation of employees	5.9	5.8	5.9	5.5	5.8	5.4	6.0	6.0	5.6	5.8	5.1	5.5
Use of goods and services	3.8	4.1	3.3	3.5	3.6	3.1	3.3	3.3	3.0	3.2	2.9	3.2
Interest payment	2.6	2.9	2.9	3.0	3.0	3.1	3.1	3.1	3.2	3.1	3.2	3.1
Allotment to LGUs	2.9	2.9	3.1	3.2	3.2	3.1	3.4	3.4	3.4	3.4	3.5	3.5
Capital transfers to LGUs	0.9	1.0	1.0	0.8	0.8	0.9	1.0	1.0	1.0	1.0	1.0	1.0
Capital expenditure	5.0	5.0	4.5	4.8	4.7	4.6	4.1	4.1	4.1	3.8	4.3	3.7
Overall balance 1/	-6.1	-5.7	-5.6	-5.4	-5.4	-4.6	-5.6	-5.2	-4.7	-4.7	-4.2	-4.2
Overall balance (authorities' definition)	-6.2	-5.7	-5.3	-5.5	-5.5	-4.7	-5.3	-5.3	-4.8	-4.8	-4.3	-4.3
Primary balance 1/	-3.5	-2.8	-2.6	-2.4	-2.5	-1.5	-2.5	-2.2	-1.5	-1.7	-1.0	-1.2
Cyclically-adjusted primary balance	-3.6	-2.8	-2.6	-2.4	-2.4	-1.4	-2.4	-2.1	-1.5	-1.7	-0.9	-1.2
Structural primary balance 2/	-3.2	-3.4	-2.6	-2.4	-2.4	-1.4	-2.4	-2.1	-1.5	-1.7	-0.9	-1.2
Memo items:												
Privatization receipts	0.0	0.0	0.4	0.0	0.0	0.0	0.3	0.1	0.0	0.0	0.0	0.0
Nominal GDP (in billions of peso)	24,314	26,446	28,750	28,356	28,320	31,231	30,848	30,682	33,461	33,363	36,295	36,253

Sources: Philippine authorities; and IMF staff estimates.

Note: BESF=Budget of Expenditures and Sources of Financing.

1/ Based on GFS 2014 definition, privatization receipts are excluded from revenues; equity and net lending are excluded from expenditure; and capital transfers to LGUs are included under current expenditure.

2/ Cash flow impact on VAT from the transition from monthly to quarterly VAT payments in 2023, and remittances from the PhilHealth and Philippine Deposit Insurance Corporation in 2024 are excluded.

15. The authorities are targeting a more gradual fiscal consolidation in 2026 than envisioned in last year's approved fiscal program. The 2026 deficit target is revised upward from 4.7 to 5.3 percent of GDP, implying a small reduction in the headline deficit supported by higher privatization receipts (0.3 ppt of GDP in 2026). The 2026 BESF envisions that the higher spending on wages, health, education, and transfers to local government units (LGUs) will be offset by lower capital and social protection spending. The BESF implies no adjustment in the primary balance if the privatization receipts are excluded. Staff projections envision higher revenues due to base effects from 2025, and similar expenditures relative to the BESF, leading to a modest improvement in the cyclically-adjusted primary balance. The authorities' broadly neutral fiscal stance, with a bias towards

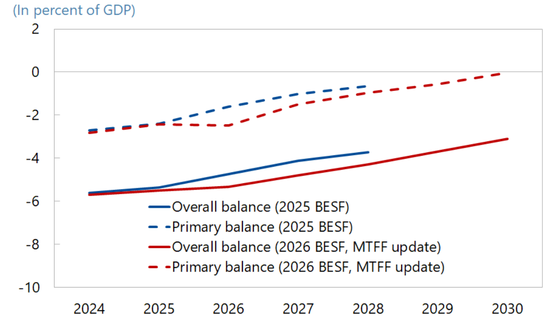
[6] The unprogrammed appropriation provides the ability to increase spending if additional revenues or loans for foreign-assisted projects are secured during the year.

a small fiscal adjustment (0-0.3 ppt of GDP), is appropriate given the cyclical position of the economy. However, the authorities can usefully consider implementing tax measures (Paragraph 18) to limit the need for restraint in priority spending which tends to have a larger impact on growth and disproportionately impact the vulnerable.

16. Over the medium term, the authorities should implement gradual fiscal consolidation, in line with their targets, to reinforce fiscal space and support external balance.

- The updated MTFF (i.e., Midterm Update of the MTFF), extended to 2030, envisions the fiscal deficit to reach 3.1 percent of GDP in 2030, which implies an annual 0.5-0.6 ppt of GDP reduction in the overall deficit during 2027-2030. While the pace of medium-term consolidation is broadly unchanged relative to last year's approved fiscal program, the higher deficit target in 2026 implies that the 2028 headline deficit is projected to reach 4.3 percent of GDP compared to the 3.7 percent of GDP in last year's fiscal program. With no new tax policy measures, staff's baseline projections for 2027–28 assume the consolidation will be achieved largely through lower spending. Staff projects national government debt to decline gradually to about 60 percent of GDP by 2030, supported by a favorable interest rate-growth differential. The overall assessment under the Sovereign Risk and Debt Sustainability Framework (SRDSF) indicates low risk of sovereign stress (Annex IV).

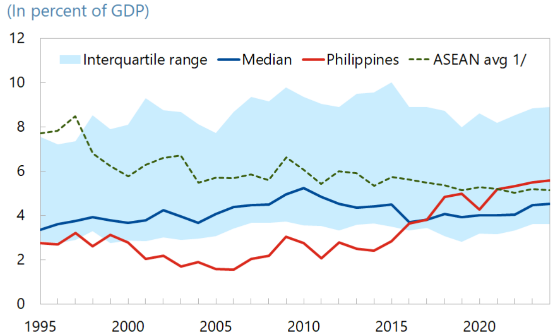
Fiscal Balance 1/
(In percent of GDP)



Sources: Philippine authorities; and IMF staff calculations.
1/ Based on the authorities' definition.

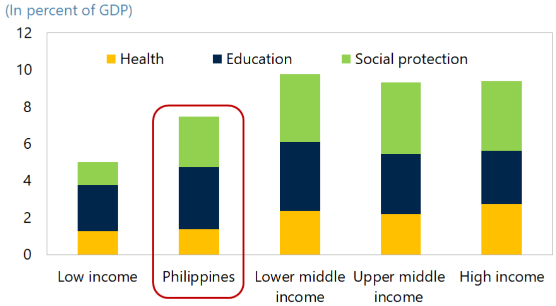
- The medium-term fiscal consolidation in the MTFF (with the primary deficit eliminated by 2030) is broadly appropriate given that it would: (i) ensure public debt is sustainable even if potential growth is lower than currently envisioned; (ii) help raise fiscal space given the shock-prone nature of the Philippines' economy; (iii) reduce gross financing needs and risk of crowding out of private investment; and (iv) help strengthen the Philippines' external position.

Emerging Markets: Public Gross Capital Formation
(In percent of GDP)



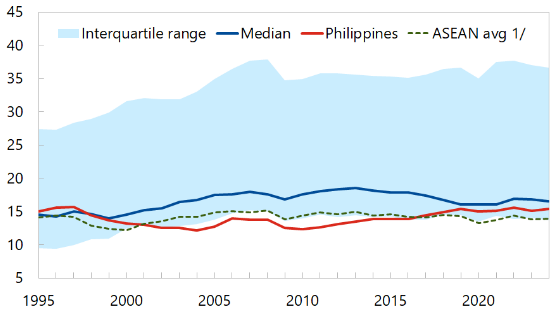
Sources: IMF, World Economic Outlook; and IMF staff estimates.
1/ Indonesia, Philippines, Thailand, Malaysia, and Vietnam.

Social Spending by Central Government, 2023
(In percent of GDP)



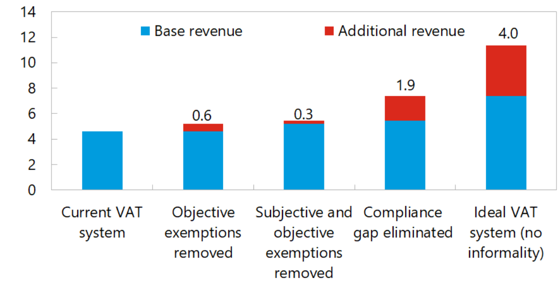
Sources: Philippine authorities; IMF, GFS database; and IMF staff calculations.
Note: Average is calculated based on available data reported to IMF adherence to the GFSM 2001/2014, and could be influenced by country coverage.

Emerging Markets: General Government Tax Revenue
(In percent of GDP)



Sources: IMF, World Economic Outlook; and IMF staff estimates.
1/ Indonesia, Philippines, Thailand, and Vietnam.

Potential VAT Revenue Collection
(In percent of GDP, 2022)

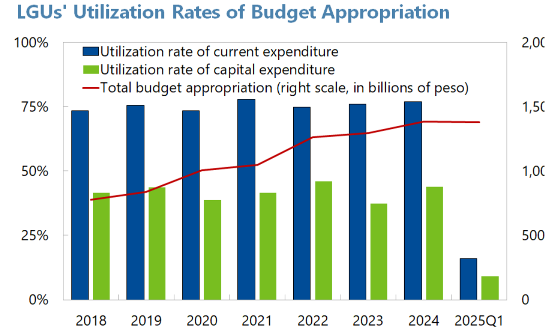


Sources: Input-Output Table; and IMF staff calculations.
Note: Objective exemptions are those linked to certain types of goods or services; and Subjective exemptions are those granted to certain categories of people.

17. The MTFF could be further enhanced, including by embedding it with concrete tax and expenditure measures. The Midterm Update of the MTFF extended the macroeconomic assumptions and fiscal program to 2030 and clarified the government's medium-term fiscal targets—to reduce national government debt-to-GDP ratio to below 60 percent and fiscal deficit to 3.1 percent. Underpinning MTFF targets with concrete tax and expenditure measures would further improve transparency and confidence in the fiscal targets.[7] The authorities can also consider embedding their fiscal targets within a formal and well-designed fiscal rule to enhance their credibility, while minimizing procyclical fiscal policies.

18. Tax mobilization should underpin fiscal consolidation over the medium term to ensure its sustainability and make it more growth friendly. The Philippines has significant potential to raise tax revenues and revenue-based measures typically have lower multipliers than spending measures. Tax administration reforms remain a priority, particularly in the areas of compliance risk management and data analytics. However, there are important benefits to complementing them with tax policy measures, as tax administration measures may take time to implement, the gains are more uncertain and may be realized gradually.[8] There are many tax policy options available, including improving VAT efficiency, and introducing measures that have positive health benefits (e.g., raising excise taxes on sugared beverages and pre-packaged foods lacking nutritional value) or improve progressivity of the tax system (e.g., lowering VAT exemptions on ownership of dwellings). Continuous monitoring of the costs of tax incentives and evaluating their benefits with the aim of streamlining them, supported by IMF Technical Assistance (TA) (Annex V), is also critical, especially given the recent enhancement of tax incentives under the CREATE MORE Act.[9] The general tax

LGUs' Utilization Rates of Budget Appropriation



Source: Bureau of Local Government Finance (BLGF).
Note: 2025Q1 utilization rates are relative to the whole year budget appropriation.

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[7] See IMF Country Report No. 2023/415.

[8] See IMF Country Report No. 2024/351.

[9] See IMF Country Report No. 2024/351.

amnesty (GTA) under consideration is not advisable as anticipated GTAs lower regular voluntary compliance. Implementing voluntary disclosure programs should be preferred.[10] Broad and sustained relaxation of the Bank Deposit Secrecy Laws may help mitigate compliance risks and should be complemented by accelerating tax administration reforms. It is also important that potential money laundering and governance risks be properly managed. On the expenditure side, improving incentives and the capacity of LGUs to budget, execute, and report their spending; in particular, spending by barangays (Annex VI) would support an effective devolution of spending responsibilities. Finally, reforming the MUP pensions to introduce a contributory system and stop indexing pensions to salaries of current personnel can help control spending on compensation of employees.[11]

Potential Tax Measures

Corporate income tax

- Streamline non-investment incentives (e.g., reduced rate for SMEs, minimum tax, optional deduction, and social objectives)
- Streamline investment incentives (e.g., Pre-CREATE, CREATE MORE, tax holiday, and special rate of 5 percent)
- Introduce qualified domestic minimum top-up tax (part of the Two Pillar Solution)

Personal income tax

- Rationalize Peso 90,000 exemption for 13th month salary and other bonuses
- Rationalize exemption of SSS, GSIS, Pag-Ibig contributions and other dues
- Rationalize minimis benefits exemption

VAT

- Rationalize exemptions on social objectives (e.g., ownership of dwellings, education and health, senior citizens, people with disabilities, and cooperatives)
- Rationalize exemptions on agriculture and fisheries

Excise tax

- Increase excise tax on pre-mixed alcoholic beverages
- Increase excise tax on sweetened beverages and introduce excise tax on pre-packaged foods lacking nutritional value
- Increase excise tax on coal
- Introduce excise tax on single-use plastics
- Introduce excise tax on online gambling

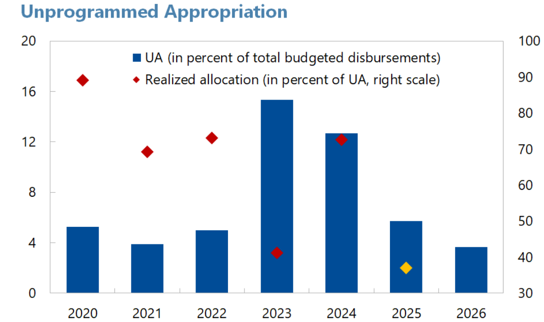
Others

- Introduce a new motor vehicles road user's tax

Sources: IMF; Philippine authorities; and World Bank.

19. Efforts to enhance public financial management (PFM) and manage fiscal risks should continue. The recently completed Public Investment Management Assessment (PIMA) update confirmed improvements since 2018. However, strengthening implementation of investment planning, and project appraisal, selection, management, and procurement remain critical to enhance public expenditure effectiveness and accountability and reduce corruption vulnerabilities (Paragraph 36). The rationalization of unprogrammed appropriations to previous historical levels is welcome, and efforts should

Unprogrammed Appropriation



Sources: Philippine authorities; and IMF staff calculations.
Note: Realized allocation for 2025 is for January-August.

[10] VDP is a rules-based compliance tool offering reduced penalties in exchange for self-reporting (see IMF Technical Notes and Manuals No. 2022/002).

[11] Spending on MUP almost doubled from 2018 to 2024, reaching 0.5 percent of GDP in 2024.

continue to strengthen budget credibility and maintain fiscal discipline. While the new PPP Code may strengthen fiscal risk management, enhancing the fiscal risk analysis, monitoring contingent liabilities (especially related to LGUs), and improving LGUs' public investment planning should be prioritized.

20. Public sector investment in adaptation is critical to raise macroeconomic resilience to climate shocks and protect the vulnerable.[12] Investments in adaptation and resilient infrastructure would help reduce the impact of climate shocks,[13] including by lowering rebuilding costs over time. Financing these investments with additional revenues would help mitigate the impact on public debt and preserve fiscal space. Enhancing green PFM practices in line with C-PIMA (e.g., enhancing climate tagging systems and integrating climate considerations in estimating maintenance needs and costs) should complement adaptation efforts.

Authorities' Views

21. The authorities remain committed to fiscal consolidation and acknowledge the importance of advancing tax and expenditure reforms. They note that fiscal targets in the MTFF were recalibrated proactively to accommodate slower-than-expected growth prospects amid external headwinds and additional expenditure requirements to support growth. The authorities are moving forward with excise taxes on single-use plastics, GTA, extension of the estate tax amnesty, and qualified domestic minimum top-up tax. They do not plan to implement additional tax policy measures, but efforts to digitalize tax administration and stricter enforcement of tax compliance should continue to support revenue mobilization. While the potential negative impact of GTAs on tax compliance was discussed with the authorities, they emphasized that its implementation remains crucial to advance broader tax transparency objectives, particularly by facilitating the relaxation of the Philippines' Bank Deposit Secrecy Laws and promoting automatic exchange of information. They indicate that the timeline for implementing full devolution of LGUs has been extended until 2028 and they do not see scope to push forward with MUP reforms at the current juncture, although filed bills will be carefully studied to ascertain policy direction and understand fiscal implications.

22. The authorities are committed to enhancing public financial management. They consider the recent corruption allegations related to flood control projects as an opportunity to advance transparency in the budgeting process, particularly by curbing the extent of budget insertions by politicians, advancing the Philippine Budgeting Code (formerly Budget Modernization Bill), and rationalizing unprogrammed appropriations. They view the digitalization of PFM as essential to strengthening governance over public spending and are actively promoting its implementation. Meanwhile, the PPP center is working to introduce forward-looking parameters to assess risks associated with PPPs, with plans to incorporate them into the Guidance Note for the Risk Management Fund.

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[12] See the companion Selected Issues Paper.

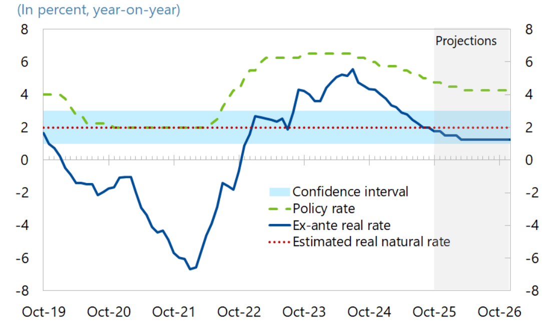
[13] The Philippines Country Climate and Development Report (World Bank, 2022) estimates that the annual cost of new climate-resilient infrastructure is about 0.6 percent of GDP.

B. Monetary and Exchange Rate Policies

23. The BSP is expected to further reduce the policy rate amid a favorable inflation outlook and elevated downside risks to growth.

- Staff's baseline projection incorporates another 50bps reduction in the policy rate by 2026 Q1 which, alongside a return of inflation to the midpoint of the target band in 2026, is expected to bring the real interest rate toward the lower bound of staff's estimated natural rate range.

Policy Rate
(In percent, year-on-year)

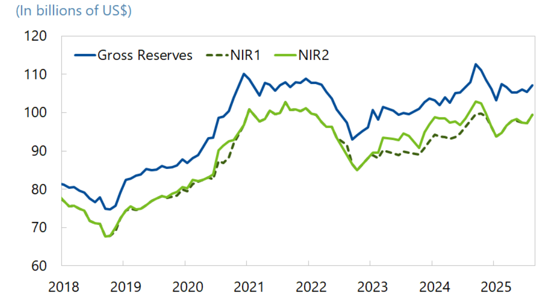


Source: IMF staff calculations.
Note: Ex-ante rate is calculated using staff's inflation forecast.

- With headline inflation below the midpoint of the target band, expectations anchored, and an emerging negative output gap in 2025, the projected accommodative stance is appropriate. Policy will need to remain guided by the impact of the new incoming data on the inflation outlook amidst prevailing uncertainties around the output gap and the natural rate and two-sided risks to inflation (Annex III). The BSP should continue monitoring liquidity and credit for inflation risks when considering future RRR adjustments. Clear and effective communication remain important to manage expectations. The BSP's discussion of alternative scenarios in its latest Monetary Policy Report is welcome in that regard.

24. The exchange rate should continue to play its role as a shock absorber. The BSP has appropriately allowed the exchange rate to function as a shock absorber amid rising global volatility and should continue to do so. Given the Philippines' occasionally shallow FX markets[14] and the nonlinear impact of exchange rate fluctuations on inflation expectations, FXI can play a role in mitigating risks associated with abrupt exchange rate movements, supported by adequate reserve coverage. Nevertheless, deployment of FXI should be temporary and not a substitute for warranted macroeconomic policy adjustments, particularly given the Philippines' weaker than warranted external position. Also, FXI should only be used if shocks are large, to avoid frequent interventions that can hinder FX market development, create moral hazard, and undermine the effectiveness of the inflation targeting regime.

Official Reserves
(In billions of US$)

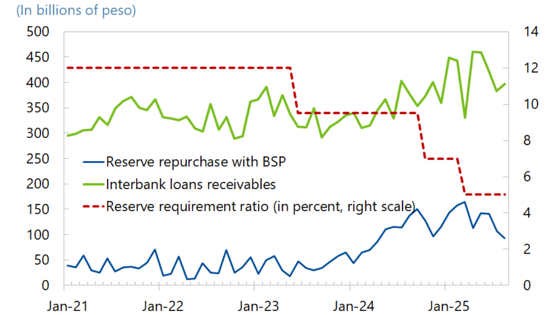


Sources: Haver Analytics; and IMF staff estimates.
Note: NIR1 = Gross + Short term net drains (Foreign Currency Loans + Foreign Currency Shorts); NIR2 = Gross + Short term net drains (Foreign Currency Loans + Foreign Currency forward/futures (aggregate short and long position))

[14] See IMF Country Report No. 22/370.

25. Reforms to enhance capital markets and monetary policy transmission should continue. Measures such as relaunching an interest rate swap market in November 2024, consolidating bond issuances, streamlining the implementation of existing tax treaties and the publication of the first medium-term debt strategy are expected to enhance the secondary market liquidity of government securities. Progress on reforming the primary dealer system should advance to support these efforts. The adoption of the Global Master Repurchase Agreement for BSP facilities should further strengthen monetary policy transmission and capital market deepening.

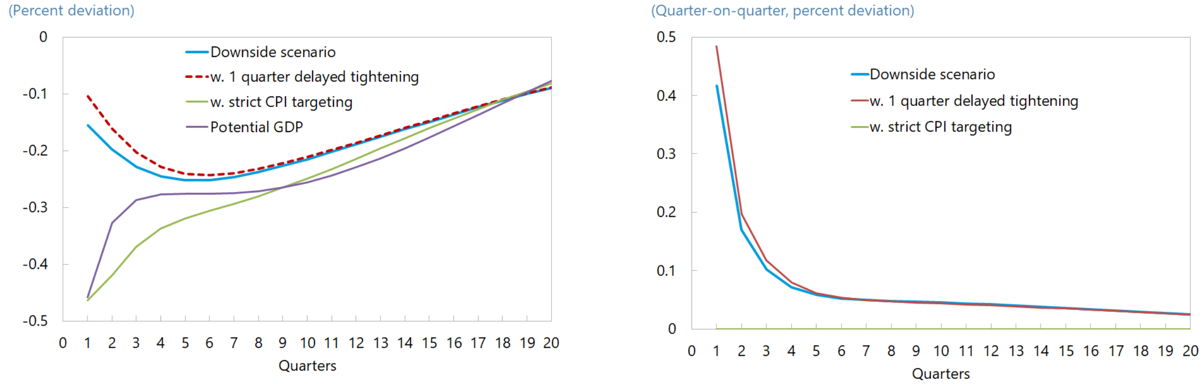
Repo and Interbank Loans
(In billions of peso)



Sources: Haver Analytics.
Note: Values are end-of period for Universal and Commercial Banks.

Impact of Typhoons on the Philippine Economy

Real GDP (Percent deviation) — **CPI Inflation** (Quarter-on-quarter, percent deviation)



Source: IMF staff estimates.

Note: The Real GDP figure shows percent deviations from steady state real GDP. CPI inflation shows deviations from steady state inflation. See the companion Selected Issues Paper for a description of the model and baseline scenario. The baseline scenario is calibrated to a typical year of typhoons, including a category 5 typhoon. The downside scenario is defined as the baseline scaled by the ratio of damage caused by a category-5 typhoon causing more damage than 90% of observed typhoons. The downside scenario assumes the BSP follows a standard Taylor rule that reacts to expected deviations of inflation from target (coefficient of 2.5) and to contemporaneous deviations of output from potential (coefficient of 0.3); the "dovish" rule assumes a one-quarter delay in tightening; the strict CPI targeting assumes CPI inflation is always kept at target. Potential real GDP is conditional on lost capital and lower productivity.

26. The BSP efforts to include climate considerations in monetary policy are welcome and should continue. Staff analysis suggests that climate shocks, operating through supply, demand, and expectation channels, increase inflation by up to 0.6 percentage points (annualized) in a typical year, and disproportionately impact the agriculture sector, pushing up food prices.[15] While accommodating some of the shocks risks triggering a rise in inflation expectations,[16] tightening monetary policy to keep inflation at target would raise the cost of capital, which can delay

[15] See the companion Selected Issues Paper.

[16] Research suggests food prices play a salient role in inflation expectations in the Philippines. See Box Article 3-BSP Monetary Policy Report, August 2024.

reconstruction and pose a greater loss in output. Faced with these tradeoffs, the BSP should accommodate a temporary spike in inflation while containing any increase in inflation expectations. A coordinated policy response (e.g., lowering tariffs on food imports) can help alleviate some of these tradeoffs.

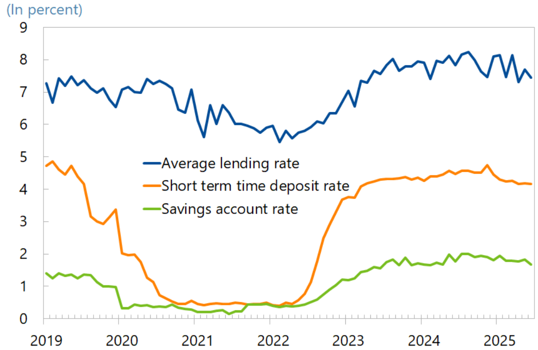
Authorities' Views

27. The authorities see scope for a more accommodative monetary policy stance, while taking a data-dependent approach. They highlighted that weaker growth prospects—reflecting in part the impact of recent governance concerns about public infrastructure spending on business confidence and implementation of projects in the near-term—as well as a benign inflation outlook warrant a more accommodative stance. The BSP agreed that the uncertainty around the natural rate and the output gap calls for taking a data-dependent approach. The BSP also noted that it continuously evaluates its estimates and will remain attentive to emerging risks. The authorities welcomed staff's work on the monetary policy implications of climate events, and agreed that when faced with large climate shocks, they would accommodate a temporary increase in inflation while being careful in containing inflation expectations. They noted that they have not yet attempted to formally model inflation and policy options under weather shocks but reiterated their efforts to incorporate broader climate considerations into their policymaking and analysis. The authorities noted that, with regards to FXI, intervention is limited to cases where depreciation is sufficiently sharp and large to pose risks to inflation and de-anchoring of inflation expectations. They also noted that the FX market is deep and has not faced liquidity issues. Finally, the authorities reiterated their strong focus on developing the capital market, and the need to accelerate the expansion of the relaunched interest rate swap market, including through more education for potential participants.

