







**ECONOMIC AND MARKET UPDATE**

**The Philippine Economy at a Glance**

GROSS DOMESTIC PRODUCT	FOREIGN EXCHANGE	INFLATION RATE	UNEMPLOYMENT RATE	BSP POLICY RATES	CREDIT RATINGS
 <p><b>2.80%</b> 1Q2026</p>	<p>April 2026</p>  <p><b>P61.49/\$</b> (1.21% weaker FTM) (4.58% weaker YTD)</p>	<p><b>7.2% (APRIL 2026)</b> (based on 2018 prices)</p> 	<p><b>5.0%</b> (MARCH 2026)</p> 	<p><b>5.0%</b> (lending rate) <b>4.50%</b> (borrowing rate) <b>4.0%</b> (overnight deposit)</p> 	 <p><b>BBB+</b> (Standard and Poor's) <b>BBB</b> (Fitch Ratings) <b>Baa2</b> (Moody's Investor)</p>

**Macroeconomic Updates**

**BSP hikes rates on rising inflation.** The Bangko Sentral ng Pilipinas (BSP) raised its policy rate by 25 basis points to 4.5%, its first hike in over two years, in response to worsening inflation driven by the Middle East conflict. BSP cited rising global oil and fertilizer prices that are pushing up domestic fuel and food costs, alongside increasing core inflation that signals broader price pressures. While higher rates aim to curb spending and manage inflation expectations, the BSP acknowledged that current inflation is largely supply-driven, meaning monetary tightening may have limited impact and could slow economic recovery.

**GDP growth slows in Q1.** Philippine Gross Domestic Product (GDP) expanded by 2.8% in the first quarter of 2026 from a year ago. The economy showed slower expansion as the industrial and agricultural sector was fazed by some difficulties, albeit services sector showed positive growth. This data will be vital for the central bank to come up with a decision in the upcoming monetary board meeting in June. Recently, the BSP showed hawkish signs amid faster inflation print in March and April.

**Unemployment rises in March.** The Philippine labor market weakened in March, with the unemployment rate rising to 5% from 3.9% a year earlier, although it slightly improved from 5.1% in February. Labor force participation slipped to 63.3% from 63.8%, reflecting fewer Filipinos in the workforce, while total employment also declined. At the same time, underemployment climbed to 12.3% from 11.8%, signaling that more workers were seeking additional jobs or longer hours, highlighting softer job conditions overall despite the modest month-on-month dip in unemployment.

**Inflation surges in April.** Philippine inflation surged to a three-year high of 7.2% in April, rising from 4.1% in March, and from 1.4% a year earlier, exceeding both government and market forecasts. The surge was driven by higher fuel, transport, and food prices, especially rice, with core inflation also picking up to 3.9% from 3.2% in the previous month. The BSP said it is ready to act, though inflation may stay elevated if oil prices remain high.

**Foreign reserves fall in March.** The Philippines' gross international reserves (GIR) declined to \$105.51 billion last month, a seven-month low from February's peak of \$113.26 billion. The drop was driven by foreign exchange interventions, debt payments, and a stronger US dollar. Despite this, reserves remain solid, covering 7.1 months of imports and fully meeting short-term external debt, with expectations of gradual recovery.

**Hot money outflows rise in March.** Foreign portfolio investments recorded a \$1.96-billion net outflow in March, reversing February's inflow, as the US-Israel war with Iran weakened global risk appetite. The exit was driven by higher withdrawals from stocks and government securities, alongside a weaker peso and rising bond yields. Analysts expect continued volatility in flows amid ongoing geopolitical tensions and uncertainty over global interest rates.

**Remittances rise but dip to nine-month low.** Cash remittances rose 2.6% year on year to \$2.79 billion in February but fell 7.7% from January to a nine-month low due to seasonal normalization after holiday inflows. Despite the dip, remittances remained steady, with a 3.1% increase in the first two months of the year, though risks such as higher living costs, inflation, and Middle East tensions may temper growth.

**Peso extends slide in April.** The Philippine peso weakened to ₱61.485 per dollar at the end of April 2026, down 1.21% from March levels and 10.08% from a year earlier. The depreciation was driven by a stronger US dollar, higher global oil prices due to Middle East tensions, and continued inflation concerns linked to imported fuel, with BSP policy expectations also influencing market sentiment.

**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.