

ECONOMIC AND MARKET UPDATE
The Philippine Economy at a Glance

GROSS DOMESTIC PRODUCT	FOREIGN EXCHANGE	INFLATION RATE	UNEMPLOYMENT RATE	BSP POLICY RATES	CREDIT RATINGS
 4.40% Full-year 2025	February 2026  P57.67/\$ (2.03% stronger FTM) (0.57% stronger YTD)	2.0% (JAN 2026) (based on 2018 prices) 	 4.4% (DECEMBER 2025)	4.75% (lending rate) 4.25% (borrowing rate) 3.75% (overnight deposit) 	 BBB+ (Standard and Poor's) BBB (Fitch Ratings) Baa2 (Moody's Investor)

Macroeconomic Updates

BSP continues easing cycle. The Bangko Sentral ng Pilipinas' (BSP) Monetary Board cut key policy rates by another 25 basis points for the sixth consecutive meeting, bringing the benchmark reverse repurchase rate to 4.25%, its lowest in over three years. BSP Governor Eli Remolona Jr. said the move reflected the view that inflation remains manageable despite slightly higher forecasts for 2026 due to temporary supply-side factors, enabling the central bank to maintain an accommodative policy to support economic activity.

Unemployment rate remains steady. The Philippines closed the past year with steady labor market conditions, as the unemployment rate remained unchanged at 4.4% last December 2025. While the number of unemployed inched up to 2.26 million, the labor force grew to 51.69 million and participation rose to 64.4%, indicating stronger workforce engagement. At the same time, underemployment eased to 8%, marking its lowest level in months and pointing to gradual improvements in employment opportunities.

Inflation rises in January. Philippine inflation rose to 2.0% in January 2026, up from 1.8% in December 2025, reaching an 11-month high as higher costs for housing, utilities, and restaurant services contributed to the increase. Core inflation, excluding food and energy, also climbed to 2.8% from 2.4%, showing broader price pressures. Despite the increase, inflation remains within the BSP's 2–4% target, suggesting monetary policy will stay supportive but cautious.

Philippines' reserves reach record high. The Philippines' gross international reserves (GIR) reached a record \$112.5 billion at the end of January 2026, up 8.9% from January 2025 and 1.5% from December 2025. The increase was driven by higher gold holdings and foreign exchange balances, offsetting a slight drop in foreign investments. At this level, reserves can cover 7.5 months of imports and 4.1 times the country's short-term external debt, well above international standards.

Philippines exceeds FDI year-to-date target. Net foreign direct investment (FDI) into the Philippines totaled \$897 million in November 2025, down slightly from a year earlier but showing a modest recovery after October's decline. Year-to-date inflows reached \$7.1 billion, exceeding the Bangko Sentral ng Pilipinas' \$7 billion target. Equity capital investments increased while withdrawals declined, signaling sustained foreign investor confidence amid domestic challenges and global uncertainties.

Overseas remittances hit historic milestone. The Philippines hit a historic milestone as cash remittances reached an all-time high of \$35.63 billion for the full year of 2025, representing a 3.3% increase from 2024. This accounted for roughly 7.3% of the country's GDP, underscoring the sector's role as a bedrock of domestic consumption. The final month of 2025 saw a significant 4.2% year-on-year jump, the fastest pace in months.

Peso closes February higher. The Philippine peso rose to ₱57.67 per dollar by the end of February 2026, up from January's ₱58.86. The strengthening was driven by solid domestic fundamentals, robust reserves, and improving investor sentiment, while global monetary and geopolitical developments also influenced movements during the month.

DISCLAIMER: Historical performance is not indicative of future results. The price per unit may go up or down depending on market fluctuations. The Fund is NOT a deposit product, and, as such, yields are NOT guaranteed. The performance of the fund is reflected by the Net Asset Value (NAV) computed at the end of each business day.