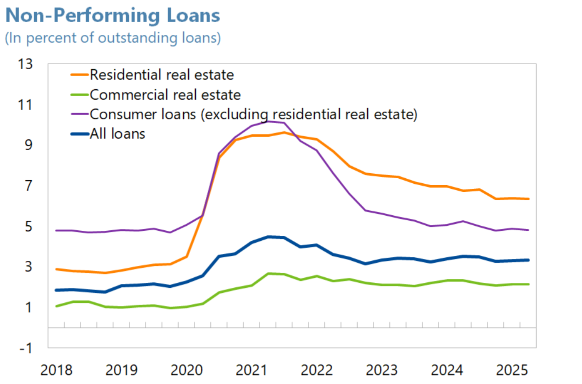
C. Financial Sector Policies

28. Overall systemic financial risks remain moderate and broadly unchanged since last year. The banking system is well-capitalized, liquid, and profitable, supported by generally conservative lending standards and a stable deposit base. The non-performing loan (NPL) ratio is contained at 3.3 percent, and banks have adequate provisioning with the NPL coverage ratio at 95.4 percent as of end-June 2025. Overall credit growth is healthy, and the credit gap remains closed (Figure 6).

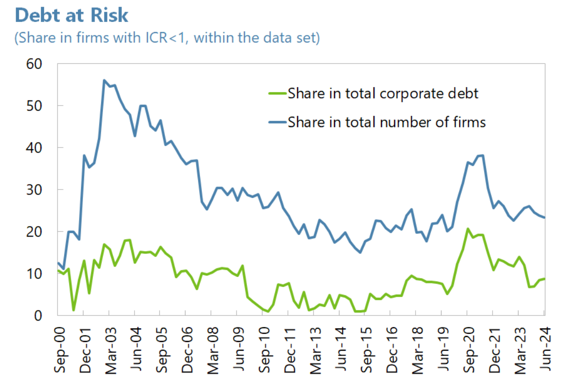
Deposit and Lending Rates
(In percent)



Source: Haver Analytics.

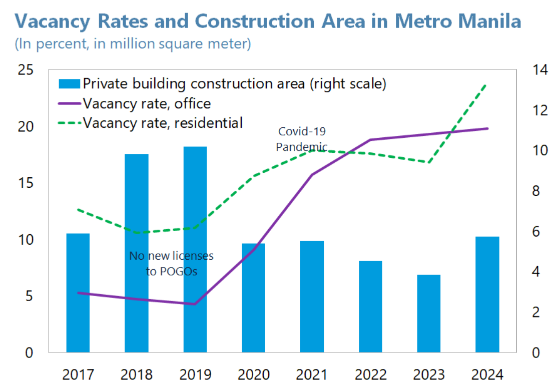


Sources: Haver Analytics; CEIC Data Co. Ltd.; and IMF staff calculations.



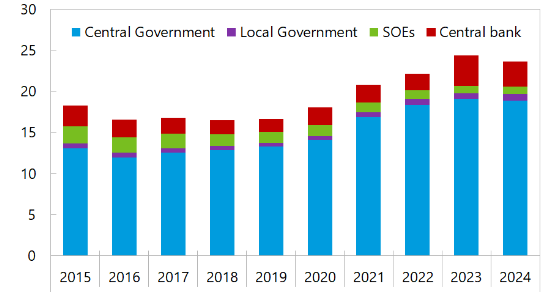
Sources: S&P Capital IQ; and IMF staff calculations.

29. Pockets of vulnerabilities warrant close monitoring. Commercial and residential vacancy rates remain persistently high in some regions and segments, reflecting still-elevated mortgage rates, supply overhang from the pre-pandemic construction boom, and the exit of Philippine offshore gaming operators (POGOs) in Metro Manila. Despite the high vacancy rate and elevated NPL ratio (6.4 percent at end-June 2025), residential real estate prices and loan growth have remained resilient. Household debt, buoyed by robust growth in real estate loans, rapid growth in bank credit card and salary loans, and increased credit access through NBFIs and digital finance warrants close monitoring, given low household saving rates. So does banks' exposure to the public sector, which has increased since the pandemic. The share of firms with low debt servicing capacity has declined but remains higher than pre-pandemic levels. The earnings in the manufacturing sector have been weak and the soundness of manufacturing and wholesale/retail loans (accounting for about 19 percent of domestic loans at end-August 2025) could be affected by adverse global trade developments. Banks' interconnectedness with the corporate sector, including through complex conglomerate structures, may also expose the financial system to risks. NBFIs, some of which are not supervised by the BSP, are relatively small, but have expanded lending activities to real estate, consumer loans, and micro, small and medium-sized enterprises (MSMEs).



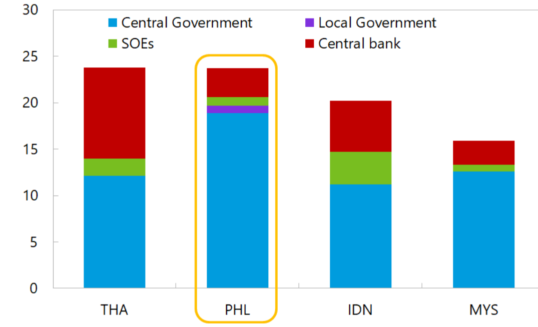
Sources: Colliers; CEIC Co. Ltd.; and IMF staff calculations.

Bank Exposure to Public Sector
(In percent of assets)



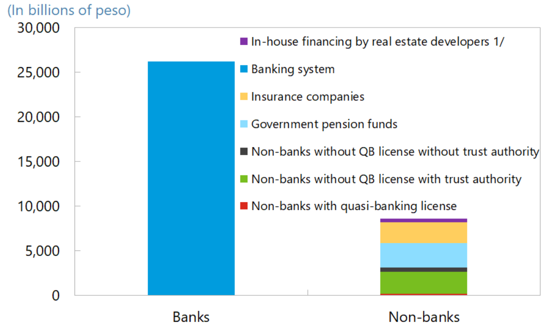
Sources: IMF, MFS; and Barrail, Dehmej, and Wezel (forthcoming).

Bank Exposure to Public Sector
(In percent of assets, 2024)



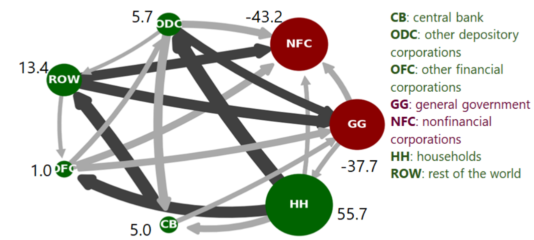
Sources: IMF, MFS; and Barrail, Dehmej, and Wezel (forthcoming).

Asset of Selected Financial Institutions, June 2024
(In billions of peso)



Source: Philippine authorities.
1/ top 11 real estate developers, as of 2023.

Net Sectoral Financial Exposure
(Percent of GDP, end-2024)



Sources: Philippine authorities; and IMF staff calculations.
Note: The nodes reflect the size of each sector's aggregate net financial position (green node for net creditor; and red node for net debtor). The arrow direction reflects the direction of flow of funds. The thickness of the arrows indicates the size of the financial exposure.

30. **Enhancing the macroprudential policy framework should remain a priority**. The BSP is making progress with developing tools and reducing data gaps to support macroprudential policy decisions. It is also refining the framework for the countercyclical capital buffer (CCyB), with support from IMF TA. These efforts should be accelerated to ensure timely and appropriate calibration of macroprudential policies. As monetary policy eases, and the pick-up in investment materializes, credit demand may increase, requiring vigilance. The BSP should consider moving towards a positive neutral level for the CCyB to help preempt the build-up of vulnerabilities and have releasable buffers when risks materialize. Replacing the cap on commercial real estate exposures with a sectoral systemic risk buffer would help capture broader risks in the real estate sector and provide banks with price-based incentives to align their loan portfolios and capital buffers with systemic risk; though its implementation would need to ensure that there are no unintended changes in the macroprudential stance.

31. **Progress to strengthen crisis management and resolution, and financial oversight, in line with the 2021 Financial Sector Assessment Program and recent Fund TA, should continue** (Annex VII). There is progress with developing the Lender of Last Resort (LOLR) (covering Emergency Liquidity Assistance (ELA)), and resolution frameworks and a Systemic Risk Crisis Management Manual. The BSP also now has the authority to request data from banks regarding transactions with other entities belonging to the same conglomerate. Financial supervision could be further strengthened by expanding supervisory colleges for conglomerate supervision and addressing conglomerate-related data gaps. Ongoing efforts to close data gaps will enhance the monitoring of

NBFI developments, including their interlinkages with the banking sector. The expansion in crypto-asset adoption calls for robust regulation. Given the heightened risks, the BSP extended its moratorium on granting new licenses for Virtual Asset Service Providers (VASPs) for an indefinite period in August 2025. The BSP has also been exploring two use cases (settling of tokenized government bonds and enhancing cross-border payments) for the wholesale central bank digital currency (CBDC) with IMF TA support and actively promoting digital payments. The BSP's efforts to conduct climate stress testing and enhance its tools to assess physical and transition risks should continue. Plans to increase capitalization of Landbank and the Development Bank of the Philippines are welcome and would enable them to better fulfill their mandates.

32. Advancing AML/CFT efforts should remain a priority. In 2025, the Philippines successfully exited the Financial Action Task Force (FATF) grey list and was removed from the European Union list of high-risk jurisdictions for money laundering and terrorism financing. With the next FATF mutual evaluation in 2027, keeping up with evolving global AML/CFT standards remains important. Amendments to the Bank Deposits Secrecy Laws in line with international good practices should be pursued to enhance the BSP's supervisory powers and strengthen AML/CFT supervisory effectiveness. The authorities should continue pursuing CFT improvements, especially in the identification and prosecution of terrorist financing cases, enhance capacity to investigate cases involving crypto assets, and adopt an updated national AML/CFT strategy upon completion of the ongoing National Risk Assessment. Strengthening the AML/CFT frameworks is also important to support broader anti-corruption efforts and effectively combat the laundering of proceeds of corruption.

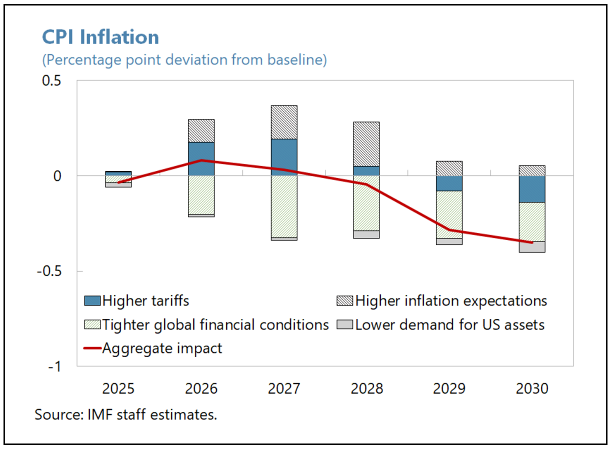
Authorities' Views

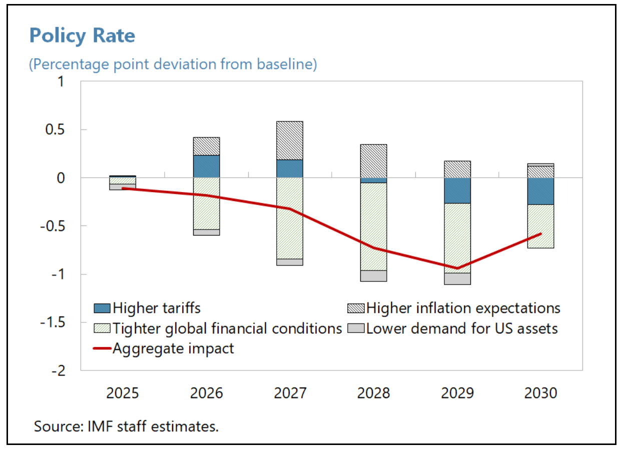
33. The authorities consider financial sector vulnerabilities to be well-contained, while continuing to closely monitor their developments. Stress tests conducted by the BSP confirm that banks have sufficient capital buffers to absorb potential asset quality deterioration, including in the real estate, household and manufacturing sectors. The BSP acknowledges limitations in its ability to monitor consumer credit provided by lending companies outside its supervisory scope. While the BSP was given legal authority to supervise credit-granting entities, implementation discussions are currently underway. An outstanding bill proposing the transfer of the national credit bureau to the BSP is expected to further strengthen its oversight capabilities in this area. Risks stemming from the interconnectedness between banks and NBFIs are assessed to be manageable, and the BSP continues to monitor these linkages and improve data collection. Progress has been made in developing tools to assess systemic risks, and the BSP has plans to introduce a macroprudential stress testing model. It is also considering moving towards a positive neutral CCyB rate, with support from IMF TA. Regarding crypto assets, the authorities note that their usage is primarily for remittances and investment, and they will include a sectoral AML/CFT risk assessment of virtual assets in the ongoing process of the National AML/CFT Risk Assessment. The AML Council remains committed to meeting the evolving FATF standards in preparing for the next mutual evaluation.

D. Downside Risks and Contingent Policies

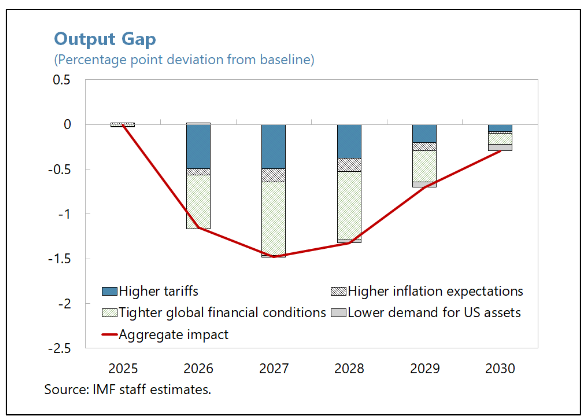
34. Given heightened macroeconomic uncertainty, the authorities should prepare for potential adverse macroeconomic shocks.

- An illustrative downside scenario, aligned with Scenario A in Box 1.2 of the October 2025 *World* Economic *Outlook*, includes the following layers: (i) higher tariffs and supply-chain disruptions; (ii) higher inflation expectations; (iii) higher global sovereign yields; (iv) tighter global financial conditions; and (v) lower global demand for US assets.





- An analysis of the downside scenario using staff's Quarterly Projection Model (QPM) shows that the shocks, combined, would have a significant impact on the Philippine economy. At its peak, the output gap is reduced by 1.5 percent relative to the baseline driven by tighter financial conditions and weaker exports. Higher sovereign and corporate yields would weigh on public finance and private investment. The shock would impact corporates in trade-oriented sectors, and the banking system could face higher NPLs. The first two layers in isolation may reduce room for easing monetary policy given their persistent nature and impact on inflation expectations amid a growth slowdown, however, the downside scenario with all of the shocks combined is expected to have a small negative impact on inflation and a modest reduction in the policy rate.[17] Given the sizeable output gap, there is room for monetary policy to be more accommodative relative to what is suggested in the scenario. Available fiscal space suggests that the authorities should let automatic stabilizers work on the revenue side, provide targeted and temporary support for the most vulnerable, and adjust the composition of spending to support the economy (e.g., by



[17] Monetary policy in staff's QPM follows a Taylor rule with 0.3 and 2.5 as the coefficients for the output gap and 3-quarters ahead inflation respectively.

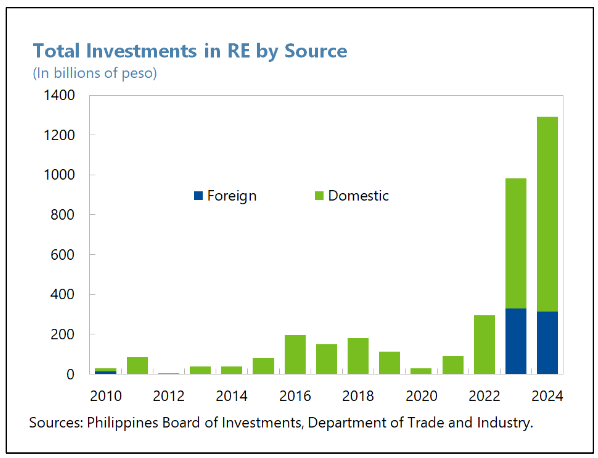
increasing infrastructure investment). With debt projected to rise above the authorities' medium-term target, the authorities should reinitiate fiscal consolidation once the effects of shocks subside to enhance fiscal space and preserve credibility. In the event of capital outflows, the exchange rate should act as a shock absorber with FXI used on a temporary basis to address disorderly market conditions.

Authorities' Views

35. The authorities concurred with the overall implications of the downside scenario. They broadly agreed with the qualitative and quantitative aspects of the scenario, while noting the importance of the policy response in the rest of the world in assessing the impact on the Philippines. The authorities deemed the scenarios relevant and acknowledged that they have done similar analysis with comparable results; and are making increasing use of scenario analyses in their policy deliberations and public communications.

E. Structural Policies

36. Investment and productivity-enhancing reforms are needed to accelerate inclusive growth, diversify the economy, and boost resilience. Several legislative reforms that aim to improve the business environment and boost digitalization have been ratified in the last year; effective implementation is key to reaping their benefits. Lowering barriers to entry by streamlining complex regulations and leveraging digitalization can further strengthen competition.



- Enhancing fiscal governance and rule of law and reducing corruption vulnerabilities are critical for inclusive and sustainable growth. Reforms should prioritize enhancing public financial management to raise the efficiency of public expenditure, including by strengthening (i) data quality, timeliness, and comprehensiveness; (ii) capital project appraisal and monitoring; (iii) transparency and analysis of procurement data supported by digitalization; and (iv) independent ex-post audits—particularly of investment projects—with the creation of an independent review board for procurement complaints. The relaunch of the Digital Information for Monitoring and Evaluation (DIME) may enhance the transparency of some public infrastructure projects; it should be integrated with core PFM systems to improve reporting. Strengthening contract enforcement and property rights should supplement these efforts for broad-based improvements in governance. The Ombudsman's steps to restore public access to asset declarations of public officials are welcome.

- Ensuring that investments in agriculture, connectivity, and energy infrastructure are resilient to climate change while facilitating investments to harness the Philippines' significant potential for renewable energy (e.g., by improving transmission and distribution capacity, reducing delays in land acquisition, and strengthening financing mechanisms) would increase resilience and energy security and affordability.[18] Such measures will complement existing initiatives such as the National Insurance Indemnity Program for strategically important government assets and the parametric insurance program for agriculture crops affected by extreme weather events.[19]

Select Legislative Reforms to Encourage Investment

Reforms	Status (as of October 30, 2025)	Key objectives	Potential channels to increase growth
Amendments to the Retail Trade Liberalization Act	Signed into law in December 2021	Reduce the minimum paid-up capital of foreign retailers.	Attract foreign investment and increase competitiveness and productivity.
Amendments to the Foreign Investments Act	Signed into law in March 2022	Open up full foreign ownership except in areas in the negative list.	Attract foreign investment and increase competitiveness and productivity.
Amendments to the Public Service Act	Signed into law in March 2022	Open up most public services to full foreign ownership.	Attract foreign investment and increase competitiveness and productivity.
Amendments to the Renewable Energy Act	Circular issued in November 2022 by the Department of Energy which amends the Implementing Rules and Regulations of the Renewable Energy Act of 2008	Open up the renewable energy sector to full foreign ownership.	Attract foreign investment and increase competitiveness and productivity.
The Amendments to The Electric Power Industry Reform Act (EPIRA) and Energy Regulatory Commission (ERC) Strengthening Bill	Various bills pending in House and Senate committees as of October 2025.	Provide a framework for enhancing competitiveness in the power industry through privatization, transition to a desired competitive structure, and defining the responsibilities among government and private entities.	Increase competitiveness and boost energy security
The Public-Private Partnership Code	Signed into law in December 2023	Codify all prior statues related to PPP under a comprehensive law.	Improve governance, reduce uncertainty and increase investment.
New Government Procurement Act	Signed into law in July 2024	Data and documents at all stages of procurement disclosed for public monitoring,	Improve governance, reduce uncertainty, increase competitiveness, and modernize and streamline procurement processes through the use of emerging technologies.
CREATE MORE	Signed into law November 2024.	Enhance tax incentives and facilitate the granting of incentives through giving more power to investment promotion agencies, expand the set of export companies who can benefit from VAT exemptions, and bring more predictability to local government taxation.	Increase investment and exports.
Philippine Natural Gas Industry Development Act	Signed into law in Jan 2025	Strengthen the development of natural gas resources, improve energy security and accelerate the transition to renewable energy	Increase investments
The Accelerated and Reformed Right-Of-Way (ARROW) Act	Signed into law September 2025	Expedite the implementation of critical infrastructure projects by streamlining the process for right-of-way acquisition.	Boost infrastructure investment by accelerating approval process and reducing uncertainty, and increase energy security.
Rationalization of the Mining Fiscal Regime	Signed into law September 2025	Reinforce sustainable mining practices and ensure fair regulations in the mining sector.	Attract investment, increase competitiveness, and exports.
e-Governance Act	Signed into law September 2025	Modernize the Philippine government's public service delivery through digital platforms.	Boost productivity, competitiveness and governance.
Konektadong Pinoy Act (Open Access in Data Transmission Act)	Lapsed into law August 2025	Expand internet access by simplifying the entry of qualified participants and encouraging digital infrastructure.	Boost competition, productivity and foreign investment in digital infrastructure with broader productivity gains.
Amendment to the Investors' Lease Act	Signed into law August 2025	Extends land lease for foreign investors to 99 years.	Boost foreign investment by reducing uncertainty.

Source: Philippine authorities and IMF staff

- Investing in education and adaptive social protection will help enhance workforce productivity and address skills shortages, particularly in the transition to greater digitalization and in the face of increasing vulnerability to extreme weather events. This is important with the advent of artificial intelligence (AI) that poses risks to employment, especially in the business process outsourcing sector, which is both vulnerable to AI replacement but also has significant potential

[18] See the companion Selected Issues Paper.

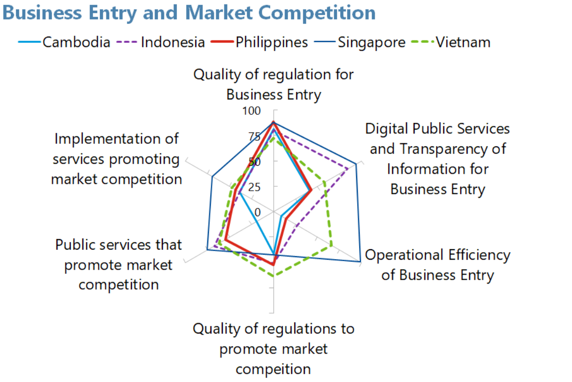
[19] The former is an initiative to insure strategically important government assets against natural disasters (typhoons, earthquakes, etc.).

for AI complementarity.[20] Greater skills will also help support economic diversification and increase competitiveness. [21]

- Facilitating land consolidation in the agricultural sector would enhance productivity by promoting more efficient use of land resources and attracting investment and could promote food security.

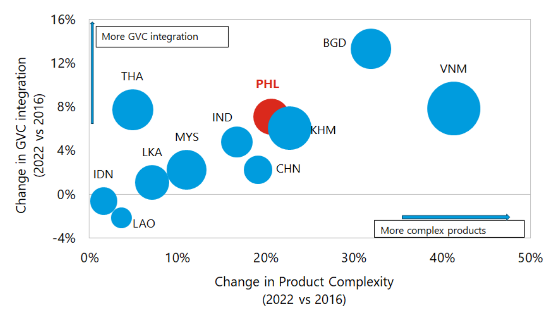
37. Greater trade integration is important to raise productivity and achieve the authorities' goal of pivoting to a more diversified growth model. The Philippines is enhancing and diversifying its trade relationships (e.g., with other countries in the Association of Southeast Asian Nations (ASEAN) and the European Union (EU)) and has applied for Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Negotiating and implementing deep trade agreements can further enhance global value chain integration, but will require steps to lower non-tariff barriers, including reducing restrictive services regulation, streamlining burdensome customs procedures, and revising uncompetitive procurement rules.

Business Entry and Market Competition



Source: World Bank B-READY 2024.

Change in GVC Integration and Complexity



Sources: The Atlas of Economic Complexity, WITS; and IMF staff calculations.
Note: The size of each bubble represents the 2022 value of GVC integration, scaled at 50 percent of the values shown on X-axis.

Authorities' Views

38. The authorities agreed that further reforms to boost private investment and improve governance are needed to increase potential growth. They expect the legislative reforms that have been passed in recent years will support this objective, while emphasizing that effective and timely implementation will be key. They also highlighted the importance of improving connectivity for expanding manufacturing and increasing inbound tourism. The government has expanded job facilitation programs and institutional partnerships to upskill the labor force and will continue to focus on investments in health and education to raise human capital. The authorities are confident that an effective response to the recent corruption allegations alongside ongoing efforts to leverage digitalization and PFM reforms, such as the New Government Procurement Act, will reinforce transparency and accountability. They noted that they intend to finalize their updated Nationally

[20] See IMF Working Paper No. 25/43.

[21] See IMF Country Report No. 24/352.

Determined Contributions (NDC) this year, focused not only on reducing greenhouse gas emissions but also transforming the economy by increasing food and energy security and alleviating poverty.

39. The authorities reiterated their commitment to embracing open markets for trade and investment. Regarding trade agreements, they noted their eagerness to conclude negotiations with the EU and Chile within the year, begin negotiations with Canada, and fast-track their application for the CPTPP. They also highlighted progress in deepening existing trade agreements, including introducing new chapters (for example e-commerce, trade and sustainable development, and re-manufactured goods).

STAFF APPRAISAL

40. The authorities have handled multiple external headwinds well. Growth has been resilient, underpinned by public spending and private consumption, despite global trade policy uncertainty and disruptions related to flooding and typhoons. Inflation has declined to below the BSP's target range, following monetary policy tightening and concerted government measures to reduce food prices. Reforms to spur investment and promote exports continue, alongside efforts to expand trade agreements. The 2024 external sector position is assessed to be weaker than the level implied by fundamentals and desirable policies.

41. Growth is expected to moderate in 2025 before picking up over the medium-term, and inflation to gradually increase towards the mid-point of the BSP's target range. Increasing tariffs and heightened global trade policy uncertainty will weigh on exports and foreign investment in the near-term; and while sustained low inflation will continue to support private consumption, it will be offset by lower public consumption. Growth is expected to pick up slightly in 2026 and over the medium term, underpinned by monetary easing and recent policy initiatives to support private investment, despite a modestly contractionary fiscal policy. Inflation is projected to rise to 2.8 percent in 2026 and increase towards the midpoint of the BSP's target band over the medium term. The current account deficit is projected to improve modestly. Risks to the growth outlook are tilted to the downside. Risks around inflation are broadly balanced.

