







**ECONOMIC AND MARKET UPDATE**

**The Philippine Economy at a Glance**

<p><b>GROSS DOMESTIC PRODUCT</b></p>  <p><b>2.80%</b> 1Q2026</p>	<p><b>FOREIGN EXCHANGE</b></p> <p>May 2026</p>  <p><b>₱61.59/\$</b> (0.16% weaker FTM) (4.76% weaker YTD)</p>	<p><b>INFLATION RATE</b></p> <p><b>7.2% (APRIL 2026)</b> (based on 2018 prices)</p> 	<p><b>UNEMPLOYMENT RATE</b></p> <p><b>5.0%</b> (MARCH 2026)</p> 	<p><b>BSP POLICY RATES</b></p> <p><b>5.0%</b> (lending rate) <b>4.50%</b> (borrowing rate) <b>4.0%</b> (overnight deposit)</p> 	<p><b>CREDIT RATINGS</b></p>  <p><b>BBB+</b> (Standard and Poor's) <b>BBB</b> (Fitch Ratings) <b>Baa2</b> (Moody's Investor)</p>
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**Macroeconomic Updates**

**GDP growth likely to slow further in Q2.** The Philippine economy is expected to slow further in the second quarter, with the Congressional Policy and Budget Research Department warning that GDP growth could drop to 1.5% due to an ongoing oil shock and weakening domestic demand. High fuel and commodity prices resulting from the Middle East conflict are dragging down household consumption and investment, putting severe pressure on services, industry, and agriculture. With growth targets looking increasingly out of reach amid rising inflation and higher borrowing costs, the think tank urged policymakers to adjust fiscal strategies by reducing government spending, lowering taxes like VAT, and easing regulatory burdens to support economic recovery and job creation.

**BSP expects inflation to remain above the target.** The Bangko Sentral ng Pilipinas (BSP) expects inflation to remain above its 4% target until next year, as the Middle East conflict drives higher global oil and fertilizer prices that are feeding into domestic fuel and food costs. The central bank said rising core inflation signals broadening price pressures, while inflation expectations have increased, raising the risk of becoming unanchored from the target. Following a recent 25-basis-point rate hike, the BSP warned that the inflation path has worsened, with headline inflation projected to breach the tolerance band in 2026 and 2027 amid persistent external shocks and peso-related pressures.

**Analysts see higher interest rates ahead.** The BSP may deliver a 50-bp rate hike either off-cycle or at its June 18 meeting to manage inflation expectations following April's spike to 7.2%, according to Deutsche Bank Research. This aggressive outlook aligns with Governor Remolona's signals of a potential off-cycle move and a flexible stance on the peso, which recently hit record lows near ₱61.75 against the dollar due to Middle East conflicts and elevated oil prices. While Malacañang and the central bank coordinate to protect consumer purchasing power, analysts emphasize that the BSP will limit foreign exchange interventions to smoothing out excessive volatility rather than defending a specific currency level.

**Dollar reserves fall to lowest level in April.** The Philippines' gross international reserves (GIR) fell to \$104.1 billion in April, the lowest level in more than a year, as declines in foreign exchange, offshore investments, and gold holdings weighed on the stockpile amid global market volatility triggered by the Middle East conflict. The drop was partly driven by BSP intervention to smooth peso movements, routine external payments, and valuation losses from bonds and gold, compounded by a stronger US dollar and risk-off sentiment in global markets. Despite the decline, reserves remain a strong external buffer, covering 6.9 months of imports and nearly four times the short-term external debt, though the level is now below the central bank's year-end projection.

**FDI inflows rebound in February.** Foreign direct investment (FDI) net inflows into the Philippines rebounded to \$590 million in February from a four-month low of \$443 million in January, according to data from the BSP. Despite the monthly recovery, inflows remained below the \$855 million recorded in the same month last year. The increase was driven by higher net equity capital, reinvested earnings, and debt instruments, with investments largely coming from Japan, the United States, and Singapore. Funds were mainly directed toward the manufacturing, financial and insurance, and real estate sectors, reflecting continued foreign investor interest in key industries despite softer year-on-year inflows.

**Remittances up in March.** Cash remittances from overseas Filipinos rose by 2.3% year on year to \$2.874 billion in March, marking the slowest growth in nearly three years as inflows continued to expand at a softer pace, according to BSP data. The increase was driven by both land-based and sea-based workers, with remittances still largely coming from the United States, followed by Singapore and Saudi Arabia. Despite the slowdown, total personal remittances also grew by 2.3% in March and continued to post steady gains in the first quarter, highlighting sustained support from overseas Filipinos even as growth momentum weakens.

**Peso continues to fall in May.** The Philippine peso closed at ₱61.59 per dollar on May 29, slightly weaker than the previous month's ₱61.49, reflecting overall volatility but limited net movement. Throughout the period, the peso fluctuated due to shifting global risk sentiment, movements in oil prices, US dollar strength, and developments in Middle East tensions. It traded at a record low before partially recovering toward the end of the period, as improving sentiment and easing oil prices provided some support. Overall, the peso traded within a wide range but ended the month relatively stable amid mixed global and domestic drivers.

**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.