COCOLIFE

December 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
4.00% 3Q2025	December 2025 P58.79/$ (0.25% weaker FTM) (1.62% weaker YTD)	1.7% (2025) (based on 2018 prices)	4.4% (NOVEMBER 2025)	5.00% (lending rate) 4.50% (borrowing rate) 4.50% (overnight deposit)	BBB+ (Standard and Poor's) BBB (Fitch Ratings) Baa2 (Moody's Investor)

Macroeconomic Updates

Philippines to miss GDP growth target for the third year in a row. The Philippine economy is projected to miss its annual growth target for the third straight year, with 2025 GDP growth expected to land between 4.8% and 5.0%, falling short of the government's 5.5% to 6.5% goal. This slowdown was primarily driven by a weak 4.0% growth rate in the third quarter, the lowest in four years, caused by a slump in public construction and shaken investor confidence following a high-profile corruption scandal. Despite remaining a top performer in Asia, the persistent deceleration has led officials to lower growth targets for 2026 and 2027 in response to domestic governance issues and global economic instability.

Full year inflation remains subtle. Philippines recorded a full-year average inflation rate of 1.7%, marking its slowest pace in nine years since the 1.3% rate seen in 2016. While the monthly inflation rate slightly increased to 1.8% in December due to holiday demand and higher vegetable prices caused by late-season typhoons, the overall annual figure remained well below the government's target range of 2% to 4%.

Central bank on its 5-straight cut for the year. The Bangko Sentral ng Pilipinas (BSP) implemented its fifth straight rate cut of the year in December 2025, reducing the Target Reverse Repurchase Rate by 25 basis points to 4.50%. Correspondingly, deposit and lending rates were adjusted to 4% and 5%. This move was supported by a stable inflation environment but was primarily motivated by a need to stimulate a cooling domestic economy.

Philippines' GIR hits a 13-month high. By November 2025, the Philippines' gold holdings reached a record $18 billion, pushing total Gross International Reserves (GIR) to a 13-month high of $111.1 billion. While soaring global gold prices strengthened the nation's financial safety net, covering seven months of imports, as the IMF warns of a coming decline. Reserves are projected to dip to $103.3 billion by 2028 due to foreign debt settlements and trade gaps, though consistent income from BPOs and overseas remittances are expected to keep the country's overall liquidity stable.

Trade deficit drags PH payments position in September 2025. The Philippine balance of payments position saw a lower surplus in September due to the continued trade gap during the month. The central bank reported an $82-million BOP surplus for the month of September, lower than the $359-million surplus in August, and the $3.526-billion surplus in the same month of 2024. Preliminary data indicate that the year-to-date BOP deficit was largely due to the continued trade in goods deficit.

Philippines likely to post a dollar deficit for the year. BSP forecasts that the Philippines will move from a surplus in 2024 to back-to-back Balance of Payments (BOP) deficits of $6.2 billion in 2025 and $5.9 billion in 2026. This shift is largely caused by a persistent trade gap and slower growth in the services sector, with structural challenges like high logistical costs and cooling foreign investment offsetting the temporary benefits of front-loaded exports. Despite these shortfalls, the BSP remains confident in the nation's stability, pointing to substantial foreign exchange reserves of $109–$110 billion and consistent remittances as vital safeguards against global economic volatility.

Philippines faces FDI 'headwinds' on corruption, global tensions. The Philippines is projected to face "mounting headwinds" in attracting foreign direct investment (FDI) through 2026 amid a domestic flood control corruption scandal, external uncertainties and global trade tensions. Recently released data from the Bangko Sentral ng Pilipinas (BSP) underscored these concerns, showing net FDI inflows slumped 40.50% year-on-year to $494 million in August 2025.

Peso posts weaker from end-2024 level. The Peso closed at P58.79/dollar on December 29, representing a 0.25% depreciation from the previous month and 1.62% weaker compared to the end-2024 close. Peso's performance was primarily pressured by a combination of domestic monetary easing and external dollar strength as the central bank continued to cut rates for five straight meetings leading to a narrowed interest rate cut differential between Philippines and US.