42. A more gradual pace of fiscal consolidation, in line with the authorities' plans, is appropriate but should be supported by concrete tax measures and PFM reforms. While the broadly neutral fiscal stance in 2026 is appropriate, the authorities should consider implementing concrete and durable tax measures to limit the need for restraint in priority spending. Gradual fiscal consolidation over the medium term in line with the targets will help reinforce fiscal space and support external balance. Efforts to strengthen budget credibility and public investment by enhancing PFM remains critical, including strengthening investment planning, and project appraisal, selection, management, and procurement to enhance accountability and reduce corruption vulnerabilities.

43. The projected accommodative stance of monetary policy is appropriate given a favorable inflation outlook and elevated downside risks to growth. With headline inflation below the midpoint of the target band, expectations anchored, and an emerging negative output gap in 2025, further policy rate cuts are warranted. The BSP has appropriately allowed the exchange rate to function as a shock absorber amid rising global volatility and should continue to do so. Efforts to enhance capital markets and monetary policy transmission should continue.

44. Overall systemic financial risks remain moderate with pockets of vulnerabilities. The banking system has sufficient liquidity and capital buffers, NPLs remain low, and credit growth is healthy. However, parts of the commercial and residential real estate sector have seen persistently high vacancies. The rapid growth in consumer loans, including through NBFIs and digital finance, warrants close monitoring, and so do loans to the manufacturing sector which could be affected by adverse global trade developments. Ongoing efforts to close data gaps related to conglomerates and NBFIs should continue. The BSP should accelerate efforts to refine macroprudential policy and the CCyB framework. Progress to strengthen crisis management and resolution, and financial oversight, should continue. Efforts to advance AML/CFT, especially in the areas of supervision, CFT, and risk assessment, should remain a priority.

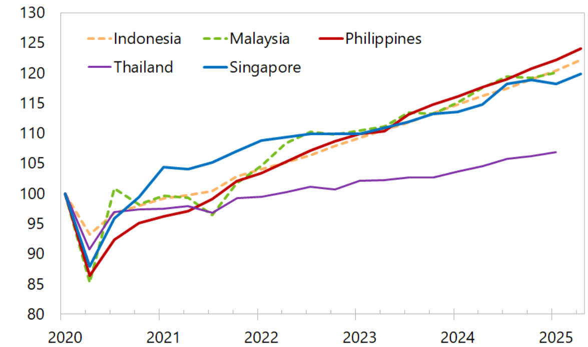
45. Accelerating inclusive growth, increasing productivity and competitiveness, and boosting resilience will require continued reform effort. This includes closing gaps in connectivity infrastructure, energy, and climate resilience, while strengthening governance and human capital, reducing skill mismatches, and streamlining complex regulations**.** Accelerating and diversifying bilateral and multilateral trade agreements, and reducing non-tariff barriers, will further help build resilience.

46. It is expected that the next Article IV consultation will take place on the standard 12-month cycle.

Figure 1. Philippines: Recent Macroeconomic Developments

Since the pandemic, the Philippines has seen higher growth relative to peer countries…

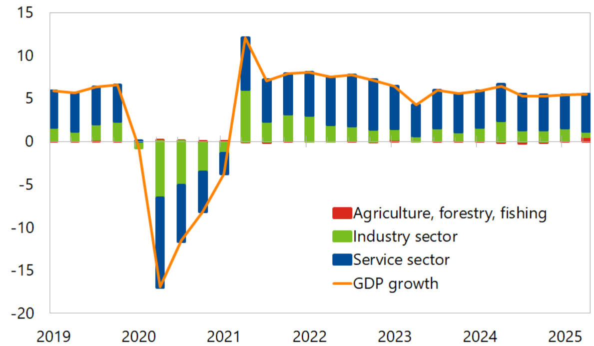
Real GDP Level
(2020 Q1 = 100)



Sources: Haver Analytics; and IMF staff calculations.

…driven primarily by services on the production side.

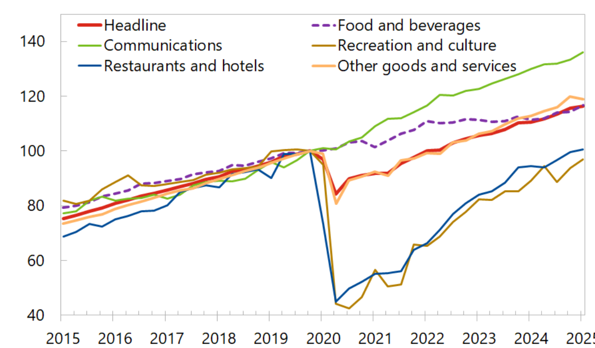
Contribution to Growth, Production Side
(In percent, year-on-year)



Sources: Haver Analytics; and IMF staff estimates.

Private consumption remains weak and below pre-pandemic trends…

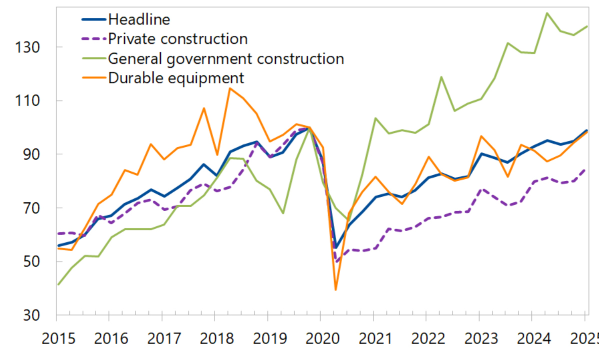
Household Consumption Components
(Index, 2019Q4=100, seasonally adjusted))



Sources: CEIC Data Co. Ltd.; and IMF staff calculations.

…as well as investment, especially private investment in construction.

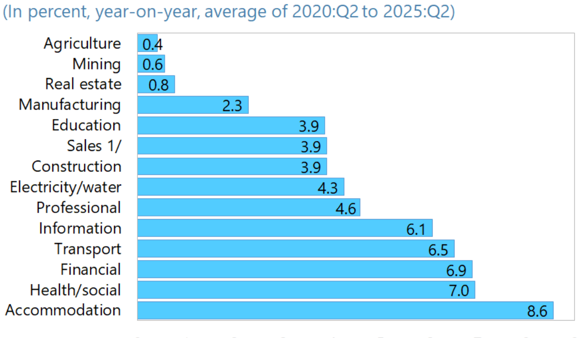
Gross Fixed Capital Formation Components
(Index 2019Q4=100, seasonally adjusted)



Sources: CEIC Data Co. Ltd.; and IMF staff calculations.

Growth in real estate, manufacturing and construction lagged other sectors…

Sectoral Growth Rates
(In percent, year-on-year, average of 2020:Q2 to 2025:Q2)

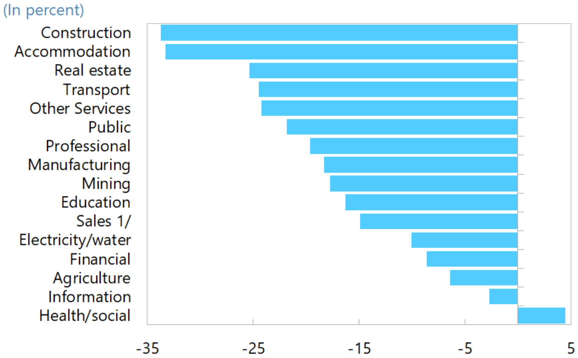


Sources: Haver Analytics; and IMF staff estimates.

1/ Wholesale and retail trade, repair of motor vehicles and motorcycles.

…and these sectors showed some of the largest gaps in 2024 relative to the pre-pandemic trend.

Sectoral GDP in 2024 Relative to Pre-Pandemic Trend
(In percent)



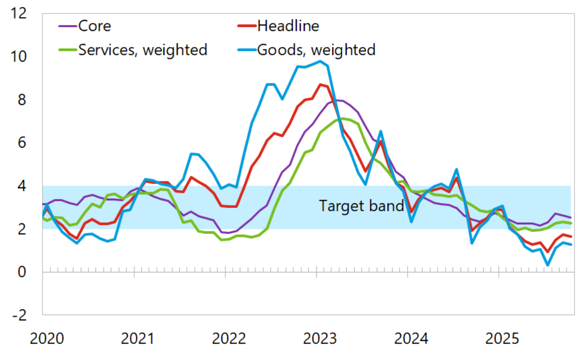
Sources: Haver Analytics; and IMF staff estimates.

1/ Wholesale and retail trade, repair of motor vehicles and motorcycles.

Figure 2. Philippines: Inflation

Inflation returned to within the target band at the end of 2024 and declined further in 2025.

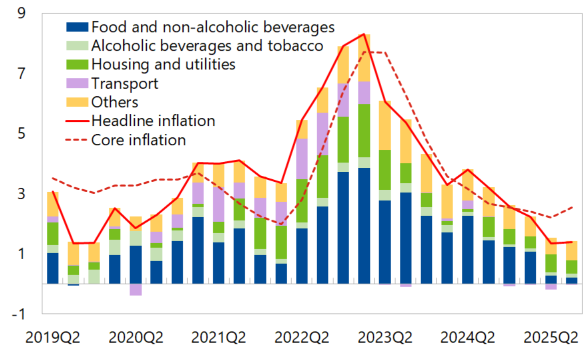
Consumer Price Inflation
(In percent, year-on-year)



Sources: Haver Analytics; and IMF staff calculations.

The fall in headline inflation is closely related to the decline in food inflation, especially in 2025 Q2 and Q3.

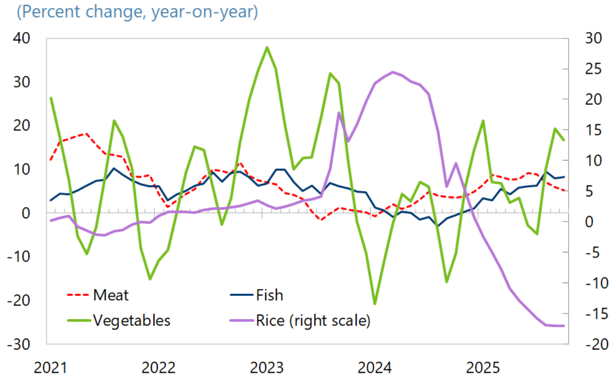
Contribution to Inflation
(In percent, year-on-year)



Sources: Haver Analytics; and IMF staff estimates.

The large decline in food prices is driven mostly by a continued fall in rice prices since the second half of 2024.

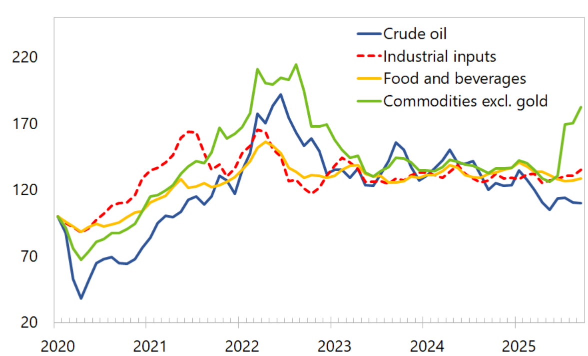
Key Food Prices
(Percent change, year-on-year)



Sources: Haver Analytics; and IMF staff estimates.

Global commodity prices remained stable throughout 2024 and 2025 H1 before rising sharply in 2025 Q3.

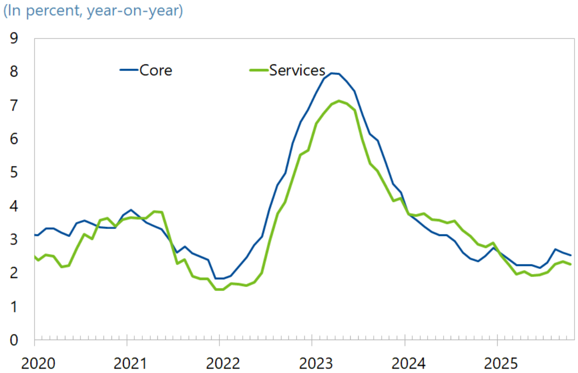
Global Prices
(Index, January 2020=100)



Sources: IMF, Global Commodity Prices; IMF staff calculations.

The underlying inflation captured by core and services inflation also moderated since the beginning of 2023.

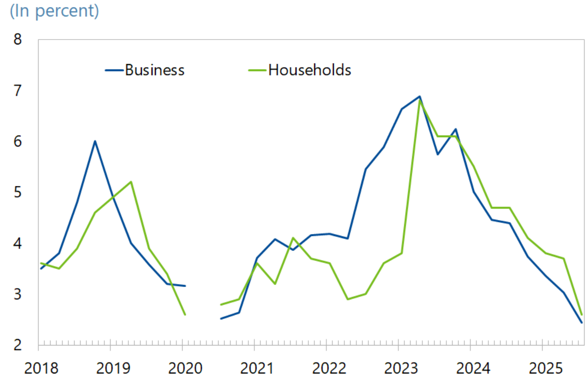
Core and Service Inflation
(In percent, year-on-year)



Sources: Haver Analytics; and IMF staff calculations.

Following the decline in inflation, businesses and households have adjusted their inflation expectations.

Inflation Expectations Next 12 Months
(In percent)

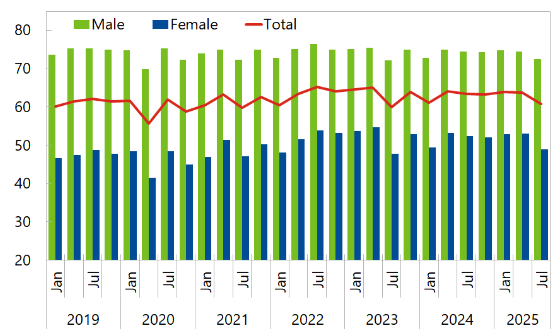


Sources: Bangko Sentral ng Pilipinas; and IMF staff estimates.

Figure 3. Philippines: Labor Market

Labor force participation remains strong, with female labor participation having seen a rise since 2020.

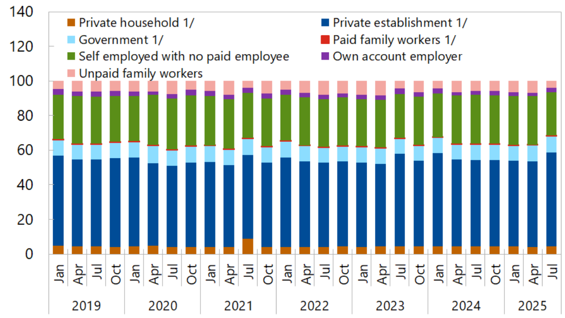
Labor Force Participation Rate by Sex
(In percent)



Sources: Philippine Statistics Authority; and IMF staff calculations.

A large share of the population is in non-salaried positions.

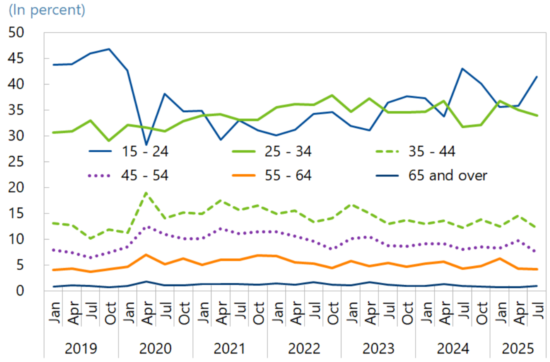
Employed Persons by Class of Workers
(In percent)



Sources: Philippine Statistics Authority; and IMF staff calculations.
1/ Wage and salary workers.

Unemployment rates are driven mostly by young workers…

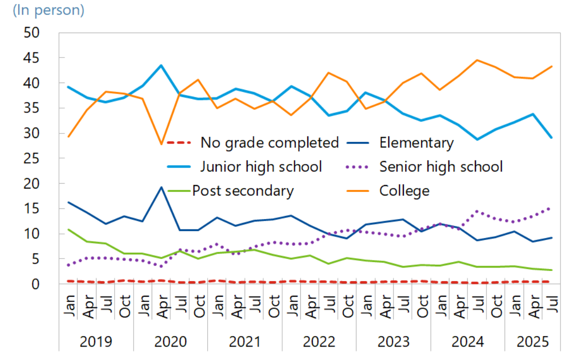
Unemployed Persons by Age Group
(In percent)



Sources: Philippine Statistics Authority; and IMF staff calculations.

…and those with higher levels of education.

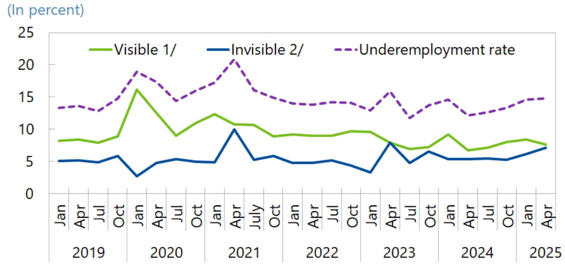
Unemployed Persons by Highest Grade Completed
(In person)



Sources: Philippine Statistics Authority; and IMF staff calculations.

Although underemployment has declined since 2020, it has seen a recent pickup in 2025 driven by visible underemployment…

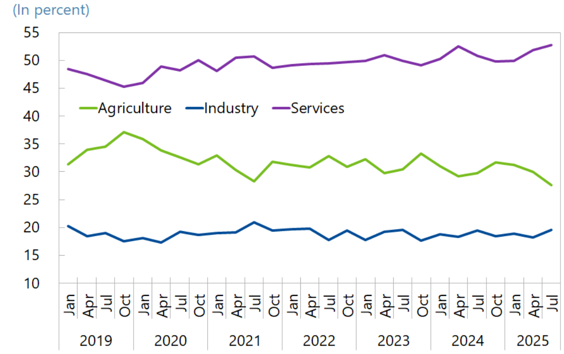
Visible and Invisible Underemployment Rate
(In percent)



Source: Philippine Statistics Authority.
1/ Those who work for less than 40 hours during the reference period and want additional hours of work.
2/ Those working 40 hours or more per week but still want an additional job or additional working hours

…and by the services sector.

Underemployed Persons by Sector
(In percent)

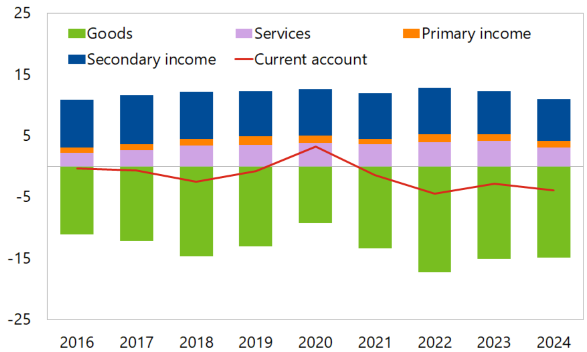


Sources: Philippine Statistics Authority; and IMF staff calculations.

Figure 4. Philippines: External Sector

The current account deficit widened in 2024…

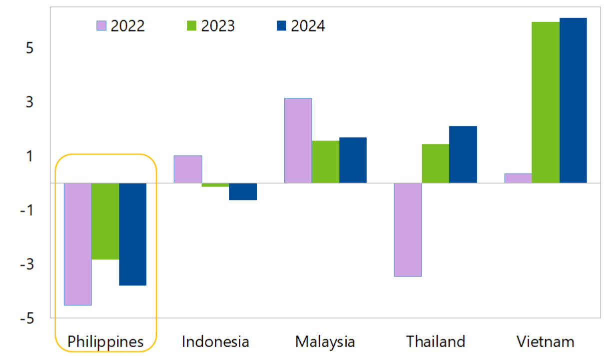
Current Account Balance
(In percent of GDP)



Sources: Haver Analytics; IMF staff estimates.

…and remained larger than that of regional peers.

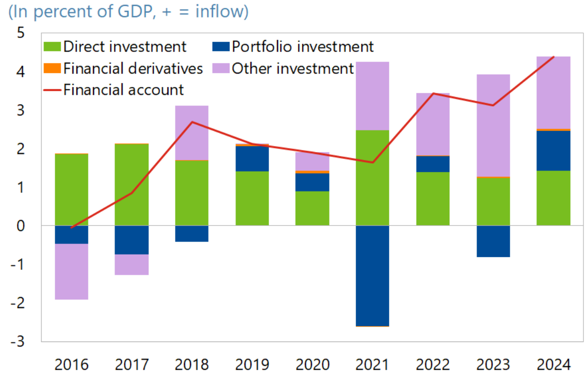
Current Account Balance
(In percent of GDP)



Sources: Haver Analytics; IMF staff estimates.

Net inflows of direct investment rose and net portfolio flows turned positive in 2024.

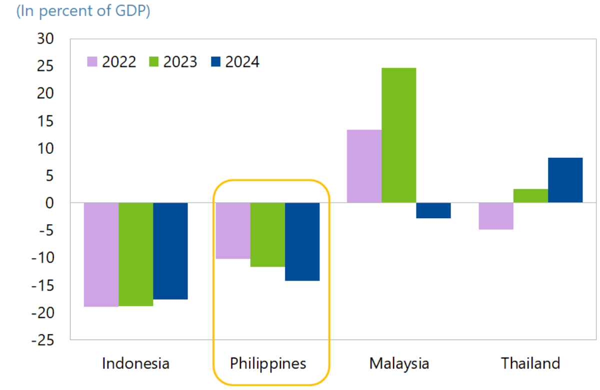
Capital Flows
(In percent of GDP, + = inflow)



Sources: Haver Analytics; IMF staff estimate.

NIIP decreased further partly due to financing the current account deficit and peso depreciation.

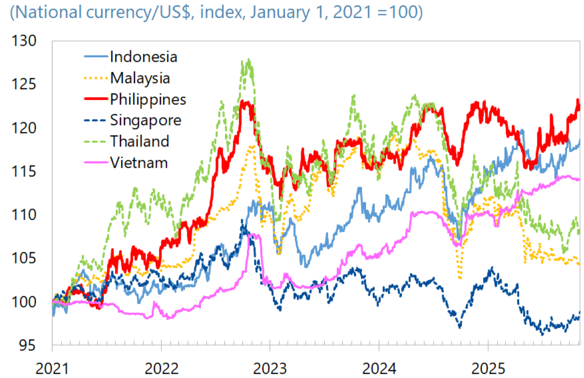
Net International Investment Position
(In percent of GDP)



Sources: Haver Analytics; and IMF staff estimates.

The exchange rate depreciated in 2024Q4 but appreciated in early 2025 amid broad dollar weakening.

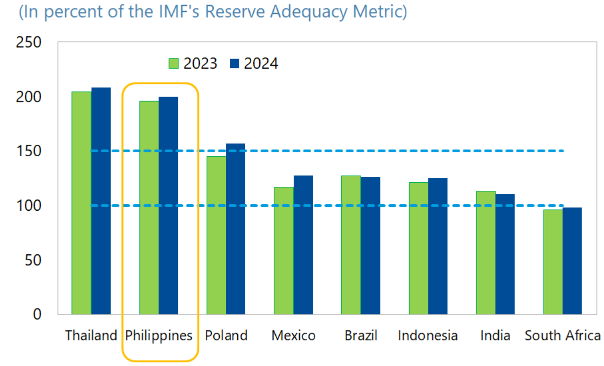
Exchange Rates
(National currency/US$, index, January 1, 2021 =100)



Sources: Bloomberg Data L.P.; and IMF staff estimates.

The Philippines' foreign reserves increased slightly to US$106 billion at end-2024 and were well above the IMF's reserve adequacy metric.

Gross International Reserves
(In percent of the IMF's Reserve Adequacy Metric)

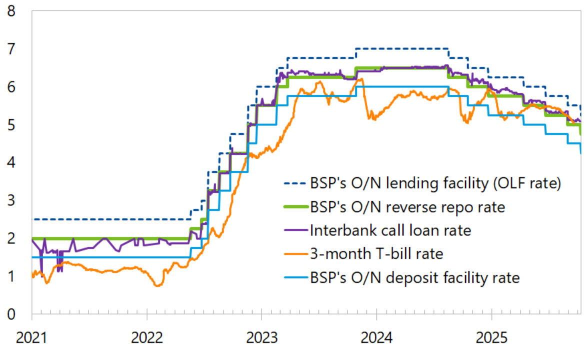


Source: IMF, Assessing Reserve Adequacy April 2025.

Figure 5. Philippines: Monetary and Financial Conditions

The interbank and short-term T-bill rates have largely followed the BSP's rates as monetary policy eases.

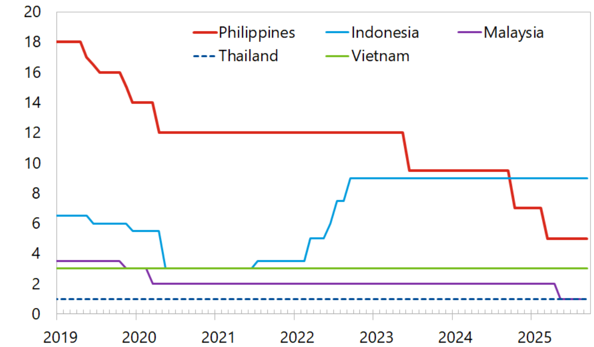
Policy, Interbank, and T-Bill Rates
(In percent)



Sources: Bloomberg L.P.; CEIC Co. Ltd.; and Haver Analytics.

The BSP reduced the reserve requirement ratio to 5 percent in March 2025, but it remains one of the highest in the region.

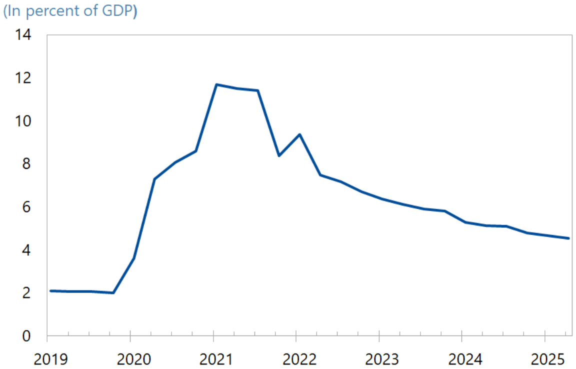
Reserve Requirements
(In percent of deposits)



Source: Authorities data via CEIC Co. Ltd.

The BSP continues to let its government securities portfolio run off.

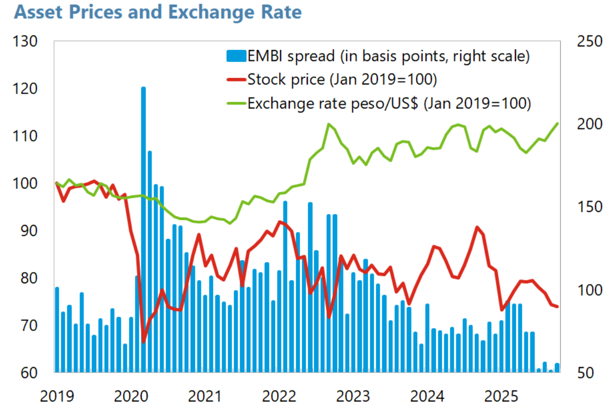
BSP's Credit to Government
(In percent of GDP)



Sources: Haver Analytics; and IMF staff calculations.

