January 2025

ECONOMIC AND MARKET UPDATE

The Philippine Economy at a Glance

GROSS DOMESTIC PRODUCT	FOREIGN EXCHANGE	INFLATION RATE	UNEMPLOYMENT RATE	BSP POLICY RATES	CREDIT RATINGS
5.55% -202400.00%	January 2025 **P58.37/$** (0.90% weaker FTM) (0.90% weaker YTD)	**2.9% (JAN 2025)** **(based on 2018 prices)**	**3.9%** **(NOV 2024)**	**5.75%** (lending rate) **5.50%** (borrowing rate) **5.25%** (overnight deposit)	**BBB+** (Standard and Poor's) **BBB** (Fitch Ratings) **Baa2** (Moody's Investor)

Macroeconomic Updates

PH misses economic growth target for second straight year. Despite the Philippine economy's steady increase in the final three months of 2024, the full-year growth fell short of the government's desired range. The economy grew by 5.2% in the fourth quarter of the previous year, which was the same as the third quarter but less than the 5.5% growth in the same period of 2023. Despite falling short of the government's revised target range of 6.0% to 6.5%, this increased the full-year economic expansion to 5.6%, which was faster than the 5.5% for the full-year 2023. Additionally, the Philippines has failed its economic goal for the second consecutive year. In 2023, it achieved 5.5%, which was less than the 6.0% to 7.0% aim for the year.

PH's inflation rate flat at 2.9% in January 2025. In January 2025, the Philippines' inflation rate settled at 2.9%, which hovered comfortably within the government's objective and unchanged with the December 2024 figure. The Bangko Sentral ng Pilipinas' (BSP) prediction that inflation will be anchored to the target range throughout the policy horizon is supported by the most recent inflation outturn.

Unemployment figures improve in November. The seasonal rise in demand for work during the "ber" months leading to the holidays caused the unemployment rate to drop to 3.2% in November 2024, translating to 1.66 million Filipinos. Additionally, there were fewer unemployed people in November 2024 than there were in November 2023 at an estimated 1.83 million year-on-year.

BSP hints at 50-bps rate cut, 200-bps reserve requirement cut in 2025. The BSP Governor Eli Remolona Jr. alluded to the prospect of lowering the reserve requirement of large banks by 200 basis points (bps) and subsequently cutting interest rates by an additional 50 bps in 2025. Mr. Remolona stated that he anticipates a monetary policy easing of 25 basis points in the first half of the year and another 25 basis points in the second half, with a pause in between. He earlier stated that the Monetary Board would consider a number of factors, including the recently disclosed economic growth numbers, while deciding whether to further loosen policy at the policy meeting in February.

Foreign portfolio investment below expectations in 2024. The $2.103 billion in foreign portfolio investments (FPI) that came into the nation in 2024 reversed the $248.84 million net outflows that were noted in 2023. However, the net FPI at the end of 2024 is far less than $6.3 billion the BSP had predicted for the year. The net FPI outflows for December alone came to $487.37 million, which was more than the $205.18 million withdrawals in 2023. In contrast, gross outflows, or the total amount of money that left the nation in 2024, were $15.829 billion, up from $13.14 billion in 2023.

PH dollar reserves down in December. As of the end-December, the country's gross international reserves (GIR) stood at $106.84 billion. This is more than the $103.75 billion reported in December 2023, but less than the $108.49 billion as of the end of November. The central bank's net foreign exchange operations and the drop in government deposits to settle debt commitments were the primary causes of the December reduction in Philippine dollar reserves. This occurs after the peso spent the majority of December trading at about P58/dollar, fell to a record low of P59/dollar on December 19, and then ended the year at P57.85/dollar.

FDI net inflows up 50.2% in October 2024. Foreign direct investment (FDI) inflows to the Philippines reached $1 billion in October last year, a 50.2% increase from $681 million in October of 2023. However, the expansion in FDI inflows was mitigated, by a small contraction in foreigners' reinvestment of earnings, which declined by 0.9% to $83 million from $84 million year-on-year. FDI net inflows from January to October 2024 were $7.7 billion, an 8.2% increase over the $7.1 billion net inflows from January to October 2023.

Philippine trade deficit at $4.767B as of November 2024. Philippine trade deficit shrank to $4.767 billion in November 2024 as exports shrank more quickly than imports during the month, which was less than the $4.769 billion deficit in November 2023 and the $5.781 billion deficit in October 2024. At $5.690 billion, exports for the month were 8.7% lower than $6.231 billion in November 2023 and less than $6.190 billion in October 2024. In contrast, imports totaled $10.458 billion. Compared to $11.000 billion in November 2023 and $11.972 billion in October 2024, this is 4.9% less.

Philippine debt at P16.090 trillion as of November 2024, up 10% year on year. The Philippine government's total outstanding debt as of end-November was 10% higher year-on-year. Data from the BTr showed that the total outstanding debt reached P16.090 trillion as of end-November 2024, showing a 10.9% increase from the P14.508 trillion as of end-November 2023. Additionally, it exceeds P16.020 trillion as of the end of October 2024 by 0.4%. The amount of domestic debt was P10.921 trillion, up 9.0% from P10.024 trillion in November 2023. At P5.169 trillion, the external debt was up 15.3% from P4.484 trillion the year before and 0.8% from P5.130 trillion at the end of October.

The peso weaker due to Trump 2.0 prospects. Last January 31, the Philippine peso ended at P58.37/dollar, down 0.90% from its 2024 close after poor fourth-quarter GDP statistics. However, the presumptive danger was reduced by the anticipated of similarly poorer fourth-quarter US GDP growth. Meanwhile, Trump's threats of tariffs on Canada and Mexico caused the dollar to rise as the week ended. Following President Trump's announcement on Saturday that tariffs on China, Canada, and Mexico would go into effect on February 4, the peso is expected to continue to weaken.

COCOLIFE Bldg., 6807 Ayala Avenue, Makati City 1226 MCC PO Box 1681

Trunk line: (632) 8-812-9015 to 58 **Customer Care Center: (632) 8-810-7888** **Email: customer_service@cocolife.com** **Website: www.cocolife.com**