The stock market has declined recently alongside peso depreciation, while the EMBI spread remains compressed.

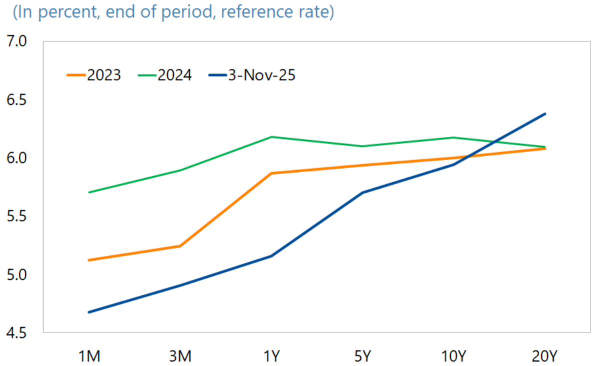
Asset Prices and Exchange Rate



Sources: Haver Analytics; Bloomberg LP; and IMF staff calculations.

The yield curve moved up and flattened in 2024, but has since steepened…

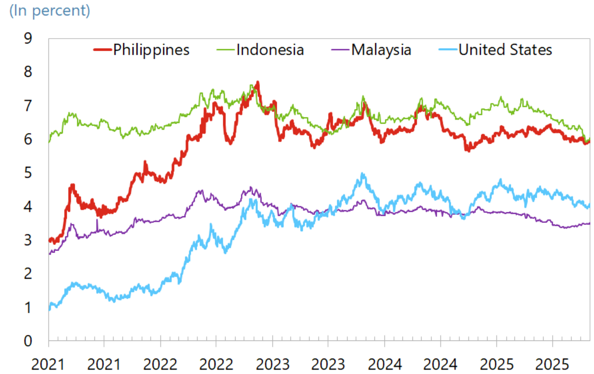
Government Bond Yields
(In percent, end of period, reference rate)



Source: Bloomberg L.P..

…with the long end of the curve moving with the U.S. yields.

10-year Domestic Government Bond Yields
(In percent)

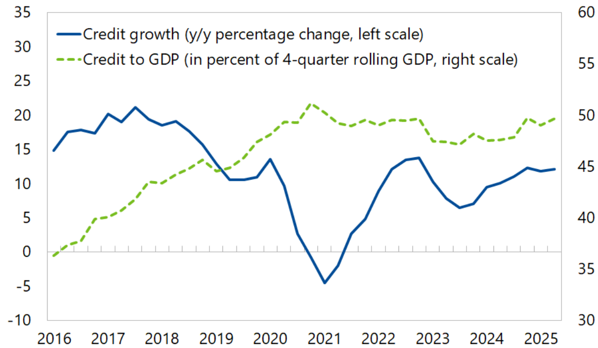


Source: Haver Analytics.

Figure 6. Philippines: Macrofinancial Linkages

Credit growth has been broadly stable recently, as well as the credit-to-GDP ratio …

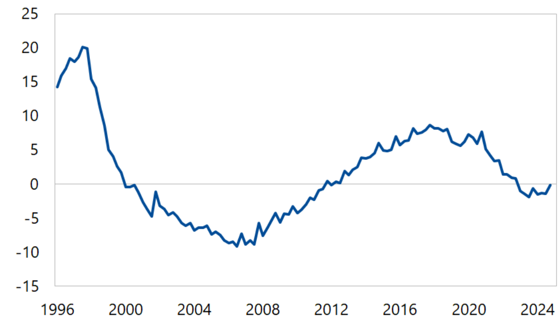
Bank Credit Growth and Credit-to-GDP Ratio 1/



Sources: CEIC Data Company Ltd; and IMF staff estimates.
1/ Loans by universal and commercial banks, net of reverse repos.

…with credit gap largely closed.

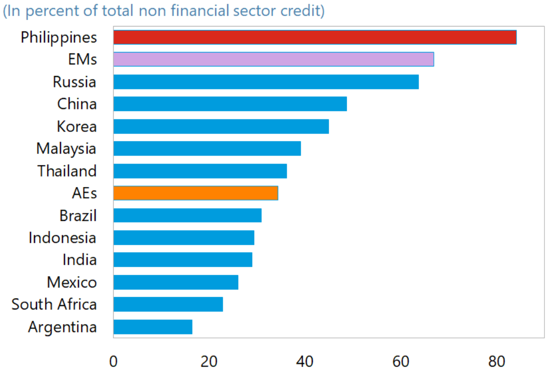
Credit Gap
(In percent)



Source: IMF, Systemic Risk Tracker.

Corporate loans outstanding accounts for over 80 percent of total loans…

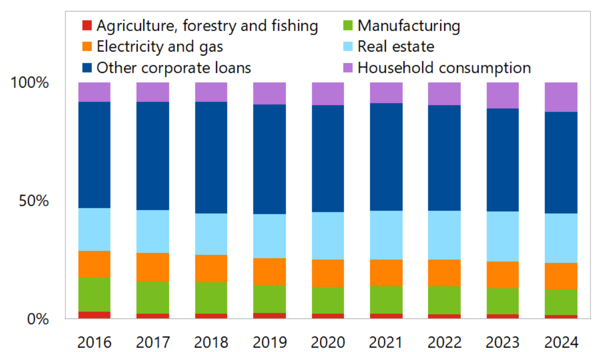
Credit to Non-Financial Corporates, 2024
(In percent of total non financial sector credit)



Sources: BIS; Haver Analytics; and IMF staff calculations.

… with real estate, manufacturing, and electricity and gas accounting for a large share.

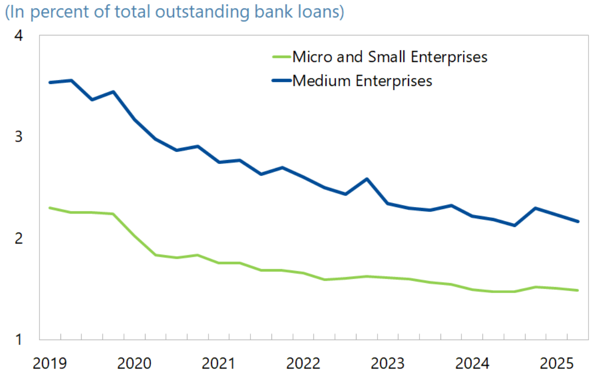
Bank Loans to Residents by Sector
(Share of total)



Sources: Haver Analytics; and IMF staff calculations.

Corporate loans predominantly go to large enterprises, with the share of bank loans to micro, small and medium enterprises is still lower than pre-pandemic levels.

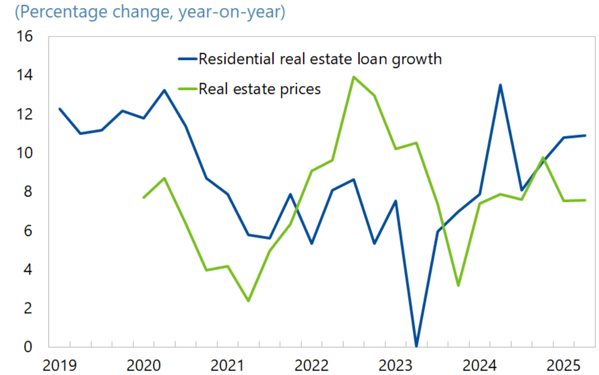
Loans of All Banks to Micro-Small and Medium Enterprises
(In percent of total outstanding bank loans)



Sources: Bangko Sentral ng Pilipinas; and IMF staff calculations.

…Residential real estate prices and loans have picked up recently, driven mainly by the high-end market.…

Residential Real Estate: Bank Loan and Price Growth
(Percentage change, year-on-year)

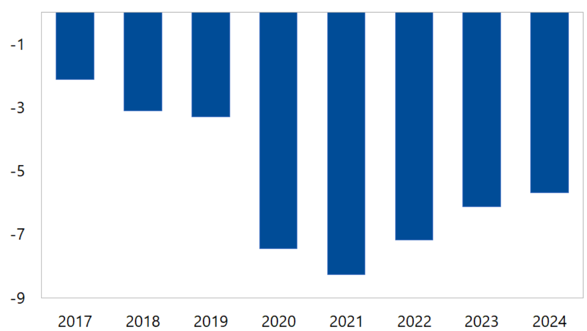


Sources: Haver Analytics; and IMF staff calculations.

Figure 7. Philippines: Fiscal Developments

The overall budget deficit narrowed further in 2024, though the pace of consolidation slowed down…

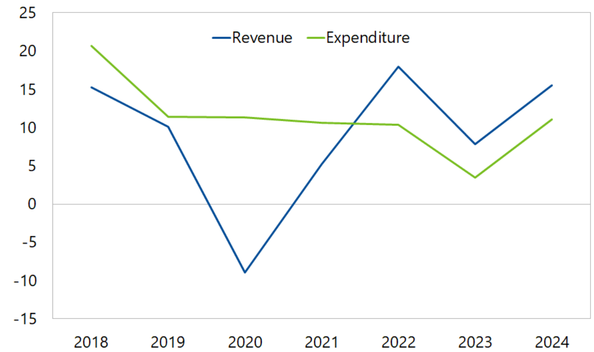
National Government Overall Balance 1/
(In percent of GDP)



Sources: Haver Analytics; and IMF staff calculations.
1/ Excluding privatization receipts, equity, and net lending.

… reflecting a pick-up in expenditure growth, while revenue growth was driven in part by one-off factors.

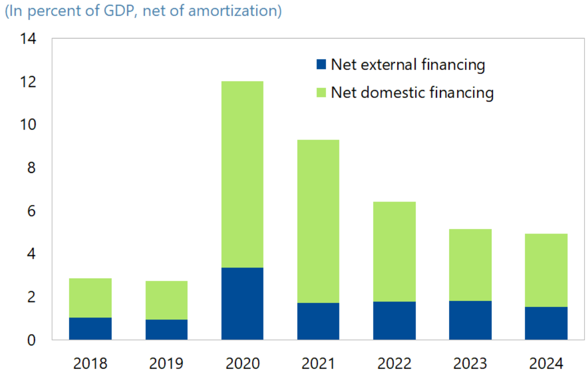
National Government Revenue and Expenditure Growth
(In percent, year-on-year)



Sources: Haver Analytics; and IMF staff calculations.

Fiscal financing has increased since the pandemic…

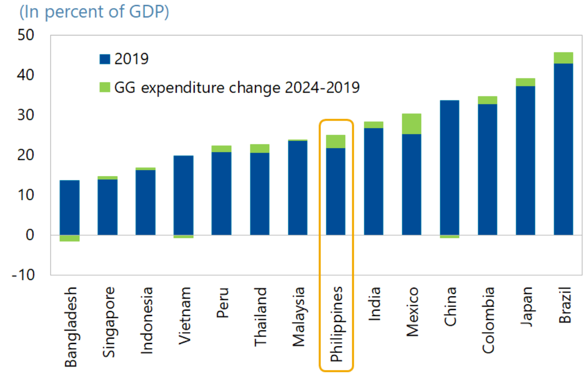
National Government Financing by Sources
(In percent of GDP, net of amortization)



Sources: Bureau of Treasury; and IMF staff calculations.

…largely reflecting higher post-pandemic public spending.

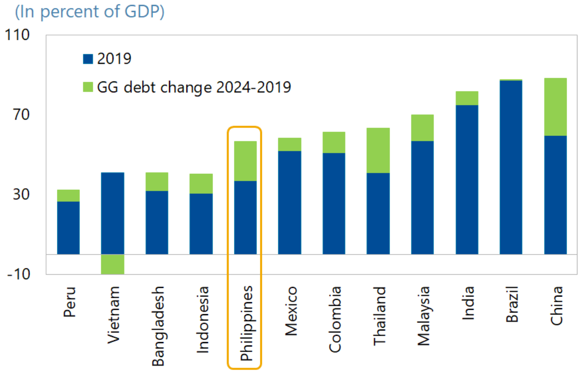
General Government Expenditure
(In percent of GDP)



Sources: IMF, World Economic Outlook; and IMF staff estimates.

The end-2024 debt-to-GDP ratio is higher than pre-pandemic level.

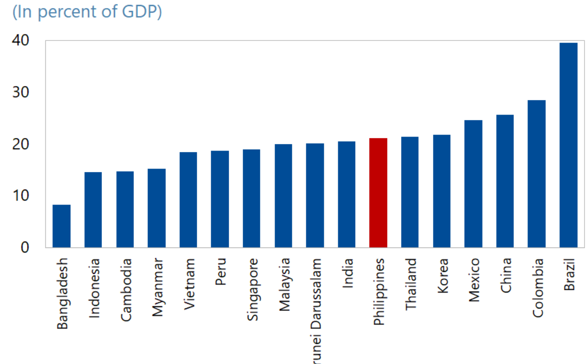
General Government Debt
(In percent of GDP)



Sources: IMF, World Economic Outlook; and IMF staff estimates.

Strengthening revenue mobilization is one option to replenish fiscal space in the medium term.

General Government Revenue, 2024
(In percent of GDP)

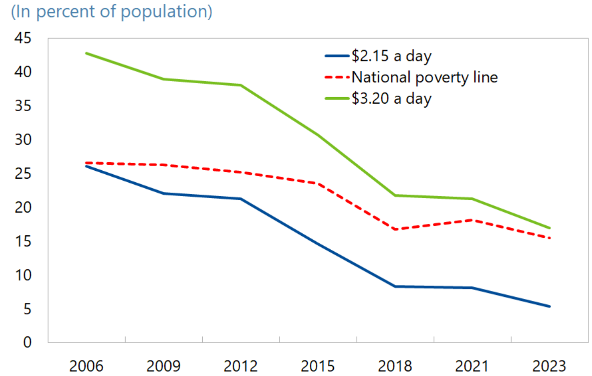


Sources: IMF, World Economic Outlook; and IMF staff estimates.

Figure 8. Philippines: Poverty and Business Environment

Poverty continued to fall during the pandemic…

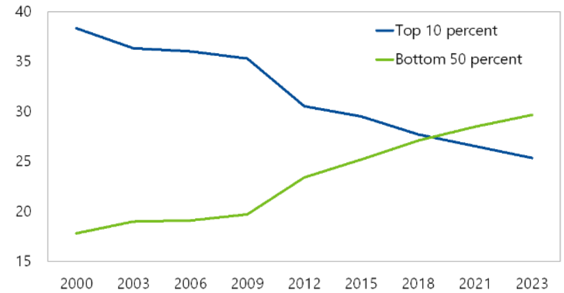
Poverty Rate
(In percent of population)



Source: World Bank, World Development Indicators.

…while inequality improved markedly.

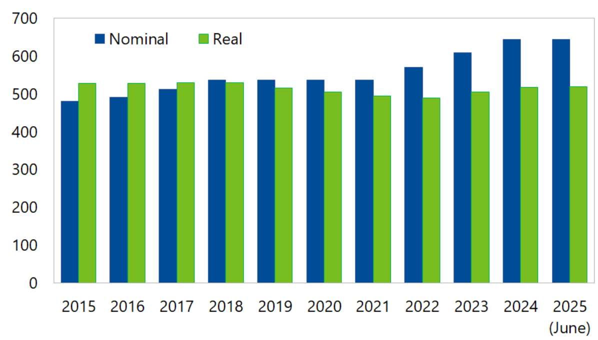
Income Share Held by Top 10 and Bottom 50 Percent
(In percent, deciles based on per capita annual income)



Sources: Philippine Statistics Authority, Family Income and Expenditure Survey; and IMF staff estimates.

Real minimum wages have risen slightly as inflation declined in 2024-25.

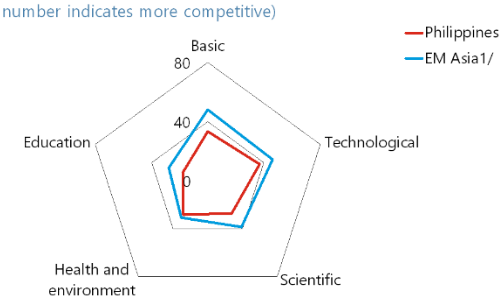
Legislated Daily Wage Rate: Non-Agricultural Workers 1/
(In peso)



Source: Philippines' Department of Labor and Employment via Haver Analytics.
1/ For the National Capital Region.

Infrastructure gaps have contributed to a lack of high-quality non-agriculture jobs outside the national capital region

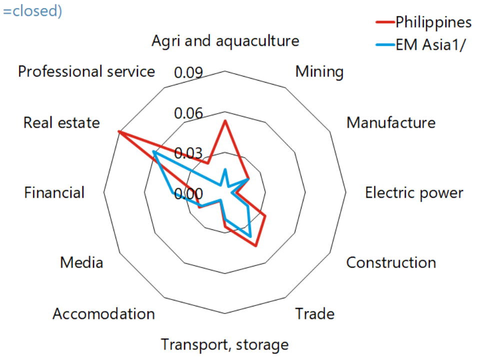
Global Competitiveness in Infrastructure, 2024
(Higher number indicates more competitive)



Sources: International Institute for Management Development, World Competitiveness Yearbook 2024.
1/ Average of India, Indonesia, Malaysia, Thailand.

Regulatory barriers remain high for inward FDI…

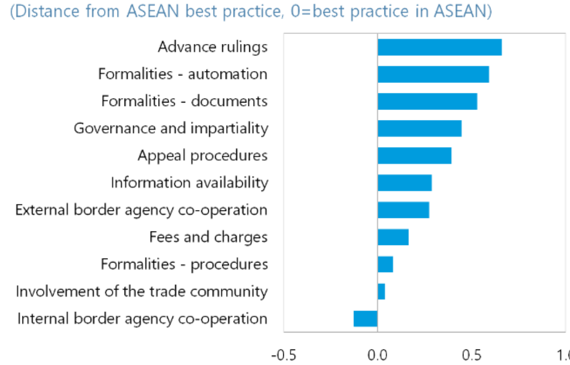
FDI Regulatory Restriction Index, 2023
(0=open, 1=closed)



Sources: OECD, FDI Regulatory Restrictiveness Index, 2023; and IMF staff estimates.
1/ Average of India, Indonesia, Malaysia, Thailand, and Vietnam.

…and international trade.

Procedural Barriers to Trade
(Distance from ASEAN best practice, 0=best practice in ASEAN)

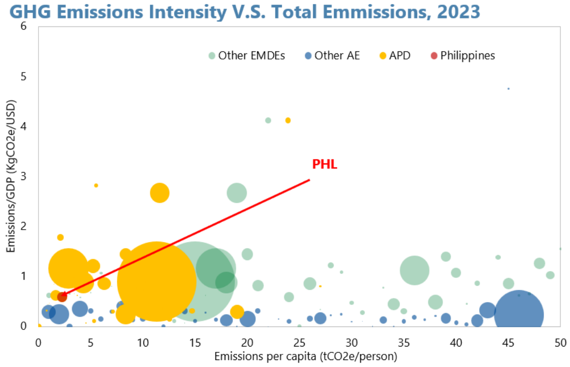


Sources: OECD, Trade Facilitation Indicators; and IMF staff estimates.

Figure 9. Philippines: Climate Change and Natural Hazards

While the Philippines accounts for only 0.02 percent of global GHG emissions, its emission intensity is relatively high.

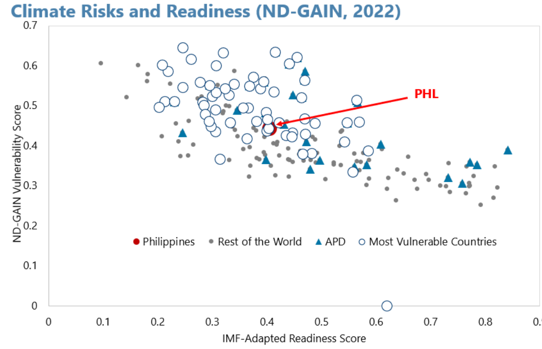
GHG Emissions Intensity V.S. Total Emissions, 2023



Sources: IMF Climate Change Indicators Dashboard (2023) and World Economic Outlook (2023).
Note: Bubble size indicates total GHG emissions excluding land-use and land-use change and forestry. Outlier Palau is excluded.

The Philippines is among the more vulnerable countries to climate change in the Asia and Pacific region, while its adaptive readiness score remains relatively low.

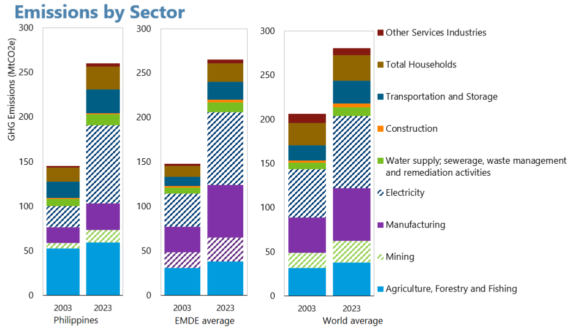
Climate Risks and Readiness (ND-GAIN, 2022)



Sources: IMF Climate Change Indicators Dashboard (2022).
Note: The Vulnerability Score assesses a country's current vulnerability to climate reflecting exposure, sensitivity, and adaptive capacity. The Readiness Score assesses a country's readiness to leverage public and private sector investment for adaptative actions.

Electricity and agriculture sectors account for 63 percent greenhouse emissions. Transport, industrial, and power emissions have increased in line with the trend in other countries, while manufacturing has relatively less emissions

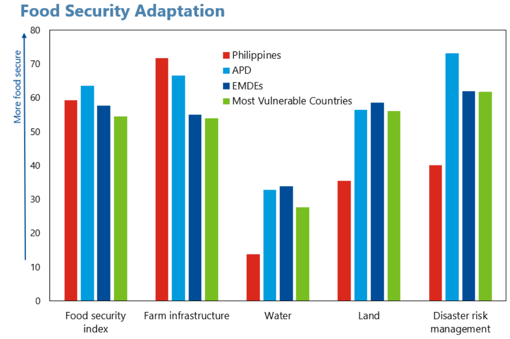
Emissions by Sector



Sources: OECD Air Emission Accounts; UNFCCC; EDGAR; IMF staff calculations.
Note: GHG emissions excluding land-use and land-use change and forestry are shown. Rather than presenting the air emission by UNFCCC sector, the chart above classifies emissions by economic activity.

While the country faces food insecurity due to challenges in land and water risks and relatively weak disaster risk management, it benefits from strong farm infrastructure.

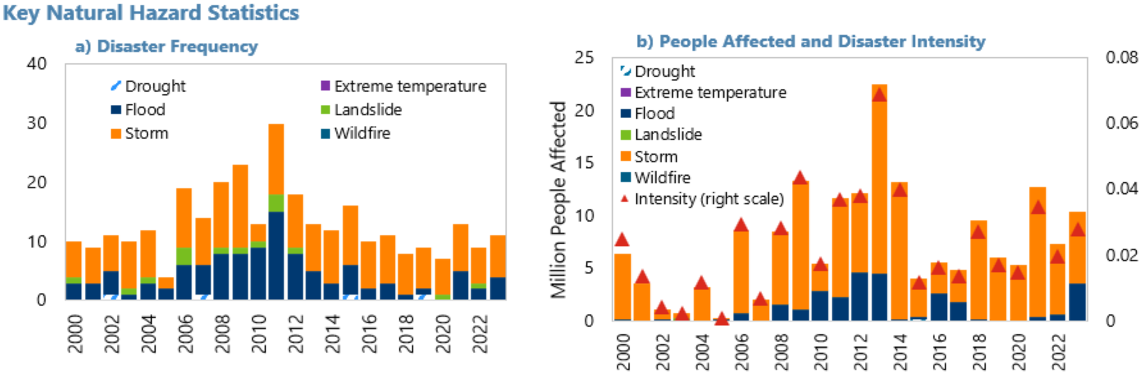
Food Security Adaptation



Source: Global Food Security Index 2022 from the Economist Impact and Corteva.

Philippines is mainly vulnerable to storms, droughts, and floods. Historically, it is common for PHL to be faced with multiple natural hazards in a single year.

Key Natural Hazard Statistics

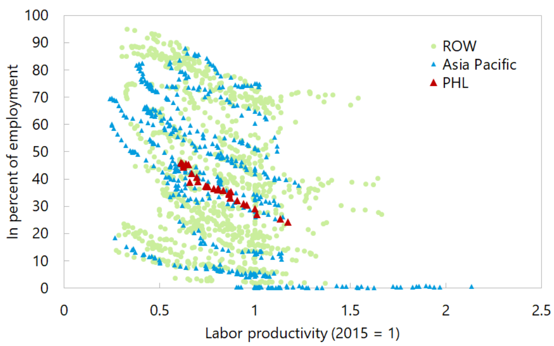


Sources: EMDAT and Staff calculations using Pondi and others (2023).
Note: Intensity is defined as (Total death+30% Total Affected)/Total population.

Figure 10. Philippines: Structural Transformation

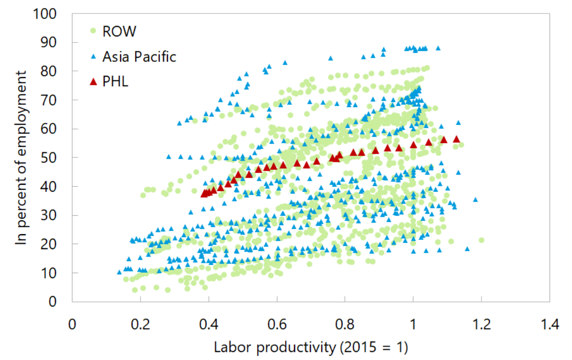
As workers move out of the agriculture sector, productivity rises, a trend also true in the Philippines…

Agricultural: Labor Productivity vs Share of Employment Levels



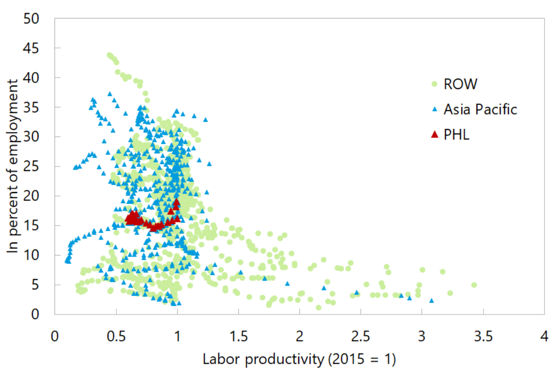
…while in services, productivity rises as workers move into the sector

Services: Labor Productivity vs Share of Employment Levels



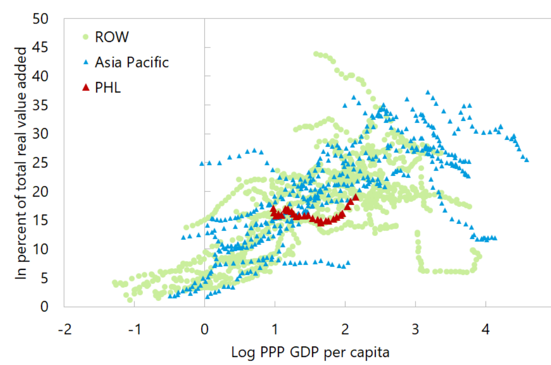
In contrast, there is little correlation between industry employment and productivity.

Industry: Labor Productivity vs Share of Employment Levels



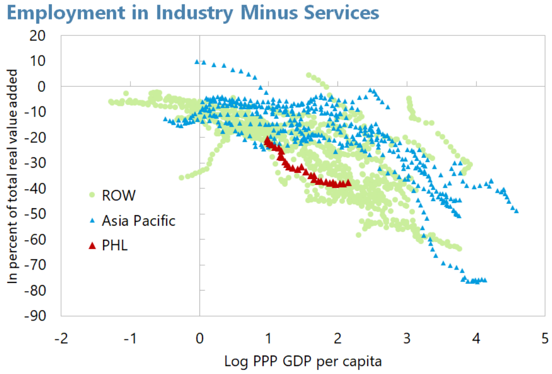
A higher share of industry employment is, however, associated with higher GDP per capita…

Share of Industry Employment



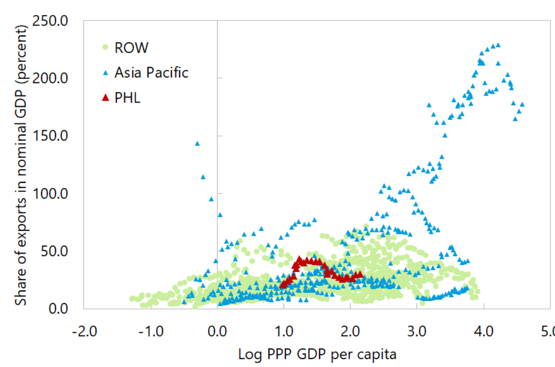
…but to a lesser extent than employment in services.

Structural Transformation Path: Differences in Shares of Employment in Industry Minus Services



Exports of goods and services are also strongly associated with higher GDP per capita, though the relationship has flatted in the Philippines.

Exports vs Income



Source: de Vries, Gaaitzen, Linda Arfelt, Dorothea Drees, Mareike Godemann, Calumn Hamilton, Bente Jessen-Thiessen, Ahmet Ihsan Kaya, Hagen Kruse, Emmanuel Mensah and Pieter Woltjer (2021). "The Economic Transformation Database (ETD): Content, Sources, and Methods". WIDER Technical Note 2/2021.' DOI: 10.35188/UNU-WIDER/WTN/2021-2.

Table 1. Philippines: Selected Economic Indicators, 2023-28

Demographic: population (2024): 112.9 million; life expectancy at birth (2023): 69.8
Poverty in percent of population: below $2.15 a day (2023): 5.3; below the national poverty line (2023): 15.5.
Inequality (2023, income shares): top 10 percent: 31.6; bottom 20 percent: 6.9.
IMF quota: SDR 2,042.9 million.
Main export products: electronics, mineral, agro-based products, equipments and chemicals.

	2023	2024	2025 Est.	2026 Proj.	2027 Proj.	2028 Proj.
	(Annual percentage change, unless otherwise indicated)					
National account						
Real GDP	5.5	5.7	5.4	5.8	6.1	6.0
Consumption	4.7	5.3	5.0	5.2	5.5	5.6
Private	5.5	4.9	5.7	5.7	5.8	5.8
Public	0.3	7.3	1.4	2.3	3.4	4.5
Gross fixed capital formation	8.2	6.3	5.7	6.9	8.4	7.5
Final domestic demand	5.4	5.5	5.1	5.5	6.1	6.0
Net exports (contribution to growth)	0.0	-0.7	-0.2	-0.3	-0.6	-0.6
Real GDP per capita	4.6	4.8	4.3	4.7	5.0	4.9
Output gap (percent, +=above potential)	0.2	0.0	-0.4	-0.3	-0.1	0.0
Labor market						
Unemployment rate (percent of labor force)	4.4	3.8	3.9	3.9	3.8	3.8
Underemployment rate (percent of employed persons)	12.3	11.9	…	…	…	…
Employment	2.8	1.4	1.8	1.8	1.8	1.8
Price						
Consumer prices (period average)	6.0	3.2	1.7	2.8	3.0	3.0
Consumer prices (end of period)	3.9	2.9	1.7	3.0	3.0	3.0
Core consumer prices (period average)	6.6	3.0	2.4	2.6	2.8	3.0
Residential real estate (Q4/Q4)	3.2	9.8	…	…	…	…
Money and credit (end of period)						
Overnight reverse repo rate (policy rate)	6.5	5.8	…	…	…	…
Claims on private sector (in percent of GDP)	48.3	49.9	51.3	51.4	51.8	52.3
Claims on private sector (yoy growth rate)	9.1	12.2	10.1	8.5	9.8	9.7
Monetary base	5.5	0.6	-3.1	4.1	5.3	5.2
Broad money	7.4	7.7	5.0	6.5	6.8	7.2
Public finances (in percent of GDP)						
National government overall balance 1/	-6.1	-5.7	-5.4	-5.2	-4.7	-4.2
Revenue and grants	15.7	16.7	16.1	16.2	16.2	16.3
Total expenditure	21.8	22.4	21.5	21.4	20.9	20.5
National government gross debt	60.1	60.7	62.2	62.7	62.5	61.8
Balance of payments (in percent of GDP)						
Current account balance	-2.8	-4.0	-3.8	-3.4	-3.1	-2.9
Direct Investment, net	-1.2	-1.4	-1.4	-1.4	-1.4	-1.5
Total external debt	28.7	29.8	31.9	32.3	32.5	32.5
Gross reserves						
Gross reserves (US$ billions)	103.8	106.3	107.3	106.5	105.0	103.3
Gross reserves (percent of short-term debt, remaining maturity)	401.5	390.3	382.8	365.9	332.4	304.9
Memorandum items:						
Nominal GDP (US$ billions)	437.1	461.6	494.3	535.5	582.3	632.8
Nominal GDP per capita (US$)	3,905	4,089	4,322	4,633	4,985	5,360
GDP (in billions of pesos)	24,314	26,446	28,320	30,682	33,363	36,253
Real effective exchange rate (2010=100)	113.1	113.7	…	…	…	…
Peso per U.S. dollar (period average)	55.6	57.3	…	…	…	…

Sources: Philippine authorities; World Bank; and IMF staff estimates and projections.

1/ IMF definition with privatization receipts, equity, and net lending excluded.

Table 2. Philippines: National Government Cash Accounts, 2023–28

(In percent of GDP, unless otherwise indicated)

	2023	2024	2025 Est.	2026 Proj.	2027 Proj.	2028 Proj.
Revenue and grants	15.7	16.7	16.1	16.2	16.2	16.3
Tax revenue	14.1	14.4	14.7	14.8	14.8	15.0
Net income and profits	5.8	5.8	6.0	6.0	6.0	6.1
Excises	2.1	2.0	2.1	2.1	2.1	2.1
VAT	4.1	4.5	4.6	4.7	4.6	4.7
Tariffs	0.4	0.4	0.4	0.4	0.4	0.4
Other 1/	1.6	1.6	1.7	1.7	1.7	1.7
Nontax revenue	1.6	2.3	1.4	1.4	1.4	1.3
Expenditure	21.8	22.4	21.5	21.4	20.9	20.5
Current expenditures	16.9	17.4	16.8	17.3	17.1	16.8
Compensation of employees	5.9	5.8	5.8	6.0	5.8	5.5
Use of goods and services	3.8	4.1	3.6	3.3	3.2	3.2
Grants	3.8	3.9	4.0	4.4	4.5	4.5
Subsidies	0.7	0.5	0.5	0.5	0.5	0.5
Interest	2.6	2.9	3.0	3.1	3.1	3.1
Other expenses	0.1	0.2	0.1	0.0	0.0	0.0
Capital expenditure	5.0	5.0	4.7	4.1	3.8	3.7
Balance	-6.1	-5.7	-5.4	-5.2	-4.7	-4.2
Financing	6.1	5.7	5.4	5.2	4.7	4.2
External financing (net)	1.8	1.5	1.7	1.2	1.3	1.2
Domestic financing (net)	6.7	3.4	3.8	4.0	3.5	3.1
Change in cash (negative=accumulation)	-2.3	0.8	0.0	0.0	0.0	0.0
Privatization	0.0	0.0	0.0	0.1	0.0	0.0
Equity	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	-0.1	0.0	-0.1	-0.1	-0.1	-0.1
Memorandum items:						
Cyclically-adjusted primary balance 2/	-3.6	-2.8	-2.4	-2.1	-1.7	-1.2
Structural primary balance 2/	-3.2	-3.4	-2.4	-2.1	-1.7	-1.2
Gross financing requirement	9.0	9.7	12.4	8.8	10.1	9.7
National government gross debt 3/	60.1	60.7	62.2	62.7	62.5	61.8
Domestic	41.2	41.3	42.4	43.2	43.2	42.9
External	18.9	19.4	19.8	19.5	19.3	18.9
GDP (in billions of peso)	24,314	26,446	28,320	30,682	33,363	36,253

Sources: Philippine authorities; and IMF staff projections.

1/ Includes other percentage taxes, documentary stamp tax, and non-cash collections.

2/ In percent of potential GDP. The structural primary balance also excludes one-off revenues.

3/ Includes national government debt held by the bond sinking fund and excludes contingent/guaranteed debt.

Table 3. Philippines: General Government Operations, 2023–28 1/

(In percent of GDP, unless otherwise indicated)

	2023	2024	2025 Est.	2026 Proj.	2027 Proj.	2028 Proj.
Revenue	20.3	21.2	20.5	20.5	20.5	20.5
Taxes	15.1	15.4	15.7	15.9	15.9	16.1
Taxes on income, profits, and capital gains	5.8	5.8	6.0	6.0	6.0	6.1
Taxes on goods and services	7.4	7.6	7.8	7.9	7.9	8.1
Taxes on international trade and transactions	0.4	0.4	0.4	0.4	0.4	0.4
Taxes not elsewhere classified	1.5	1.5	1.5	1.6	1.6	1.6
Social contributions	2.8	2.7	2.6	2.6	2.5	2.4
Grants	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	2.4	3.1	2.1	2.1	2.1	2.1
Total expenditure	24.7	25.6	24.3	24.0	23.3	23.0
Expense	19.2	20.1	19.2	19.3	18.9	18.7
Compensation of employees 2/	5.9	5.8	5.8	6.0	5.8	5.5
Use of goods and services 2/	3.8	4.1	3.6	3.3	3.2	3.2
Interest	2.3	2.6	2.7	2.8	2.8	2.8
Social security benefits	2.3	2.4	2.3	2.2	2.1	2.0
Expense not elsewhere classified 3/	4.9	5.2	4.9	5.0	5.0	5.1
Net acquisition of nonfinancial assets	5.5	5.6	5.1	4.6	4.4	4.3
Net lending/borrowing	-4.4	-4.4	-3.9	-3.5	-2.9	-2.4
Memorandum items:						
Primary balance	-2.1	-1.9	-1.2	-0.7	-0.1	0.4
General government gross debt 4/	56.5	56.6	58.2	58.6	58.4	57.7
Domestic	37.6	37.3	38.4	39.1	39.1	38.8
Foreign	18.9	19.4	19.8	19.5	19.3	18.9
GDP (in billions of peso)	24,314	26,446	28,320	30,682	33,363	36,253

Sources: Philippine authorities; and IMF staff projections.

1/ Based on GFSM2014. General government includes the national government, social security institutions (SSIs), and local government units (LGUs).

2/ National government only. The expense items related to social security institutions and local governments included under expense not elsewhere classified.

3/ Includes subsidies and expenditure by the LGUs.

4/ Includes national government debt held by the bond sinking fund and excludes contingent/guaranteed debt.

Table 4. Philippines: Depository Corporation Survey, 2019–24 1/

(End of period, in billions of peso, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024
Total						
Net foreign assets	4,858	6,096	6,493	6,265	6,556	6,948
Net domestic assets	10,092	10,149	11,048	12,672	13,784	14,949
Net claims on nonfinancial public sector	2,711	3,444	4,145	4,947	5,582	6,003
Claims on private sector	9,363	9,341	9,694	10,766	11,746	13,184
Net claims on other financial corporations	1,192	1,101	1,183	1,214	1,182	1,253
Broad money	14,950	16,244	17,541	18,937	20,340	21,897
National currency	12,976	14,222	15,343	16,405	17,441	18,790
Foreign currency	1,974	2,023	2,197	2,531	2,898	3,107
Bangko Sentral ng Pilipinas						
Net foreign assets	4,399	5,303	5,574	5,384	5,781	6,177
Net domestic assets	-1,157	-1,901	-1,976	-1,604	-1,790	-2,165
Claims on private sector	0	0	0	0	0	0
Net claims on financial corporations	-734	-1,910	-1,867	-1,788	-1,810	-1,719
Monetary base	3,238	3,402	3,599	3,781	3,989	4,011
Currency in circulation	1,679	2,039	2,176	2,337	2,447	2,723
Other depository corporations liabilities	1,559	1,363	1,422	1,443	1,542	1,284
Other depository corporations						
Net foreign assets	459	793	919	881	775	772
Net domestic assets	13,091	13,720	14,745	16,035	17,447	18,755
Net claims on nonfinancial public sector	2,478	2,698	3,424	3,900	4,552	5,057
Claims on private sector	9,363	9,341	9,694	10,766	11,746	13,184
Net claims on financial corporations	3,771	4,614	4,669	4,489	4,586	4,321
Memorandum items:						
Broad money (percent change, year-on-year)	9.8	8.7	8.0	8.0	7.4	7.7
Claims on private sector (percent change, year-on-year)	7.8	-0.2	3.8	11.1	9.1	12.2
Broad money (in percent of GDP)	76.6	90.5	90.4	86.0	83.7	82.8
Claims on private sector (in percent of GDP)	48.0	52.0	49.9	48.9	48.3	49.9
Nominal GDP, annual	19,518	17,952	19,411	22,028	24,314	26,446

Sources: Philippine authorities; IMF, International Financial Statistics; and IMF staff projections.

1/ It includes the Bangko Sentral ng Pilipinas (BSP), the accounts of the Central Government arising from its holdings of transactions with the International Monetary Fund, and Other Depository Corporations such as universal and commercial banks, thrift banks, rural banks, non-stock savings and loan associations and nonbanks with quasi-banking functions.

Table 5. Philippines: Balance of Payments, 2023–28

(In BPM6, in percent of GDP, unless otherwise indicated)

	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
Current account balance	-2.8	-4.0	-3.8	-3.4	-3.1	-2.9
Trade balance of goods and services	-10.9	-11.9	-11.7	-11.2	-10.6	-10.5
Goods	-15.1	-14.9	-14.8	-14.4	-13.8	-13.5
Exports, f.o.b.	12.6	11.9	11.4	10.7	10.4	10.5
Imports, f.o.b.	27.8	26.8	26.1	25.1	24.2	24.0
Services	4.2	3.0	3.1	3.2	3.2	3.1
Receipts	11.1	11.2	10.9	10.8	10.8	10.8
Payments	6.9	8.2	7.8	7.7	7.6	7.7
Primary income, net	1.0	1.1	1.2	1.3	1.3	1.5
Receipts, of which:	3.7	3.8	3.9	4.0	4.0	4.1
Compensation of employees	2.1	2.1	2.0	2.0	1.9	1.8
Payments	2.8	2.8	2.8	2.7	2.7	2.6
Secondary income, net	7.1	6.9	6.7	6.5	6.2	6.1
Receipts, of which:	7.4	7.1	6.9	6.7	6.4	6.3
Workers' remittances	6.6	6.5	6.3	6.1	5.8	5.7
Payments	0.2	0.3	0.3	0.2	0.2	0.2
Capital account	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	-3.1	-4.4	-3.2	-3.0	-2.7	-2.7
Direct investment	-1.2	-1.4	-1.4	-1.4	-1.4	-1.5
Portfolio investment	0.8	-1.0	-0.5	-0.5	-0.6	-0.6
Financial derivatives	0.0	-0.1	-0.1	-0.1	0.0	0.0
Other investment	-2.7	-1.9	-1.3	-1.1	-0.7	-0.6
Errors and omissions	0.5	-0.3	0.0	0.0	0.0	0.0
Overall balance	0.8	0.1	-0.6	-0.4	-0.3	-0.3
Memorandum items:						
Nominal GDP (US$ billions)	437	462	494	536	582	633
Current account (US$ billions)	-12.4	-18.3	-18.7	-18.4	-17.9	-18.6
Short-term debt (original maturity)	17.1	20.9	22.0	24.3	26.7	29.3
Short-term debt (residual maturity)	25.8	27.2	28.0	29.1	31.6	33.9
Gross reserves	103.8	106.3	107.3	106.5	105.0	103.3
External debt (US$ billions)	125.4	137.6	157.9	173.1	189.3	205.8
External debt (in percent of GDP)	28.7	29.8	31.9	32.3	32.5	32.5

Sources: Philippine authorities; and IMF staff projections.

Table 6. Philippines: Medium-Term Outlook, 2024–30

(In percent of GDP, unless otherwise indicated)

	2024	2025 Est.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
GDP and prices							
Real GDP (percent change)	5.7	5.4	5.8	6.1	6.0	6.0	6.0
CPI (percent change, annual average)	3.2	1.7	2.8	3.0	3.0	3.3	3.2
GDP by expenditure							
Consumption (percent change)	5.3	5.0	5.2	5.5	5.6	5.7	5.8
Private	4.9	5.7	5.7	5.8	5.8	5.7	5.6
Public	7.3	1.4	2.3	3.4	4.5	5.5	6.8
Gross fixed investment (percent change)	6.3	5.7	6.9	8.4	7.5	7.4	7.4
Net exports (contribution to growth)	-0.7	-0.2	-0.3	-0.6	-0.6	-0.6	-0.7
Investment and saving							
Gross investment	23.7	22.9	22.5	23.7	23.9	24.1	24.4
Private	17.9	17.5	17.6	19.0	19.3	19.6	19.8
Public	5.8	5.4	4.9	4.6	4.5	4.5	4.6
National saving	19.7	19.1	19.1	20.6	20.9	21.4	21.7
Private	17.9	17.1	17.1	18.3	18.3	18.5	18.8
Public	1.8	2.0	1.9	2.3	2.6	2.9	2.9
Public finances							
National government balance	-5.7	-5.4	-5.2	-4.7	-4.2	-3.9	-3.8
Total revenue	16.7	16.1	16.2	16.2	16.3	16.3	16.4
Total expenditure	22.4	21.5	21.4	20.9	20.5	20.2	20.2
National government gross debt	60.7	62.2	62.7	62.5	61.8	60.7	59.6
General government gross debt	56.6	58.2	58.6	58.4	57.7	56.6	55.5
Current account	-4.0	-3.8	-3.4	-3.1	-2.9	-2.7	-2.7
Reserves (US$ billions)	106.3	107.3	106.5	105.0	103.3	103.2	101.6
Reserves/short-term liabilities 1/	390.3	382.8	365.9	332.4	304.9	327.6	304.4
Total external debt	29.8	31.9	32.3	32.5	32.5	32.0	30.9
Monetary sector							
Claims on private sector 2/	49.9	51.3	51.4	51.8	52.3	53.0	53.6
Claims on private sector (percent change) 2/	12.2	10.1	8.5	9.8	9.7	10.2	10.1

Sources: Philippine authorities; and IMF staff projections.

1/ Remaining maturity basis.

2/ Based on the depository corporations survey. In addition to universal and commercial banks, it includes thrift banks, rural banks, non-stock savings and loan associations and non-banks with quasi-banking functions.

Table 7. Philippines: Financial Soundness Indicators, 2020–25

(In percent)

	2020	2021	2022	2023	2024	2025:Q2
Capital adequacy						
Regulatory capital to risk-weighted assets	16.3	16.5	15.3	16.3	15.8	15.7
Regulatory Tier-1 capital to risk-weighted assets	15.3	15.5	14.4	15.3	14.9	14.9
Tier-1 capital to total assets	9.6	9.5	8.9	9.4	9.5	9.4
Nonperforming loans net of provisions to capital	6.6	7.7	4.0	4.9	5.0	4.9
Net open position in foreign exchange to capital	3.7	3.6	4.1	7.0	5.0	5.2
Gross asset position in financial derivatives to capital	1.6	1.5	2.9	1.8	1.9	1.7
Asset quality						
Nonperforming loans to total gross loans	3.5	4.0	3.1	3.2	3.2	3.3
Specific provisions to nonperforming loans	65.9	64.0	78.1	72.1	72.1	73.7
Earnings and profitability						
Return on assets	1.1	1.4	2.1	1.7	1.7	1.7
Return on equity	7.6	10.4	15.4	13.0	12.9	12.2
Interest margin to gross income	73.9	73.1	75.2	78.7	79.3	79.6
Trading income to gross income	12.1	4.4	2.2	2.1	1.5	0.9
Noninterest expenses to gross income	52.9	55.2	54.8	55.5	54.4	53.1
Personnel expenses to noninterest expenses	35.6	36.1	34.9	33.3	33.6	33.6
Liquidity and funding						
Liquid assets to total assets	35.3	31.6	29.8	29.7	28.8	26.6
Liquid assets to short-term liabilities	53.5	47.7	44.1	43.6	41.2	37.9
Non-interbank loans to customer deposits	0.8	0.7	0.7	0.8	0.8	0.8
Sensitivity to market risk						
Foreign currency denominated loans to total loans	10.6	11.0	10.2	8.6	8.4	8.2
Foreign currency denominated liabilities to total liabilitie	17.6	17.3	19.8	22.2	23.2	25.0
Real estate markets						
Residential real estate loans to total loans	8.0	8.2	7.8	7.5	7.4	7.6
Commercial real estate loans to total loans	14.0	14.3	13.5	13.1	12.6	12.3

Sources: Philippine authorities; IMF, *Financial Soundness Indicators*; and IMF staff estimates.

Table 8. Philippines: Indicators of External Vulnerability, 2023–28

(In percent of GDP, unless otherwise indicated)

	2023	2024	2025 Est.	2026 Proj.	2027 Proj.	2028 Proj.
External indicators (including external liquidity)						
Gross international reserves (US$ billions, end of period)	103.8	106.3	107.3	106.5	105.0	103.3
Maturing short-term debt (US$ billions)	17.1	19.5	22.0	24.3	26.7	29.3
Amortization of medium and long-term debt (US$ billions)	7.8	9.9	5.6	6.1	4.8	4.0
Net FDI inflows (in BPM6, US$ billions)	-5.4	-6.6	-6.8	-7.6	-8.4	-9.3
FX deposits residents (US$ billions)	55.0	56.6	…	…	…	…
Total gross external debt	28.7	30.7	31.9	32.3	32.5	32.5
Fiscal indicators						
National government overall balance	-6.1	-5.7	-5.4	-5.2	-4.7	-4.2
National government cyclically-adjusted primary balance	-3.6	-2.8	-2.4	-2.1	-1.7	-1.2
Net debt denominated in FX or linked to the exchange rate (in percent of tota	33.0	33.8	33.8	33.2	33.0	32.9
Short-term net general government debt (original maturity, in percent of tota	3.6	4.7	4.9	4.9	5.0	5.1
Amortization of total general government debt	2.6	7.3	9.5	6.3	8.0	8.2

Sources: Philippine authorities; and IMF staff estimates.

Annex I. Implementation of Main Recommendations of the 2024 Article IV Consultation

Policies	2024 Article IV Consultation Recommendations	Actions Since 2024 Article IV Consultation
Monetary Policy	The BSP has room to gradually reduce the policy rate while ensuring inflation and inflation expectations remain well-anchored, amid upside risks and possible second-round effects from supply-side shocks.	The BSP lowered its policy rate by 100 bps from January 2025 to 4.75 percent as of October 10, in line with staff recommendations.
	Continue to allow the exchange rate to act as a shock absorber.	The value of the peso has fluctuated amid global uncertainty and trade tensions. While the BSP intervened in 2024Q4, the intervention was limited in scope and time.
	Ensure careful communication, including on the size of the BSP's balance sheet, and expand use of forward guidance, and continue coordination with the Bureau of Treasury to further develop the benchmark yield curve.	Efforts are underway to develop the yield curve. The launch of a new interest rate swap market in November 2024, the consolidation of bond issuances, streamlining the implementation of existing tax treaties and the publication of the first Medium Term Debt Strategy are expected to enhance the liquidity of government securities in the secondary markets. The adoption of the Global Master Repurchase Agreement for BSP facilities should further support monetary policy transmission and capital market deepening.
Financial Sector Policies	Continue to strengthen financial supervision and regulation. Be ready to adjust macroprudential policy, in line with developments in the financial cycle, to preempt the build-up of vulnerabilities, and move toward a positive neutral level for the countercyclical capital buffer (CCyB). Strengthen the capacity to assess financial stability risks and revolve troubled financial institutions. Sustain reforms to enhance AML/CFT effectiveness.	BSP is in the process of developing an integrated systemic risk management framework that will encompass governance, macroprudential supervision, surveillance tools, and crisis management to respond to systemic risks. The BSP continues to engage with IMF TA on macroprudential policy and the CCyB framework, including considering moving towards a positive neutral level for CCyB. The Monetary Board approved the scope and principles of the LOLR Framework (covering ELA) in June 2025. The BSP is updating the LOLR framework, developing a resolution manual and legislative protocols on resolution, and establishing a dedicated resolution group. The Philippines exited from the FATF grey list in February 2025; and was removed from the EU's list of high-risk jurisdictions for money laundering and terrorism financing in June 2025. The Philippines is in the process of developing National Risk Assessment and strategy on anti-monetary laundering, counter-terrorism financing and counter-proliferation financing.
Fiscal Policy	Fiscal consolidation should continue over the medium term to replenish fiscal space.	The updated MTFF plans to reduce the fiscal deficit to 4.3 percent of GDP in 2028 (instead of 3.7 percent of GDP in last year's

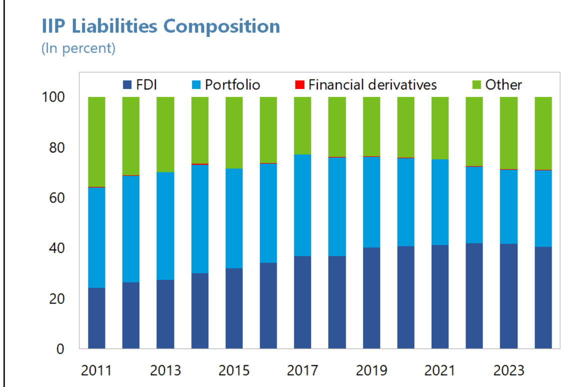
Policies	2024 Article IV Consultation Recommendations	Actions Since 2024 Article IV Consultation
		approved DBCC fiscal program and 3.0 percent of GDP in the original MTFF). The deficit target for 2030 is set at 3.1 percent.
	Prioritize tax reforms on implementing previously planned excise tax measures, enhancing VAT efficiency, improving tax administration, and ensuring effective control of tax incentives.	Key tax reforms were enacted, including the VAT on digital services, CREATE More, enhanced fiscal regime for large-scale mining, and the Capital Markets Efficiency Promotion Act. The authorities continue to engage with IMF TA on improving VAT efficiency, stocktaking the size of tax expenditure, and enhancing tax administration.
	Focus efforts on reforming the MUP pension system, improving expenditure efficiency, managing the process of decentralization, and effectively managing fiscal risks.	The authorities have engaged with IMF TAs to review the budget preparation in the context of digitalization; and have undergone the Public Investment Management Assessment (PIMA) update and Climate PIMA. With the Implementing Rules and Regulations of the new Government Procurement Act published in February 2025, the government has been actively providing support to procuring entities and stakeholders to ensure smooth implementation of the new act. The Government Optimization Bill, previously referred to as the National Rightsizing Program, was signed into law in August 2025. There have not been any developments in reforming the MUP pension system.
Structural Policies	Sustain efforts to reduce Infrastructure, health, and education gaps, promote foreign investment, boost productivity, strengthen governance, and harness the digital economy and demographic dividend to boost potential growth.	The authorities remain committed to reducing infrastructure gaps by targeting a 5-6 percent infrastructure disbursements-to-GDP ratio every year by implementing the flagship projects, including through PPPs. There has been progress with business-friendly administrative reforms, such as the CREATE MORE Act, the New Government Procurement Act, the e-Governance Act, the rationalization of Mining Fiscal Regime, the Accelerated and Reformed Right-of-Way Act, the amendments to the Investors' Lease Act. These should help support greater competition and foreign investment. The Konektadong Pinoy Act, which supports expanding internet access, and the E-Governance Act will help improve digitalization.
	Policies should remain focused on reducing poverty levels and addressing inequality through creating quality jobs, educational attainment, and enhancing social protection programs.	Several reforms and legislation to support the development and employability of the workforce were passed into law, including the Enterprise-Based Education and Training Framework Act, the Expanded Tertiary Education Equivalency and Accreditation Act, and the Lifelong learning Development Framework Act.
	Address climate risks through a multi-pronged approach.	The authorities published in 2024 their National Adaptation Plan and NDC Implementation Plan.

Annex II. External Sector Assessment

The Philippines' external position in 2024 was weaker than the level implied by fundamentals and desirable policies. The current account deficit widened on the back of subdued growth and weak goods exports, despite lower commodity prices. Foreign reserves peaked in September 2024 but are expected to remain adequate over the medium-term. In the medium- to long-term, continued exchange rate flexibility, fiscal consolidation, and structural policies that raise productivity should help reduce the CA deficit towards its norm.

Foreign Asset and Liability Position

1. ***Background***. The net international investment position (NIIP) widened to -14.2 percent of GDP in 2024 from -11.6 percent of GDP in 2023. The reduction is explained by a widening in the current account deficit and peso depreciation. Foreign reserves held by the BSP accounted for about 42 percent of total external assets in 2024, a slight decline from 43 percent in 2023. Key components of external liabilities in the NIIP included FDI (28 percent of GDP), portfolio investment (19.1 percent of GDP) and other investment (19.5 percent of GDP). Total external debt increased to 29.8 percent of GDP in 2024 from 28.7 percent of GDP in 2023, driven almost equally by a rise in public and private debt.

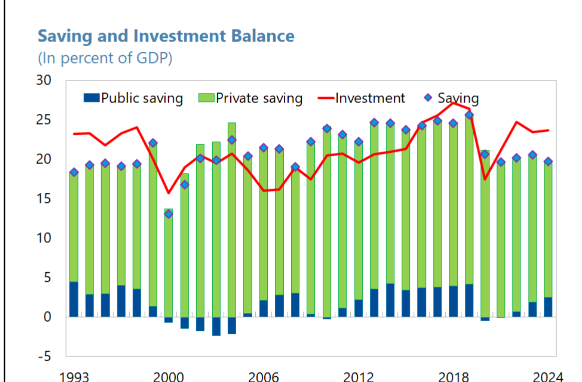


Sources: Haver Analytics; and IMF staff estimates.

2. ***Assessment***. The composition of the NIIP and the relatively low level of external debt indicate that the Philippines' external position is sustainable and entails relatively low vulnerabilities. FX reserves are substantially larger than short-term external liabilities (29.0 percent of FX reserves), and FDI accounts for a sizeable share of liabilities (41.8 percent of total liabilities).

Current Account

3. ***Background***. The CA deficit widened to 4.0 percent of GDP in 2024 from 2.8 percent of GDP in 2023. The deterioration in the current account balance in 2024 reflects a decline in goods exports and a rise in services imports. From a saving-investment (S-I) perspective, the current account deterioration in 2024 was driven by a rise in public investment and a decline in private saving, despite a rise in public saving. The CA deficit is expected to remain at -3.8 percent of GDP in 2025, supported by lower commodity prices.



Sources: Philippines Statistics Authority; and IMF staff estimates.

4. ***Assessment***. The external position in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies. The External Balance Assessment (EBA) model estimates a cyclically adjusted CA of −3.7 percent and a CA norm of -0.9 percent of GDP in 2024. Staff estimates a CA gap of -2.8 percent of GDP for 2024, of which -0.6 percent is attributed to policy gaps. This is primarily credited to looser than warranted domestic fiscal policy and a global credit gap. Staff's estimated CA gap has increased relative to the previous year (-1.0 percent of GDP in 2023).

EBA Model Estimates
(in percent of GDP)

	2024			2023		
	CA Model	REER Level Model	REER Index Model	CA Model	REER Level Model	REER Index Model
CA Actual	**-4.0**			**-2.6**		
Cyclial contributions (-)	-0.3			0.4		
Adjusted CA	**-3.7**			**-2.2**		
CA Norm (from model)	**-0.9**			**-1.2**		
CA Gap (from model)	**-2.8**			**-1.0**		
Policy Gap	-0.6			0.3		
Staff Gap	**-2.8**			**-1.0**		
Elasticity	**-0.31**			**-0.33**		
REER Gap (percent)	**9.0**	**15.6**	**8.3**	**3**	**14.8**	**7.4**

Source: IMF staff estimates

Real Exchange Rate

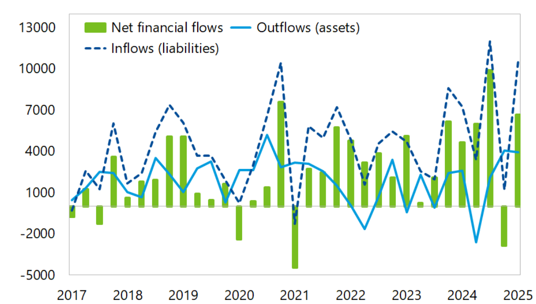
5. ***Background***. The peso appreciated by 0.5 percent in real effective terms in 2024. The appreciation reflects the relatively higher inflation rate in the Philippines despite the nominal effective exchange rate depreciation.

6. ***Assessment***. The staff CA gap estimate of -2.8 percent of GDP implies a real effective exchange rate (REER) gap of 9.0 percent (applying an estimated elasticity of 0.31). The REER level model points to a 2024 REER gap of 15.6 percent.

Capital and Financial Accounts

7. ***Background***. Net financial inflows increased to 4.4 percent of GDP in 2024 from 3.1 percent of GDP in 2023. Net Direct Investment inflows rose slightly to 1.4 percent of GDP in 2024 from 1.2 percent of GDP in 2023. While portfolio flows recorded a net inflow of 1.0 percent of GDP from a net outflow of 0.8 percent of GDP in 2023, driven primarily by a decline in equity and investment fund share outflows and a rise in inflows to government debt securities (ex-central bank) equal to 1.1 percent of GDP in 2024 compared to 0.4 percent of GDP in 2023.

Financial Account
(In millions of US$)



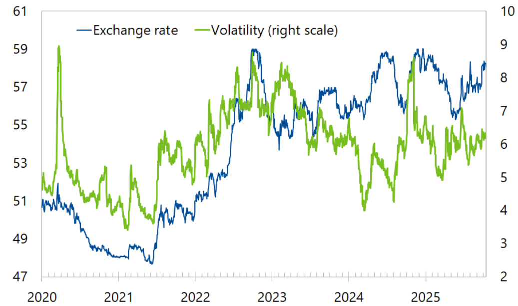
Sources: Haver Anaytics; and IMF staff estimates.

8. ***Assessment***. As a small open economy, the Philippines is exposed to cross-border capital flow volatility. Changes in the expectations of domestic economic prospects and global risk appetite, including from policy settings in advanced economies and global uncertainty, have an outsized influence on capital flows.

FX Intervention and Reserves Level

9. *Background*. The de facto exchange rate arrangement is classified as floating. The value of the Philippine peso is determined in the interbank foreign exchange market. The BSP intervenes in the spot and forward markets to smooth excessive exchange rate volatility. Intervention data is not published. The peso depreciated by 3.0 percent in 2024, with measures of volatility peaking in Q4 amid a widening in the balance of payments deficit. The gross international reserves (GIR) increased to US$106.3 billion in 2024 (23.0 percent of GDP) from US$103.8 billion at end-2023.

Exchange Rate and Volatility
(Philippine peso/US$)



Source: Bloomberg L.P.

10. *Assessment*. Reserves are adequate. Reserves as of end-2024 were about 7.3 months of imports of goods and services, or about 200 percent of the IMF's reserve adequacy metric.

Annex III. Risk Assessment Matrix[1]

	Source of Risks	Likelihood	Expected Impact	Policy Recommendation
Global	**Geopolitical Tensions.** Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	High	**Medium.** The Philippines is relatively less affected by a weakening of multilateralism and intensification of geopolitical tensions as it is domestically oriented. However, reduced external demand could still weigh on growth and there can be risks to inflation if geopolitical tensions give rise to commodity price volatility.	Use available fiscal space effectively to provide targeted support to the vulnerable population. Stand ready to delay policy cuts as needed if inflation expectations show signs of increasing and second round effects are emerging. Accelerate trade integration efforts within the ASEAN region and pursue new, high-quality regional trade agreements. Implement structural reforms to reduce trade costs, promote competition and financial deepening. Further progress on open trade policy (including lifting non-tariff barriers) and diversification of FDI source countries.
	Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge, especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	High	**High.** Rising trade barriers and prolonged policy uncertainty can result in lower global trade and trading partner growth, reducing demand for the Philippine's exports. Elevated policy uncertainty can reduce investment, including through lower foreign direct investment.	Monetary policy can be eased further to help mitigate the impact on domestic demand. Use available fiscal space effectively to provide targeted support to the vulnerable population. Financial sector policies should provide targeted support to viable firms, while facilitating the exit of unviable ones.
	Financial Market Volatility and Correction. Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated	High	**Medium.** Financial market volatility and correction can lead to sharp changes in capital flows from foreign investors, asset prices and exchange rates.	Ensure that the financial sector remains healthy and markets remain liquid. The exchange rate should remain flexible, and market driven, but FXI can be considered to address sharp increases in the risk premium and disorderly market conditions.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

	Source of Risks	Likelihood	Expected Impact	Policy Recommendation
	crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.			
	Commodity Price Volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	High	Medium. Renewed pressure on CPI inflation may risk destabilizing inflation expectations and delay monetary policy easing.	Stand ready to delay policy cuts as needed if inflation expectations show signs of rising and second round effects are emerging. Avoid subsidies and lowering taxes, instead provide targeted transfers to low-income households.
	Fiscal Vulnerabilities and Higher Long-Term Interest Rates. Rising public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability, and trigger global spillovers. To the extent that major economies are affected, market imbalances (such as reduced investor capacity to absorb sovereign debt) could emerge, exacerbating risks from a close sovereign-financial nexus.	High	Medium. Higher global long-term interest rates can trigger capital outflows and exchange rate depreciation, especially if domestic interest rates are lower and fall quickly. Higher interest rates also hinder investment and reduce private demand.	Implement monetary policy considering both higher global long-term interest rates and domestic factors such as inflation and the output gap. Provided the monetary policy stance remains adequate to address inflation risks, the use of FXI may be appropriate under certain circumstances.
Domestic	**Reform momentum stalls or payoffs from reforms are less than expected**.	Medium	Medium. Growth outturns are lower than projected, as projected pickup in domestic demand does not materialize and potential growth stalls.	A continued push on priority reforms, including opening the Philippine economy, business sector reforms, and improving governance will help support domestic demand.
	Accelerated implementation of reforms and private investment	Medium	Medium. Accelerated implementation of structural and governance reforms and reducing infrastructure gaps can boost private investment, FDI, and raise potential growth.	A continued push on priority reforms and careful selection and sequencing of projects is needed to ensure they most effectively support the country's development objectives while minimizing fiscal risks and contingent liabilities.
	Natural disasters. Major natural disasters (e.g., typhoons, volcano eruptions and/or earthquakes) or extreme climate events driven by rising temperatures disrupt economic activity, cause loss of life, food insecurity, and affect sentiment, resulting in higher inflation and fiscal expenditure.	High	High. Disruption in economic activity in the affected region; destruction of productive capital; lower labor productivity; poor agriculture production; damage to properties; and higher food inflation, with larger impact on low-income households in rural areas.	Monetary policy should balance the inflationary pressures and the decrease in economic activity from lower labor productivity and capital destruction. Targeted fiscal assistance to affected groups and sectors. If the economy slows significantly, provide relief to banks in affected regions, while monitoring credit risk. Prioritize public investment in disaster-resistant infrastructure and sustainable growth.

Annex IV. Sovereign Risk and Debt Sustainability Assessment

Figure 1. Philippines: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is low, reflecting relatively low levels of vulnerability in the near-term and medium-term horizons, and moderate level of vulnerability in the long-term horizon. The government securities held by the Bond Sinking Fund help to reduce refinancing risk.
Near term 1/			
Medium term	Moderate	Low	Medium-term risks are assessed as "low", as the stress probability is very close to the mechanical threshold for low risk. In addition, the Bond Sinking Fund helps to reduce refinancing risk.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test		...	
Long term	...	Moderate	Long-term risks are moderate as the increase in gross financing due to the pandemic as well as climate spending feed into debt dynamics, which will increase debt and GFN without policy actions.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	n.a.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: The Philippines is at a "low" overall risk of sovereign stress and debt. Most indicators have started to normalize as the recovery from the COVID-19 shock has proceeded. Public debt is expected to gradually decline to about 60 percent of GDP over the medium-term, driven mainly by a favorable interest-growth differential. Debt coverage at the national level is appropriate, as local government units and social security institutions have surpluses. The realism tools suggest projections of key debt drivers are within norms. Medium-term solvency and liquidity risks are manageable, but fiscal consolidation remains important to reduce the gross financing needs. Over the longer run, structural reforms to boost growth potential and tackle risks from climate change should continue.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. Philippines: Debt Coverage and Disclosure

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					Yes	
2. Subsectors included in the chosen coverage in (1) above:						

CPS / NFPS / GG: expected / CG		Subsectors captured in the baseline	Inclusion	Comments
CG	1	Budgetary central government	Yes	
CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CG	3	Social security funds (SSFs)	No	
GG: expected	4	State governments	No	
GG: expected	5	Local governments	No	
NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

Color code: chosen coverage; Missing from recommended coverage; Not applicable

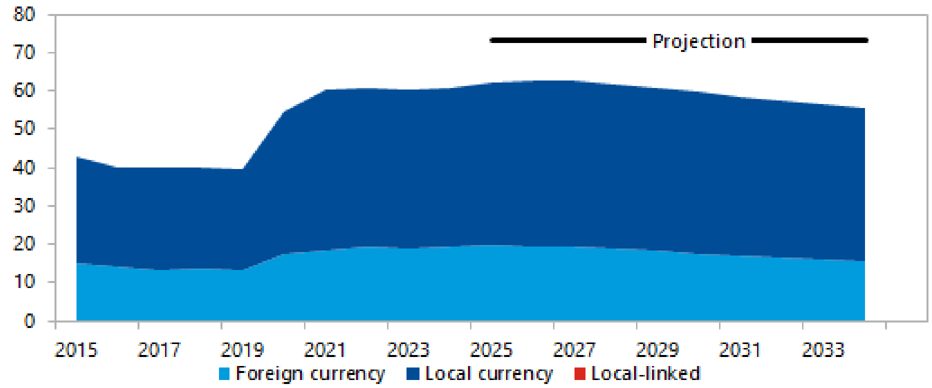
Reporting on Intra-Government Debt Holdings

CPS / NFPS / GG: expected / CG		Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CG	1	Budget. central govt		2.8	4.9						7.7
CG	2	Extra-budget. funds									0
CG	3	Social security funds									0
GG: expected	4	State govt.									0
GG: expected	5	Local govt.									0
NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	2.8	4.9	0	0.0	0	0	0	7.7

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

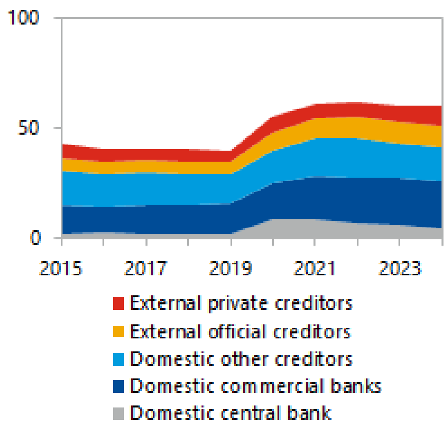
Commentary: The coverage in this SRDSA is national government debt. Debt held by the Bond Sinking Fund was 2.8 percent of GDP and intra-sector bond holding 4.9 percent of GDP at end-2024. Total consolidated general government debt was 53.9 percent of GDP at end-2024, about 6.8 percentage points of GDP lower than the national government debt.

Figure 3. Philippines: Public Debt Structure Indicators



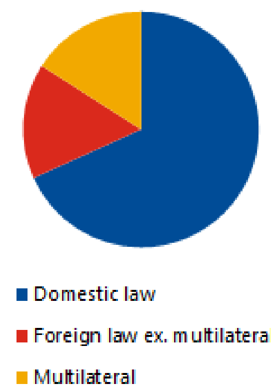
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



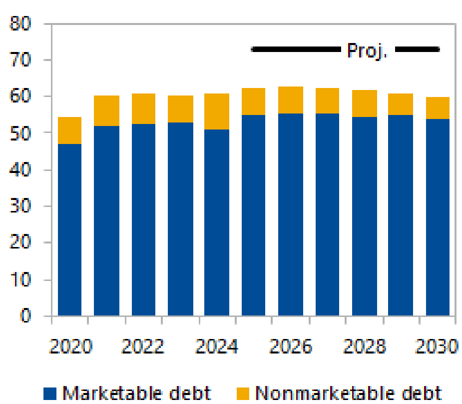
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2024 (percent)



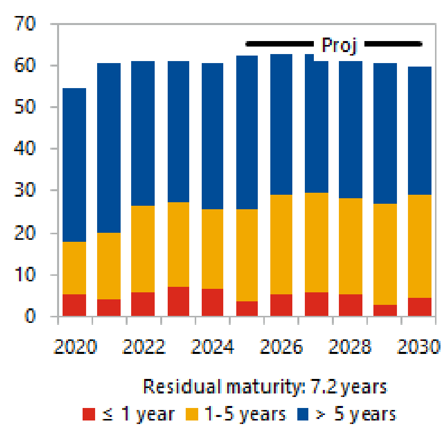
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is central government.

Commentary: The currency composition and maturity structure of public debt are expected to remain about the same over the projection horizon.

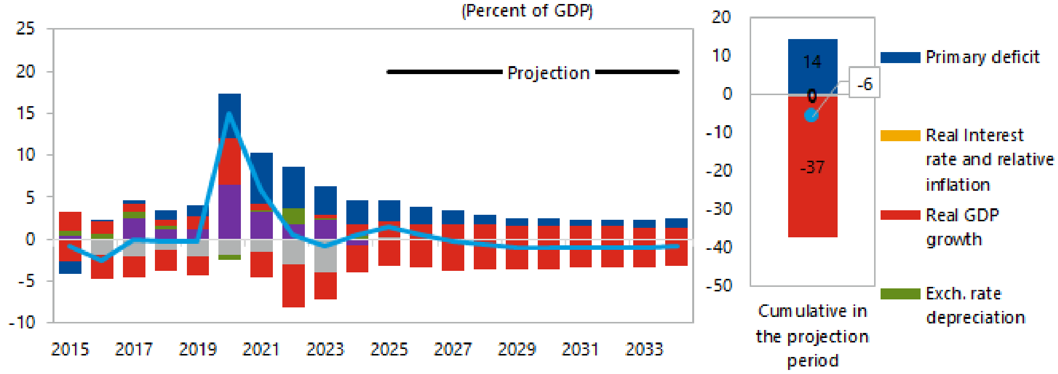
Figure 4. Philippines: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	60.7	62.2	62.7	62.5	61.8	60.7	59.6	58.6	57.6	56.6	55.8
Change in public debt	0.6	1.5	0.5	-0.2	-0.7	-1.1	-1.1	-1.1	-1.0	-0.9	-0.8
Contribution of identified flows	0.6	1.3	0.5	-0.1	-0.6	-1.0	-1.0	-1.0	-0.9	-0.8	-0.8
Primary deficit	2.8	2.5	2.2	1.7	1.2	1.0	0.9	0.8	0.9	1.0	1.0
Noninterest revenues	16.7	16.1	16.2	16.2	16.3	16.3	16.4	16.4	16.4	16.4	16.4
Noninterest expenditures	19.5	18.5	18.3	17.8	17.4	17.2	17.2	17.2	17.3	17.3	17.4
Automatic debt dynamics	-1.4	-1.2	-1.7	-1.9	-1.8	-2.0	-1.9	-1.8	-1.8	-1.8	-1.8
Real interest rate and relative inflat	1.4	1.9	1.8	1.7	1.7	1.5	1.6	1.6	1.5	1.4	1.4
Real interest rate	1.3	2.1	1.7	1.6	1.6	1.4	1.4	1.4	1.3	1.3	1.3
Relative inflation	0.1	-0.2	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Real growth rate	-3.2	-3.1	-3.4	-3.6	-3.5	-3.5	-3.4	-3.4	-3.3	-3.3	-3.2
Real exchange rate	0.4	...	...	...	...	...	...	...	...	...	...
Other identified flows	-0.7	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.7	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	0.0	0.2	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Gross financing needs	8.3	12.4	8.8	10.1	9.7	9.4	8.3	9.7	9.4	8.4	9.4
of which: debt service	7.6	9.9	6.6	8.4	8.6	8.4	7.4	8.8	8.5	7.4	8.3
Local currency	5.9	8.3	5.2	6.9	7.0	6.7	5.7	7.2	6.9	5.9	6.7
Foreign currency	1.7	1.6	1.4	1.5	1.6	1.7	1.8	1.6	1.6	1.5	1.6
Memo:											
Real GDP growth (percent)	5.7	5.4	5.8	6.1	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Inflation (GDP deflator; percent)	2.9	1.6	2.4	2.5	2.5	2.7	2.7	2.7	2.7	2.7	2.7
Nominal GDP growth (percent)	8.8	7.1	8.3	8.7	8.7	8.9	8.9	8.8	8.8	8.8	8.8
Effective interest rate (percent)	5.2	5.2	5.4	5.3	5.3	5.2	5.3	5.3	5.2	5.2	5.1

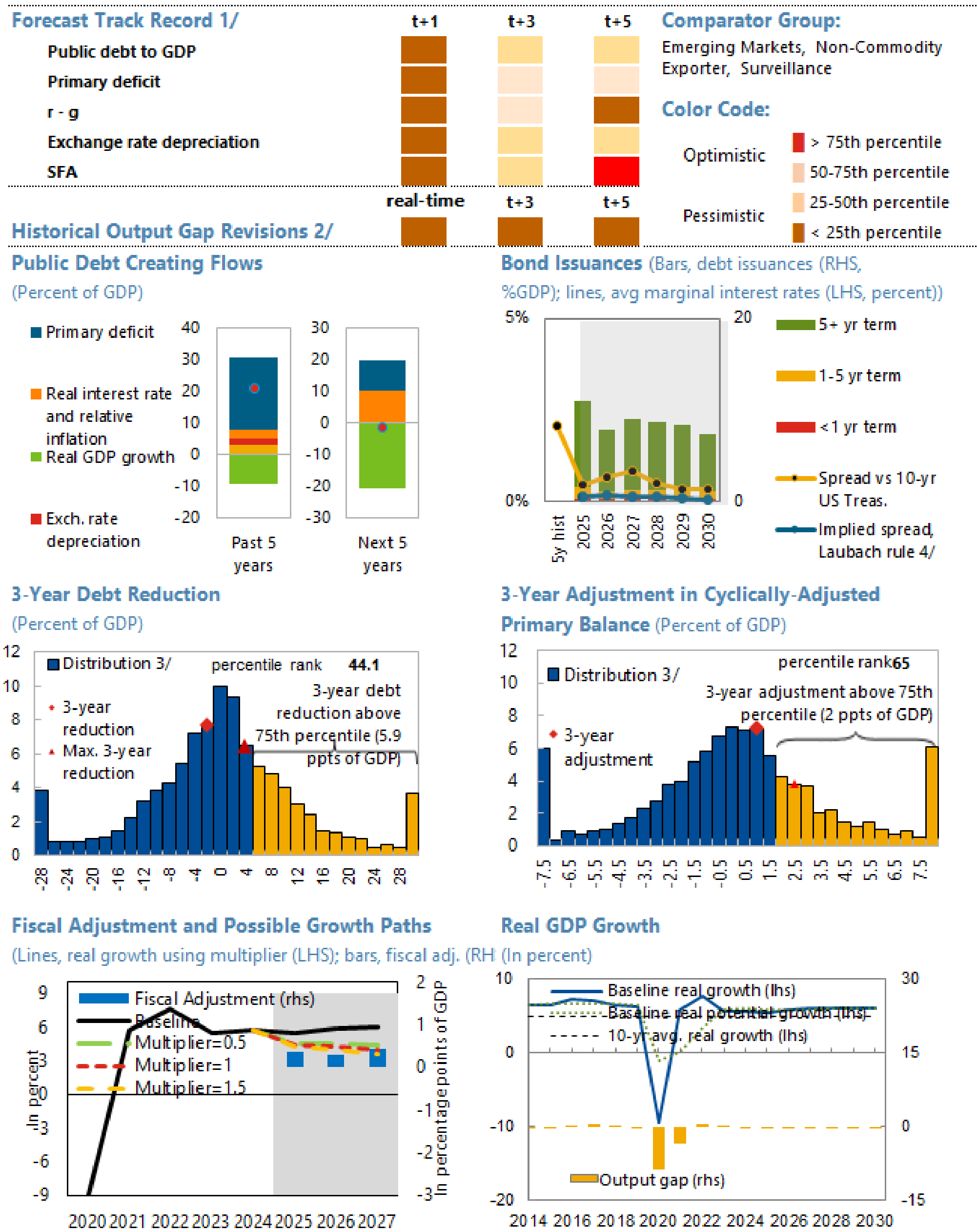
Contribution to Change in Public Debt

(Percent of GDP)



Commentary: Public debt will rise slightly but then decline, reflecting expectations of a narrowing of primary deficits and favorable interest-growth differential. Gross financing needs are expected to remain manageable. The analysis excludes other debt flows from the Bond Sinking Fund, which can further lower actual debt to GDP ratio in the case of net drawdowns. The gross financing need for 2025 includes maturing treasury bills.

Figure 5. Philippines: Realism of Baseline Assumptions



Commentary: Realism analysis does not point to major concerns. Past forecast errors do not reveal systematic biases. Growth paths with different multipliers associated with fiscal adjustment are lower than the staff baseline projection. It is because the former uses the ten-year (2015-2024) average growth rate as the potential growth rate, which is lower than staff's estimate of potential growth.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintages.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

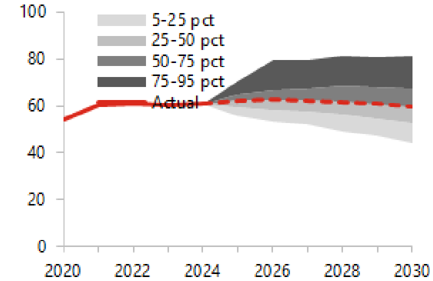
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and EM economies. Percent of sample on vertical axis.

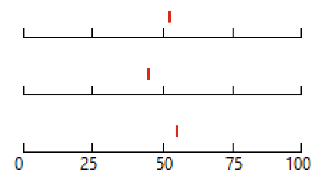
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 6. Philippines: Medium-Term Risk Assessment

		Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module				
Fanchart width *(percent of GDP)*		37.1	0.5	
Probability of debt non-stabilization *(percent)*		13.0	0.1	
Terminal debt-to-GDP x institutions index		33.0	0.7	
Debt fanchart index (DFI)			1.4	
Risk signal: 3/			Moderate	

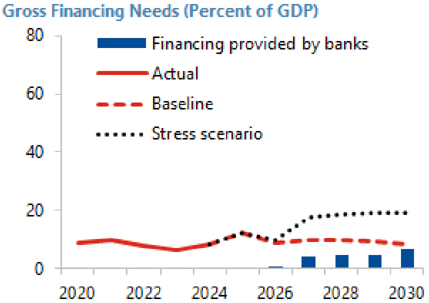
Final Fanchart (Percent of GDP)

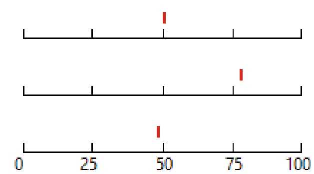




		Value	Contrib 1/	
Gross financing needs (GFN) module				
Average baseline GFN *(percent of GDP)*		9.8	3.3	
Initial Banks' claims on th gen. govt *(pct bank assets)*		19.7	6.4	
Chg. In banks' claims in stress *(pct banks' assets)*		8.5	2.8	
GFN financeability index (GFI)			12.6	
Risk signal: 4/			Moderate	

Gross Financing Needs (Percent of GDP)

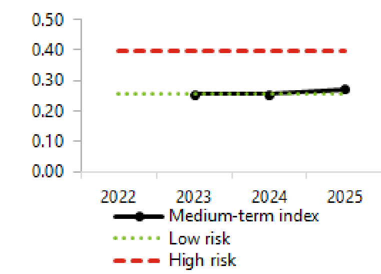




Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	1.4	0.3	0.5	0.2
GFN finaceability index	12.6	0.2	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		Moderate		
Final assessment:		Low		

Prob. of missed crisis, 2025-2030, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 38.6 pct.

Commentary: The Debt Fanchart module indicates a moderate risk around the projected debt baseline. In the GFN Financeability Module, a combination of increased GFN due to the pandemic and a relatively high initial bank holdings of public debt result in a moderate risk under macro-fiscal and debt holder shock. Taken together, the MTI produces a mechanical "medium" signal, but close to the low risk level. The analysis excludes other debt flows from the Bond Sinking Fund, which can further lower actual debt to GDP ratio in the case of net drawdowns.

Source: IMF staff estimates and projections.
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 7. Philippines: Long-Term Risk Analysis

Large Amortization Trigger

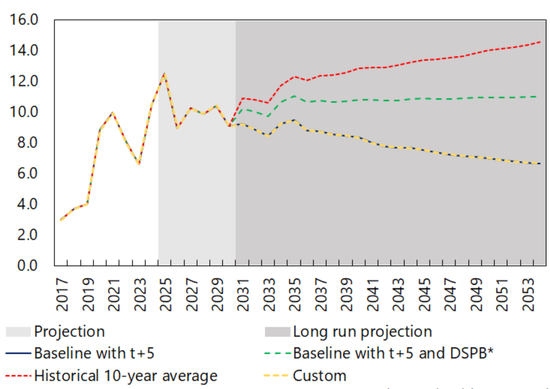
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Historical average assumptions	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	

Overall Risk Indication	

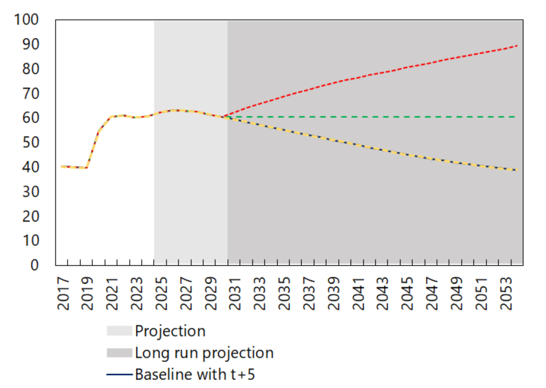
Alternative Baseline Long-term Projections (including Custom scenario)

	Baseline extension of fifth projection year	Custom baseline
Real GDP growth	6.0%	6.0%
Primary Balance-to-GDP ratio	-0.9%	-0.9%
Real depreciation	-2.6%	-2.6%
Inflation (GDP deflator)	2.7%	2.7%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

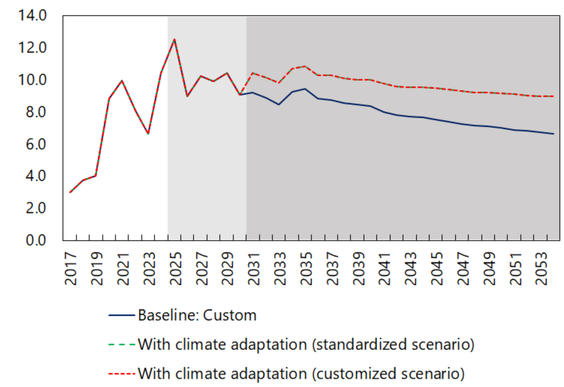


Commentary: The increased GFN is due to the fiscal response to the pandemic and is expected to decline over the medium- to long-term horizons. The maintenance of a Bond Sinking Fund with 2.8 percent of GDP assets at end-2024 helps mitigate the refinancing risks.

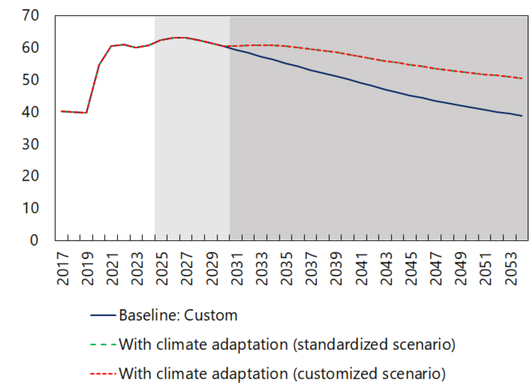
Figure 8. Philippines: Long-Term Risk Analysis (Concluded)

Climate Change: Adaptation

GFN-to-GDP Ratio



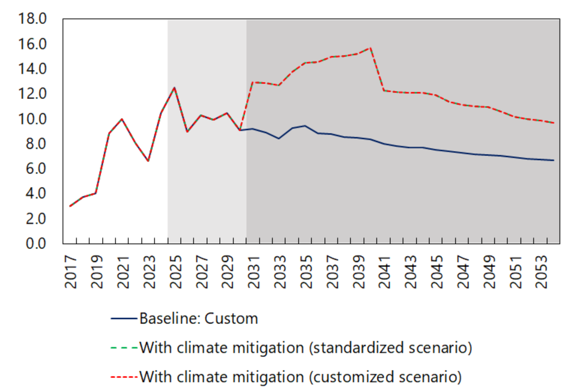
Total Public Debt-to-GDP Ratio



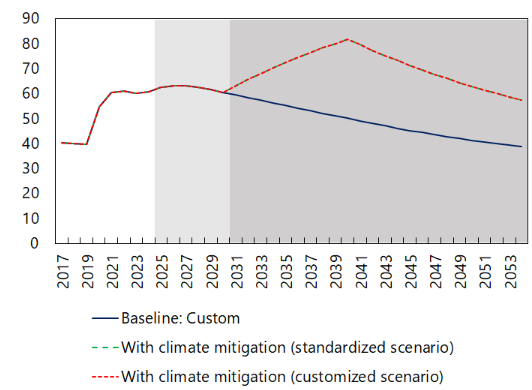
Commentary: Investment to address climate adaptation will increase the long-term financing needs. The analysis does not account for the growth effect of investment in climate change adaptation.

Climate Change: Mitigation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: Investment to address climate mitigation will increase the long-term financing needs. The analysis does not account for the growth effect of investment in climate change mitigation.

Annex V. Integration of Capacity Development and Surveillance[1]

Context

1. **The Philippines has made considerable use of IMF capacity development (CD) resources covering a broad set of issues and has shown a good track record in using these resources to support its policy and reform agenda**. Over the past decade, IMF CD has focused on monetary policy frameworks, financial sector stability and integrity, capital market development, macroeconomic forecasting, tax policy and administration, public financial management, and statistics. The authorities have made considerable progress in many of these areas, as evidenced by the strong macroeconomic fundamentals that support the country's development objectives.

Forward-Looking CD Agenda

2. **Reforms in these areas will remain as priorities for CD, which could be fine-tuned to address emerging challenges in an uncertain external environment**. The recent increase in uncertainties in the global economy and international trade landscape has increased risks to the banking system and the corporate sector. Policy responses to the pandemic also reduced the country's policy buffers, which over the medium term may pose challenges. IMF CD will focus on enhancing the Philippines' capacity to manage macroeconomic and financial risks and rebuild policy buffers. Moreover, the authorities are aiming to build better and more as part of their growth strategy, including by accelerating the digitalization of the economy to improve resilience and inclusion. Along with other emerging issues such as climate change adaptation, these should be considered as priorities for IMF CD in the future.

3. **The IMF's surveillance focus is well aligned with the authorities' policy and reform agenda**. The integration of CD with surveillance suggests the following workstreams as priorities:

- ***Implementation of monetary policy***. Inflation forecasting and the integrated analysis of monetary and other policies will remain a priority, including through adoption of the Bangko Sentral ng Pilipinas (BSP)'s Policy Analysis Model for the Philippines as an additional tool to their core forecasting model for enhancing policy discussions. In this regard, IMF Institute for Capacity Development (ICD) recently concluded a multi-year TA engagement focused on modernizing the forecasting and policy analysis framework at the BSP. IMF Monetary and Capital Markets Department (MCM) has also been supporting the BSP's analysis of the inflation target and expectations with applications of the quantitative model for the Integrated Policy Framework in the Philippine context, including for assessing the appropriate inflation target. Another priority remains central bank communication. Further assistance may be needed to help the BSP improve its communication on financial stability, digital money and cybersecurity, and climate-related financial risks.

[1] Prepared by APD country team with inputs from CD departments.

- ***Financial supervision and regulation***. The BSP has launched a major initiative to strengthen its bank supervisory framework and is making progress in implementing the recommendations of the 2021 Financial Sector Assessment Program (FSAP). The IMF will continue to support these efforts, including on conglomerate supervision and the conduct of supervisory colleges, developing a supervisory framework for operational resilience, and developing stress-testing (in particular, macro stress-testing) and climate risk assessment capacity. Based on enhanced coordination in the context of conglomerate supervision, further assistance may also be needed to develop the Securities and Exchange Commission (SEC)'s own stress-testing capabilities.

- ***Bank resolution, crisis management, and corporate restructuring***. The FSAP has highlighted the potential stress facing the banking and corporate sectors, which could be exacerbated by the increase in global uncertainty. MCM provided recommendations to enhance the bank resolution framework in 2023 and now stands ready to support the BSP's recently established Technical Working Group on Resolution during the implementation phase. IMF CD has also been provided to help the BSP develop its lender of last resort (LOLR) and collateral frameworks.

- ***Systemic risk analysis***. Despite the improvement in BSP's capacity to assess systemic financial risks, more advanced training and IMF TA on financial market analysis and stress testing, including macro stress testing could help further strengthen the BSP's capacity in the analysis of financial stability. To support the BSP's efforts in expanding macroprudential policy toolkit and establishing operational procedures, MCM has been engaging with the BSP to help develop a framework and communication strategy for the countercyclical capital buffer (CCyB).

- ***Debt management and capital market development***. Increased public debt in the wake of the pandemic, and the increasing need for fiscal financing heighten the need to strengthen capacity in debt management and to accelerate capital market development. MCM CD on strengthening the local currency government bond market has provided a comprehensive roadmap for developing the market. Following the recommendations, the Bureau of Treasury (BTr) published the first Medium-Term Debt Strategy (2025-2028) in 2025. Further CD support could include enhancing the capacity to analyze debt sustainability. MCM support will continue to focus on the implementation of advice to improve liquidity management and develop Open Market Operations instruments. MCM will provide CD to the BSP to improve its short-term liquidity forecasting framework to enhance the monetary transmission. Close coordination with the BTr will support BSP efforts to develop a benchmark yield curve for the local currency government bond market, and enhance liquidity of the secondary market for government bonds. Initiatives to develop innovative financial instruments will moreover benefit from the support recently provided to the BSP to explore two use cases for wholesale Central Bank Digital Currency (CBDC).

- ***Tax policy and administration***. Public debt exceeds the authorities' indicative threshold of 60 percent of GDP identified in the 2022 Medium-term Fiscal Framework. To rebuild policy buffers and sustain a gradual fiscal consolidation, the authorities will need to mobilize more revenues by strengthening tax policy and revenue administration. Following a tax policy scoping mission in 2023 which helped define a medium-term policy reform agenda, Fiscal Affairs

Department (FAD) delivered a comprehensive diagnostic of the Philippine VAT, including recommendations to improve its design, legal framework, and administration, as well as an assessment of forgone revenue from income tax and VAT. Further support is expected with VAT modernization and recasting, a review of excise taxation and wealth taxation, and engagement on a Medium-Term Revenue Strategy. The revenue administration reform agenda will build on the 2024 TADAT assessment and provide support on related reforms, priorities, and sequencing, such as implementing compliance risk management, data analytics, and tax gap estimation.

- ***Public financial management (PFM)***. Continued improvements in PFM will help create fiscal space by raising the efficiency of public expenditures on infrastructure investment and social services. FAD had provided support in past years to improve the oversight of government-owned and controlled corporations (GOCCs), management of public private partnerships (PPPs), and digitalization of financial management information systems. In the context of increasing investment outlays that calls for expenditure efficiency, FAD has updated the 2018 Public Investment Management Assessment (PIMA) with a Climate module in 2025. To further support the digitalization of PFM, FAD providing CD to review the budget preparation process to identity opportunities to further optimize the process digitally. Future support may be provided in the area of fiscal risk management to help the authorities better manage the risks related to the PPPs and strengthen cash forecasting and management.

- ***Macro-fiscal frameworks***. ICD assisted the Department of Finance (DOF) to develop capacity in macroeconomic analysis through a multi-sector macroeconomic framework. The focus is on building the capacity of technical staff at the DOF and putting in place a policy analysis system to conduct macroeconomic forecasting and policy analysis. Following the delivery of CD on tax revenue forecasting and analysis in 2023, further support may be requested from FAD to incorporate nowcasting methods and the use of leading monthly indicators on output to refine the DOF's revenue forecasts.

- ***Statistics***. The IMF Statistics Department (STA) has been providing CD to the Philippine authorities to improve statistics in government finance, national accounts, and prices.

    - ***Government finance statistics (GFS)***. Strengthening of government finance and public sector debt statistics will contribute to enhanced budget transparency and accountability. Significant progress has been made in compiling and disseminating GFS, leading to the submission of general government annual data to the GFS yearbook and quarterly data to International Financial Statistics since July 2024. In addition, Public Sector Debt Statistics (PSDS) improvements under way will ensure consistency in the publication of external debt by the BTr, BSP, and DOF, enable the DOF to accurately derive domestic debt, and expand the coverage of quarterly PSDS to include domestic debt. The review of GOCC classification has been finalized, identifying market and nonmarket-based GOCCs with GOCCs' financial statements ready to be included in the general government and wider macroeconomic statistics including the balance sheet approach, pending the approval of the Philippine Statistics Authority (PSA) Board among other approvals.

- ○ ***Real and external sectors***. With the support from the STA CD, the BSP has adopted the Residential Property Price Index (RPPI) as its official house price index, replacing the former residential real estate price index. STA has continued to support the PSA to expand its producer price index to cover services activities, and develop the institutional sector accounts; and provide CD to the BSP to improve the compilations of current and financial accounts, and the consistency between the international investment position and balance of payments.

- ***Anti-money laundering and combating financing of terrorism***. In 2025, the Philippines exited the Financial Action Task Force (FATF) grey list and was removed from the European Union list of high-risk jurisdictions for money laundering and terrorism financing. Looking forward, the IMF Legal Department stands ready to assist the authorities in the context of next FATF mutual evaluation in 2027.

Annex VI. Data Issues

Table 1. Philippines: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics 4/	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	B	A		
Granularity 3/	B		A	B	B		
			A		A		
Consistency			B	B		B	
Frequency and Timeliness	A	A	A	A	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I). The overall GFS rating is downgrade from the mechanical 'A' rating to a 'B'.
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.
4/ Given the issues related to coverage, a higher weight is applied to coverage relative to granularity and frequency, resulting in an overall "B" rating for the government finance statistics, versus the mechanical "A" rating assigning the same weight to each sub-category.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is broadly adequate for surveillance with some shortcomings in real, external sector, fiscal, and monetary statistics. The real sector has limited coverage of the informal/illegal economy. Distinction between private and public gross fixed investment is not readily available. Some external sector statistics present relevant shortcomings regarding coverage as well as consistency across datasets, most notably direct investment equity and debt, and portfolio debt securities. The coverage of general government spending is affected by the lack of data for the barangays. The limited coverage of general government (including the ongoing work to include the nonmarket GOCCs to the coverage) is the main reason for maintaining the overall GFS rating of "B". There is a need to improve techniques to allow nonfinancial transactions to reconcile accurately with financial transactions and the balance sheet to show stock-flow reconciliations. The Infrequent reporting frequency of the monthly central bank assets and liabilities statistics can lead to inaccurate assessment of the risks.

Changes since the last Article IV consultation. The authorities finalized identifying market and nonmarket GOCCs pending a PSA Board endorsement to implement, with GOCCs' financial statements ready to be translated and to be included in the general government and wider macroeconomic statistics including the balance sheet approach. The authorities are aligning official debt publications that include presenting external debt based on jurisdiction of holder and including domestic debt across the board. Work is underway to improve the accuracy of quarterly GDP data, the coverage of the public corporation sector, the adoption of benchmark technique to reconcile quarterly and annual national account estimates, and the development of high-frequency indicators of economic activities. The PSA is working to expand PPI coverage to include service sector. The BSP has published an updated Residential Property Price Index (RPPI) which replaces the existing RREPI, which was developed with the support of IMF TA and is of significantly higher quality.

Corrective actions and capacity development priorities. TA has shown that using annual financial statements data could help resolve both Barangay data gap and financial transactions data, while improving the basis of recording from cash to accrual. Using financial statements can also improve national government data by moving from cash to accrual. Efforts are underway to draft implementing rules and regulations for collection and publication of data on climate and the blue economy. After successful pilot phase, working on completing a disaggregated GDP measures to include provincial disaggregates. Plans are underway to rebase GDP to 2023 in the coming years. The BSP has requested IMF TA for support in updating the Commercial Property Price Index. The BSP is working (with IMF TA) to improve consistency between the International Investment Position (IIP) and the Balance of Payments (BOP), the External Debt Statistics (EDS), the Monetary and Financial Statistics (MFS), and the IMF's Coordinated Direct Investment Survey (CDIS) and Coordinated Portfolio Investment Survey (CPIS).

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff use fiscal data to estimate the size of public investment and back out private gross fixed investment in the real sector statistics.

Other data gaps. Limited coverage of the informal/illegal economy and linkage within and between conglomerates. Possible update of the Informal Sector Survey from PSA. The latest survey was in 2008.

Table 2. Philippines: Data Standards Initiatives

Philippines subscribes to the Special Data Dissemination Standard (SDDS) since August 1996 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Table 3. Philippines: Table of Common Indicators Required for Surveillance

As of November 6, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Philippines[8]	Expected Timeliness[6,7]	Philippines[8]
Exchange Rates	6-Nov-25	6-Nov-25	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sep-25	Oct-25	M	M	M	M	1W	NLT 1M
Reserve/Base Money	Sep-25	Nov-25	M	M	M	M	2W	2W
Broad Money	Sep-25	Nov-25	M	M	M	M	1M	1M
Central Bank Balance Sheet	Aug-25	Nov-25	M	M	M	M	2W	2W
Consolidated Balance Sheet of the Banking System	Aug-25	Oct-25	M	M	M	M	1M	1M
Interest Rates[2]	6-Nov-25	6-Nov-25	D	D	D	...	...	...
Consumer Price Index	Oct-25	Nov-25	M	M	M	M	1M	5D
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	2024	2025	A	A	A	A	2Q	6M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Sep-25	Oct-25	M	M	M	M	1M	3W
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Sep-25	Oct-25	M	M	Q	M	1Q	4W
External Current Account Balance	Jun-25	Sep-25	M	Q	Q	Q	1Q	11W
Exports and Imports of Goods and Services	Sep-25	Oct-25	M	Q	M	M	8W	45D
GDP/GNP	Q2/2025	Aug-25	Q	Q	Q	Q	1Q	NLT 2M
Gross External Debt	Q2/2025	Sep-25	Q	Q	Q	Q	1Q	NLT 1Q
International Investment Position	Q2/2025	Sep-25	Q	Q	Q	Q	1Q	NLT 3M

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex VII. Implementation of FSAP Recommendations[1]

Table 1. Philippines: FSAP Authorities' Updates on Key Recommendations	
Recommendation	**Timing**
Macroprudential Policy and Systemic Risk Monitoring Framework	
Limit bank dividend distributions while downside risks remain high and be ready to take additional measures to strengthen banks' capital if the risks materialize to continue providing credit to the economy (FSCC members, BSP).	ST
Update: The capital adequacy ratios stood at 16.2 percent (solo) and 16.6 percent (consolidated) as of March 2025, i.e., well above the BSP and BIS minimum thresholds (10 and 8 percent respectively). In addition, dividend prohibitions are handled on a case-by-case basis considering a bank's varied internal capital targets, stress testing results, and risk profile, among other factors. Moreover, banks applying for relief measures may be restricted from making dividends or other forms of profit distributions. This restriction automatically applies to banks that utilize their capital conservation buffers and may be imposed on banks that have reached their internal capital targets.[1]	
Enhance collaboration within the BSP to conduct essential macroprudential risk analyses, including macro scenario stress tests, and assure a balanced decision-making process (BSP).	MT
The following key macroprudential policies are undergoing collaborative internal review: • *Countercyclical Capital Buffer (CCyB)*: from December 2024 to February 2025, the Office of Systemic Risk Management (OSRM) led technical meetings with the Supervisory Policy and Research Department (SPRD), Department of Economic Research (DER), and Payments and Currency Management Sector (PCMS) to align data requirements and methodological approaches for estimating the credit-to-GDP gap and identifying supplementary indicators for the CCyB framework. • *Domestic Systemically Important Banks (D-SIBs)*: the OSRM and SPRD are in close collaboration to enhance the D-SIBs framework, including refinements in the interconnectedness category. • *Macroprudential Stress Testing*: a range of stress tests are currently conducted to strengthen systemic risk assessment, while the overall framework is under development. In-depth discussions with subject-matter experts are ongoing.	
Strengthen the influence of FSCC decisions by adding a comply-or-explain mechanism and providing sectoral regulators with a financial stability objective (FSCC members).	MT
Update: Under the current legal framework, the Council does not have sufficient legal basis to implement a comply-or-explain mechanism. Executive Order No. 144 conveys to the Council the power to issue directives or policy regulations to meet its purpose of enhancing financial stability.	
Expand macroprudential policy toolkit and establish operational procedures to set them in a more systemic risk-based manner (BSP).	MT
Update: The BSP is exploring the recalibration of the CCyB and providing the mechanism to operationalize it. In addition, the BSP's stress tests are being integrated to analyze vulnerabilities originating outside the banking sector, with an eye to potentially introducing sector-specific policies. [1] Per BSP Memorandum No. M-2020-039. https://www.bsp.gov.ph/SitePages/Regulations/RegulationDisp.aspx?ItemId=4319.	

[1] The updates presented in this appendix on FSAP recommendations reflect the authorities' updates and do not constitute staff's assessment of actions taken by the authorities.

Table 1. Philippines: FSAP Authorities' Updates on Key Recommendations (Continued)	
Financial Sector Supervision	
Lapse or limit the use of issued regulatory forbearance measures (BSP).	ST
***Update**:* The BSP has unwound temporary relief measures, and most have expired/lapsed as of September 2025 except for: i) ceilings on credit card transactions (subject to review every 6 months); ii) relief on the recognition of losses from sale/transfer of nonperforming assets (NPAs) under the Financial Institutions Strategic Transfer (FIST) Act (2Q 2027[2]); iii) relief measures allowing thrift, rural and cooperative banks to utilize MSME loans and eligible loans to large enterprises as alternative compliance with the reserve requirement (RR) subject to conditions (4Q 2025[3]).	
Enhance regulatory powers and standards regarding transfer of significant ownership or controlling interest and to assess the suitability of beneficial owners of banks (BSP, Department of Finance (DOF)).	ST
***Update on transfer of significant ownership**:* The draft Circular covering the proposed amendments to the guidelines governing the transfer of significant ownership in banks and quasi-banks (QBs) was re-exposed[4] for comments on July 13, 2023. The BSP is currently evaluating the comments/inputs/feedback received from the industry and other pertinent stakeholders.	
Strengthen sectoral supervision, appoint the BSP as the lead supervisor of financial conglomerates and conduct more frequent and comprehensive risk-assessment of FCs (BSP, Insurance Commission (IC), Securities and Exchange Commission (SEC), FSF).	ST
Update: The BSP stays informed about developments and issues relating to NBFIs, which are part of a conglomerate not under its supervision, through regular meetings with other financial sector regulators under the Financial Sector Forum (FSF). Since the adoption of the Financial Conglomerate Supervisory College Framework in 2022, supervisory colleges have been conducted for four of the nine identified financial conglomerates, with the BSP acting as the Lead Supervisor together with other agencies. Supervisory colleges for the remaining five identified financial conglomerates will also be established in accordance with the Framework on Prioritizing Supervisory Colleges. Continuing offsite surveillance of financial conglomerate is conducted.	
Update the large exposure requirements (to be applicable on a solo and consolidated level) and enhance large and related party exposure reporting requirements (BSP).	ST
Update: Pursuant to BSP Memorandum No. M-2024-013 dated 26 April 2024 (Guideline on the Submission of the Report on Large Exposures), the BSP started to receive large exposure reports of covered banks and quasi banks in May 2024. The BSP conducted a tabletop review of these reports to assess compliance with, and consistency in implementing, the guidelines under Circular No. 1150 Large Exposures (LEX) framework and Memorandum No. M-2024-013. The results of the review will serve as the basis for enhancing the reporting template to generate the LEX industry report, which will facilitate monitoring of concentration risks in the financial system. In addition, the scope of examination for covered banks and quasi-banks includes an assessment of the implementation of the LEX framework, the results of which may be used to further refine the policy or develop internal implementation guidelines. In addition, the BSP continues to work on the proposed Circular on the amendments to the prudential Reports on Conglomerate Structure and Material Related Party Transactions (RPT).	

[2] BSFIs are allowed to defer the recognition of losses arising from the sale/transfer of NPAs under the FIST Act up to a maximum period of five years from the date of sale/transfer of the NPAs, subject to prior BSP approval and disclosure requirements. Per BSP Memorandum No. 2022-028 dated June 6, 2022. https://www.bsp.gov.ph/Regulations/Issuances/2022/M-2022-028.pdf.

[3] While this relief measure expired for universal and commercial banks on June 30, 2023, outstanding MSME and LE loans of thrift, rural and cooperative banks as of June 30, 2023 shall remain eligible as alternative compliance with the RR until such loans are fully paid, but not later than December 31, 2025, subject to certain conditions.

[4] The draft Circular on the proposed amendments to the policy on the transfer of significant ownership was initially presented to various banking industry associations, pertinent BSP units, and other stakeholders on October 9, 2020, and January 22, 2021.

Table 1. Philippines: FSAP Authorities' Updates on Key Recommendations (Continued)

Amend the bank secrecy laws to enhance supervision powers, strengthen AML/CFT effectiveness, and cooperation with foreign authorities (BSP, SEC, IC, Anti-Money Laundering Council (AMLC), DOF).	MT
Update: As of September 2025, proposed amendments to the Bank Secrecy Law[5] were filed through Senate Bill (SB) Nos. 1047[6], 232[7], 150[8] and 38[9]. These bills were read on First Reading and subsequently referred to the Senate Committee on Banks, Financial Institutions and Currencies under the 20th Congress of the Philippines, where they remain pending. A counterpart legislation was likewise filed in the House of Representatives under House Bill (HB) No. 7, seeking to amend the Bank Secrecy Law authorizing the BSP to examine bank deposits, including foreign currency accounts, under strict and limited conditions where there is reasonable suspicion of unlawful activity.[10] Pending enactment of the amendments to the Bank Secrecy Laws, the Philippines has provided further avenues to relax its provisions to effectively manage and control the risks brought by proceeds of crimes through the passage of RA No. 12010 or the Anti-Financial Account Scamming Act[11] (AFASA), which aims to combat financial cybercrimes, safeguard the interests of financial consumers, and uphold the integrity of the financial system. To effectively implement the AFASA, the BSP issued the following regulations: (i) Circular No. 1213, Series of 2025[12] to implement the Information Technology Risk Management-related portion of Section 6 of the AFASA; (ii) Circular No 1214, Series of 2025[13] providing the Rules of Procedure on the Conduct of Inquiry into financial accounts and sharing of financial account information by the BSP pursuant to the AFASA; and (iii) Memorandum to All BSFIs No. M-2024-029[14] dated September 19, 2024 reiterating the Guidelines on Risk Management Systems and Controls to Protect Financial Accounts in Relation to Section 6 of the AFASA.	
Provide the power to the BSP to insert a regulated Financial Holding Company into a mixed conglomerate and obtain information from the wider group (BSP, DOF).	MT
Update: The BSP is conducting a study on the potential structure of a proposed financial conglomerate model. As regards the power to obtain information from the wider group, pursuant to Section 3 of Republic Act No. 7653 or the New Central Bank Act, as amended, the BSP shall likewise exercise regulatory and examination powers over credit granting businesses, as may be determined by the Monetary Board. ______________________ [5] Republic Act (RA) No. 1405 otherwise known as the "Secrecy of Bank Deposits Law", as amended. [6] SB No. 1047 or "An Act Amending Republic Act No. 1405, otherwise known as the Secrecy of Bank Deposits Law", filed on August 6, 2025. [7] SB No. 232 or "An Act Mandating Government Officials and Employees to Execute and Submit a Written Permission to Examine, Inquire or Look into All their Deposits and Investments thereby Waiving the Bank Secrecy Law, as provided for under Republic Act Numbers 1405 and 6426", filed on July 7, 2025. [8] SB No. 150 or "An Act Exempting Government Officials and Employees from the Prohibition Against Disclosure of or Inquiry into Deposits with Any Banking Institution, Amending for the purpose certain provisions of Republic Act No. 1405, Otherwise Known as The 'Secrecy of Bank Deposits Law'", filed on July 7, 2025. [9] SB no. 38 or "An Act Further Strengthening the Secrecy of Bank Deposits Law, Amending for the Purpose Republic Act No. 1405 otherwise known as the 'Secrecy of Bank Deposits Law'", filed on July 2, 2025. [10] https://www.pna.gov.ph/articles/1253888. [11] R.A No. 12010 or the AFASA was signed into law on 20 July 2024 and took effect on August 11, 2024. (Source Link: https://www.officialgazette.gov.ph/2024/07/20/republic-act-no-12010/). [12] https://www.bsp.gov.ph/Regulations/Issuances/2025/1213.pdf. [13] https://www.bsp.gov.ph/Regulations/Issuances/2025/1214.pdf. [14] https://www.bsp.gov.ph/Regulations/Issuances/2024/M-2024-029.pdf.	

Table 1. Philippines: FSAP Authorities' Updates on Key Recommendations (Continued)	
AML/CFT	
Make legislative amendments to (i) designate tax crimes as predicate ML offenses and (ii) establish a comprehensive legal framework for targeted financial sanctions against proliferation financing (AMLC, DoF).	ST
Update: The authorities consider this recommendation addressed, for details please see the 2023 Article IV staff report.	
Strengthen risk-based AML/CFT supervision (including sanctioning procedures) for high-risk sectors, such as banks, casinos, money value transfer service providers (BSP, AMLC, PAGCOR).	ST
Update: The AMLC is currently leading the conduct of the National Risk Assessment (NRA), which will provide an updated, evidence-based understanding of money laundering and terrorism financing threats and vulnerabilities. The results will serve as the foundation for the development of targeted, risk-based policies and institutional reforms to strengthen regulatory effectiveness. On the supervisory front, competent authorities, including the BSP, SEC, IC, Philippine Amusement Gaming Corporation (PAGCOR), Cagayan Economic Zone Authority (CEZA), and the AMLC continue to enhance their risk--based supervision of covered persons. It includes refining sectoral risk profiling methodologies, issuing updated compliance guidance, and conducting regular examinations to ensure adherence to AML/CTF obligations. Specifically, the AMLC participated in an ad hoc compliance examination of land-based casinos with junket operations, conducted in collaboration with the Philippine Amusement and Gaming Corporation (PAGCOR). The examination focused on key areas of AML/CTF controls specific to junket activities, including effectiveness of fitness and propriety screening, Know-Your-Customer (KYC) process, transaction monitoring effectiveness, and recordkeeping and safekeeping practices. In addition, various coordination meetings between the concerned agencies resulted in actionable items or summary agreements aimed at addressing Unregulated Virtual Asset Service Providers and Unlicensed Entities.	
Enhance the accuracy and availability of beneficial ownership information of companies (SEC).	MT
Update: To enhance the accuracy and availability of BO information of companies, the SEC continues to innovate its data-sharing methods. It introduced the Swift Corporate Records and Other Documents Exchange (SCORE) Protocol with the Bureau of Internal Revenue. It is a web portal facility that enables requests and delivery of corporate documents to partner regulatory and enforcement agencies within 24 hours. Further, a new BO system is currently being developed through SEC's partnership with the Asian Development Bank. The Hierarchical and Applicable Relations and Beneficial Ownership Registry (HARBOR) aims to improve BO tracking, enhance law enforcement agencies collaboration as well as ensure and secure real-time compliance and data access.	
Crisis* Management*, Resolution, and Safety Net	
Ensure timely corrective actions and resolution of weak banks (BSP, Philippine Deposit Insurance Corporation (PDIC)).	ST
Update: The PCA Framework under BSP Circular No. 523 dated 23 March 2006, as codified in Section 003 and Appendix 68 of the MORB, is under revision to realign its focus on the timely restoration of banks' capital to regulatory minima. The revised framework will require submission of a capital restoration plan within six months, complemented by activation of recovery options under banks' Recovery Plans to address the underlying causes of capital impairment. Completion of the amendments is targeted by Q2 2026. In addition, the FSS has issued Supervision Guidelines No. 01 dated June 23, 2025 to define when a bank is considered no longer viable or likely to become non-viable. The guidelines also provide direction on the well-defined Point of Non-Viability (PONV) triggers to be used in supervisory assessments and interventions by the BSP.	
Implement resolvability assessments and resolution plans, starting with D-SIBs (PDIC, BSP).	ST
Update: The BSP is advancing the development of guidelines on resolvability assessment and resolution planning.	
Make the legal framework for ELA more specific regarding the conditions under which it can be provided and avoid assistance without collateral (BSP).	ST
Updates: On June 19, 2025, the Monetary Board approved the scope and principles for updating BSP's LOLR Framework, covering ELA. As of date, the LOLR Framework Committee is currently updating the LOLR framework.	

Table 1. Philippines: FSAP Authorities' Updates on Key Recommendations (Concluded)	
Designate and provide the PDIC with powers to act as resolution authority (PDIC, BSP, DoF).	MT
Update: The PDIC's resolution function was removed through its 2022 Charter amendment to allow the PDIC to focus on its core mandates as deposit insurer and liquidator of banks, effectively centralizing this function with the BSP. In the absence of its formal designation as the resolution authority, the BSP shall nonetheless continue to exercise the contemplated resolution functions, in conjunction with its supervisory responsibilities and its role as lender of last resort, to ensure the timely and effective intervention in, and/or resolution of, banks that are failing or are likely to fail.	
Expand and operationalize bank resolution tools (particularly P&A) beyond liquidation (PDIC, BSP).	MT
Update: The BSP has identified the existing key supervisory intervention and resolution tools and is currently examining the legal parameters and authorities conferred by the 1987 Philippine Constitution, RA No. 7653 (as amended), RA No. 8791, and other relevant laws and regulations to further strengthen its crisis management and resolution capacity. In parallel, the BSP is advancing the development of a comprehensive Resolution Manual, grounded in existing laws and regulations, which will serve as a structured reference outlining the key steps and strategies for resolving banks, with the objective of supporting financial stability.	
Climate Change, Environment Risks and Supervision	
Improve information collection, monitoring of risk metrics, and stress test capacity for climate change and environmental risks (BSP).	MT
Update: The BSP, in coordination with the Bankers Association of the Philippines-Risk Management Committee and the World Bank, conducted workshop for banks on climate risk stress testing. Following this, a climate scenario exercise will be conducted. Using a bottom-up approach, banks will run the exercise following a climate scenario to be provided by the BSP with the end goal of determining the extent of impact to the capital, non-performing loans and loan loss provisioning of banks. The BSP-ESG Supervision and Surveillance Group is also exploring tools and methodologies to enhance internal stress testing frameworks to embed climate risk factors. In addition, the BSP will enhance its prudential reports to facilitate collection of relevant data for surveillance and analysis of emerging risks/trends arising from climate change and other environmental and social factors. Currently, BSP is taking stock of available data in prudential reports to assess the banking sector's climate risk exposure as well as conducting research to come up with the list of additional variables needed for climate risk analysis. The BSP also intends to update its existing sustainability disclosure requirements, in line with the adoption of International Financial Reporting Standards (IFRS)-International Sustainability Standards Board (ISSB) by banks. Once issued, information from bank's sustainability disclosures may also be used to monitor and assess their ESG risks.	
Short-term (ST) = within one year medium-term (MT) = one to three years.	

PHILIPPINES

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 7, 2025

Prepared By

Asia and Pacific Department

CONTENTS

FUND RELATIONS ______ 2

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS ______ 4

FUND RELATIONS

As of October 31, 2025

Membership Status: Joined December 27, 1945 and accepted the obligations under Article VIII, Sections 2, 3, and 4 on September 8, 1995.

General Resources Account

	SDR Millions	Percent of Quota
Quota	2,042.90	100.00
IMF holdings of currency (holdings rate)	1,506.93	73.67
Reserve tranche position	536.07	26.24
Lending to the Fund		

SDR Department

	SDR Millions	Percent of Allocation
Net cumulative allocation	2,795.99	100.00
Holdings	2,875.17	102.83

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR millions)	Amount Drawn (SDR millions)
Stand-by	04/01/1998	12/31/2000	1,020.79	783.23
EFF	06/24/1994	03/31/1998	791.20	791.20
Stand-by	02/20/1991	03/31/1993	334.20	334.20

Projected Payments to Fund: None.

Exchange Rate Arrangement

The de jure exchange rate arrangement is classified as *free floating*, while the de facto arrangement is classified as *floating*. The value of the Philippine peso is determined in the interbank foreign exchange market; the Bangko Sentral ng Pilipinas (BSP) intervenes in the spot and forward markets to smooth undue short-term volatility in the exchange rate. The Philippines has accepted the obligations under Article VIII, Section 2(a), 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions except for exchange restrictions maintained for security reasons and notified to the Fund in accordance with Executive Board Decision 144-(52/51).

Article IV Consultation

Philippines is on the standard 12-month cycle. The previous Article IV consultation discussions were held during September 18-October 1, 2025. The Executive Board Meeting for the 2024 Article IV consultation was concluded on a lapse of time basis on December 4, 2024 (IMF Country Report No. 2024/351).

Financial Sector Assessment Program (FSAP)

The work of the 2021 FSAP was conducted from June 2019 and during the COVID-19 outbreak, with virtual missions concluding on October 20, 2020. The findings were presented to the Executive Board and concluded on March 5, 2021 (IMF Country Report No. 21/74). The previous FSAP Update was published on April 7, 2010 (IMF Country Report No. 10/90).

Resident Representative

A Resident Representative was stationed in Manila from January 1984-October 2024. Mr. Dennis Botman, stationed in Jakarta, Indonesia, has been the IMF's Regional Representative for the Philippines since January 2025.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank: https://www.worldbank.org/en/country/philippines
- Asian Development Bank: https://www.adb.org/countries/philippines/main

Statement by the IMF Staff Representative
November 24, 2025

This statement provides information that has become available following the issuance of the staff report. The thrust of the staff appraisal remains unchanged.

1. **National accounts data released on November 7, 2025 point to a sharper than expected slowdown in 2025Q3**. Real GDP growth for 2025Q3 was 4.0 percent year-on-year (staff projection 4.7 percent, consensus 5.5 percent), with the slowdown driven by weaker-than-anticipated growth in gross fixed capital formation and private consumption. From the production side, all three major sectors had weaker than expected growth. The weak gross fixed capital formation (growing by 0.1 percent year-over-year) was primarily attributable to the sharp decline in public construction, amid the corruption allegations related to flood-control infrastructure projects. Multiple severe typhoons, which were more frequent and intense than anticipated earlier, further weighed on growth, impacting agricultural output, transport, and construction activity. Moderating consumption was likely driven by a combination of lower sentiment due to corruption allegations alongside the impact of typhoons on household activity. A pickup in exports helped offset some of the decline in other sectors.

2. **The Philippines has also experienced several severe typhoons in recent weeks**. Following severe typhoons in 2025Q3 (including super typhoon Nando/Ragasa on September 17-25), the Philippines has experienced two significant typhoons in early November (Typhoon Tino/Kalmaegi and Super Typhoon Uwan/Fung-wong). These have had devastating impacts on lives and livelihoods, particularly because they hit the densely populated regions of Visayas/Cebu and Luzon. The authorities have responded by declaring a year-long national calamity to fast-track rehabilitation efforts and plan to accelerate targeted disbursements in Q4.

3. **Staff's policy advice remains as set out in the staff report**. The 2025Q3 outturn implies a downward revision to staff's growth projections for 2025 (from 5.4 to 5.1 percent) and has some modest carryover effects into 2026 (revised down from 5.8 to 5.6 percent). Inflation is expected to remain broadly unchanged, reflecting the offsetting impacts of supply-side shocks associated with weather disturbances and lower domestic demand. Given the moderate macroeconomic impact, the Q3 outturn does not change the thrust of staff's policy advice in the baseline. An accommodative monetary policy stance remains appropriate amid a favorable inflation outlook and elevated downside risks to growth. With respect to fiscal policy, staff continues to recommend a more gradual pace of fiscal consolidation, and a broadly neutral stance in 2026. Amidst a more severe than earlier projected typhoon season in the Philippines, the revised outlook is subject to downside risks. In that context, coverage of the impact of typhoons on the economy and policy response in the Staff Report provide relevant policy advice.

**Statement by Mr. Idwan Hakim, Executive Director for the Philippines,
Mr. Kaweevudh Sumawong, Alternate Executive Director and
Ms. Maria Cynthia Sison, Advisor to Executive Director
November 24, 2025**

The Philippine authorities extend their sincere appreciation to the IMF Article IV mission team, led by Ms. Elif Arbatli Saxegaard, for the candid exchange of views and constructive engagements. They broadly agree with the staff's assessment and welcome that most policy recommendations align closely with national priorities. The authorities also value the mission team's analysis of climate-related macroeconomic impacts and the country's transition to renewable energy, which supports ongoing efforts to strengthen climate resilience.

Recent Economic Developments and Outlook

The Philippine economy expanded by an average of 5.0 percent in the first nine months of 2025 and is expected to maintain a solid growth trajectory over the medium-term. Gross Domestic Product (GDP) grew by 5.4 percent in the first half of 2025 but moderated to 4.0 percent in Q3 2025 reflecting the adverse impact of an unusually high number of typhoons and delays in public infrastructure spending due to efforts to enhance spending quality. In response to the recent natural disasters, emergency funds have been mobilized for social protection, financial assistance, and infrastructure rehabilitation in disaster-affected areas. Targeted disbursements are also being accelerated in Q4 2025 and into 2026 as part of a catch-up plan. The authorities consider the economic slowdown in Q3 2025 to be temporary, with a recovery expected in 2026.

Macroeconomic fundamentals remain strong, underpinned by low inflation, a manageable fiscal deficit, robust external buffers, and a stable banking sector. Inflation remained subdued and averaged 1.7 percent in January to October 2025. The fiscal deficit stood at ₱1.1 trillion as of September 2025, well within the ₱1.6 trillion target for the year, supported by revenue collections aligned with the 2025 revenue program. Gross International Reserves reached US$109.7 billion as of end-October 2025, equivalent to 7.3 months of imports and 3.7 times short-term external debt. The Philippine peso remains supported by resilient remittances and steady foreign exchange inflows from business process outsourcing and tourism. As of September 2025, bank assets increased by 7.5 percent YoY to ₱28.8 trillion, with loans expanding by 9.1 percent to ₱16.3 trillion. Credit quality remains satisfactory, with robust capital and liquidity positions.

The authorities remain committed to preserving macroeconomic stability amid evolving risks. Global risks mainly emanate from trade policy uncertainty and geopolitical conditions, while domestic vulnerabilities stem from natural disasters and weaker investor sentiment. The medium-term macroeconomic forecasts and fiscal targets will be reviewed in December 2025 to ensure realistic projections and targets aligned with current conditions. The authorities will continue to preserve macroeconomic resilience through the adoption of sound macroeconomic and structural policies, guided by the medium-term economic strategy set out in the Philippine Development Plan (PDP) 2023 to 2028.

Fiscal Policy

The authorities are pursuing a measured approach to fiscal consolidation, firmly anchored in the Medium-Term Fiscal Framework. This strategy is designed to preserve fiscal space for strategic investments in key sectors to support sustainable economic growth. The fiscal deficit is targeted to narrow from 5.5 percent of GDP in 2025 to 4.3 percent by 2028, and further to 3.1 percent by 2030**.** This gradual adjustment will allow infrastructure investments to be maintained at a minimum of 5.0 percent of GDP. Public debt-to-GDP is projected to decline from 60.7 percent in 2024 to 58.0 percent by 2030. The country's debt profile remains robust, characterized by long maturities, a predominance of fixed-rate instruments and a high share of domestic financing.

Revenue and expenditure management will be enhanced through targeted optimization and digitalization initiatives. The authorities are committed to the robust implementation of key tax measures, including recently enacted laws such as the Value-Added Tax on Digital Services Act, the Capital Markets Efficiency Promotion Act, and the Enhanced Fiscal Regime for Large-Scale Metallic Mining Act, alongside strengthened tax administration through the Ease of Paying Taxes Act. On the expenditure side, public spending efficiency will be achieved through streamlined procurement, digitalization and optimization, with overhead costs reduced through the Government Optimization Program and E-Governance Act. Social transfers targeting will be enhanced through complete roll-out of PhilSys ID and wider adoption of Community-Based Monitoring System, while Public Financial Management (PFM) systems will be aligned with international standards. Performance monitoring and audit of infrastructure projects will be improved through digitalization and the adoption of modern technologies such as satellite imagery and geotagging. Capacity of local government units in PFM will also be enhanced.

Monetary Policy

The BSP shares the staff's view that there is room for monetary policy to be accommodative, while remaining vigilant to risks that may undermine price stability. The benign inflation outlook and moderating domestic demand provide room for monetary policy to support economic activity. In October 2025, the BSP reduced its policy rate by 25 basis points to 4.75 percent and lowered the overnight deposit and lending facility rates to 4.25 percent and 5.25 percent, respectively. The BSP's latest central projection shows that inflation will fall below target in 2025, before returning to the target range of 3.0 percent ±1.0 percentage point in the next two years. The BSP remains committed to a data-dependent approach in adjusting its policy stance in line with the evolving outlook for inflation and growth.

Financial Sector Policy

While the banking system is sound, liquid, and well-capitalized, the authorities are advancing initiatives to further strengthen financial system stability. The BSP, leveraging its well-established micro- and macroprudential frameworks and collaborative supervisory mechanisms, has identified systemic risk oversight and supervision as a strategic objective under its Enterprise Strategy 2024–2029. In line with this strategic priority, the BSP is developing an integrated systemic risk management framework, underpinned by initiatives that are consistent with the 2021 Financial Sector Assessment Program recommendations. The BSP has established a specialized resolution group and is strengthening its capacity for systemic risk surveillance, while expanding its macroprudential, crisis management, and resolution toolkit.

Following the country's exit from the Financial Action Task Force (FATF) grey list and removal from the UK and EU list of high-risk third countries with strategic deficiencies on AML/CTPF, the authorities will continue to safeguard the integrity of the financial system. The Third National AML/CTF/CPF Risk Assessment has been completed, and activities have commenced to update the National AML/CTF/CPF Strategy (NACS) through the development of the NACS 2026-2030. In response to the increasing use of virtual assets (VAs), the BSP is refining its regulations on the supervision of VA/VA service providers. This includes clarifications on the "travel rule" requirements aligned with the FATF Recommendations. The Securities and Exchange Commission has also issued new policies and regulations to cover activities related to Crypto Asset Service Providers, including initial coin offerings.

Structural Reforms

The Philippine government has adopted a multi-pronged strategy to sustain economic growth and attract private sector investment. The upcoming PH-UAE Free Trade Agreement, along with ongoing negotiations with the EU, Chile, and Canada, present opportunities to expand export markets. Recent legislative reforms, including amendments to the Investor's Lease Act, Right-of-Way Act, CREATE MORE Act, as well as the implementation of the Public-Private Partnership Code, and liberalization of economic sectors will further enhance the Philippines' competitiveness as a trade and investment hub. Building on the Enterprise-Based Education and Training Framework Act and the Philippine Digital Workforce Competitiveness Act, further labor market reforms will improve employability and adaptability of the workforce in the context of increasing adoption of artificial intelligence and emerging technologies. Priority will also be given to initiatives aimed at lowering energy costs, improving digital connectivity, and accelerating infrastructure development.

Climate resilience is integrated into governance and implementation frameworks at the national and local level. Recognized as a cross-cutting national priority, climate resilience is articulated in both the National Adaptation Plan 2023–2050 and the PDP 2023 to 2028. The national strategy adopts a science-based, anticipatory, and preventive approach, emphasizing data-driven adaptation measures to address escalating climate risks. To ensure operationalization across all levels, climate adaptation is mainstreamed into sectoral strategies and local governance through Local Climate Change Action Plans. The Department of Finance supports the country's sustainable future by funding local adaptation projects through the People's Survival Fund (PSF) and mobilizing international climate finance. As of October 2025, the PSF Board has approved 24 adaptation projects and project development grants nationwide, totaling ₱1.4 billion. In October 2025, the Philippines was also able to secure an ₱ 8.7 million grant from the Adaptation Fund (AF) – a global finance mechanism established under the UN Framework Convention on Climate Change – to develop a climate adaptation project aimed at safeguarding the nation's food security. This is the second AF-supported project for the Philippines in 2025, following the approval of a separate USD10-million project proposal in April.

Looking ahead, the authorities remain steadfast in maintaining sound macroeconomic fundamentals and advancing structural reforms to promote a resilient, inclusive, and sustainable economy. They highly value the Fund's continued technical assistance, surveillance and policy dialogues, and will thoughtfully incorporate insights from these engagements in their policy formulation and reform agenda.