







ECONOMIC AND MARKET UPDATE

The Philippine Economy at a Glance

<p>GROSS DOMESTIC PRODUCT</p>  <p>2.80% 1Q2026</p>	<p>FOREIGN EXCHANGE</p> <p>June 2026</p>  <p>₱61.36/\$ (0.37% stronger FTM) (4.37% weaker YTD)</p>	<p>INFLATION RATE</p> <p>6.8% (MAY 2026) (based on 2018 prices)</p> 	<p>UNEMPLOYMENT RATE</p>  <p>4.7% (APRIL 2026)</p>	<p>BSP POLICY RATES</p> <p>5.25% (lending rate) 4.75% (borrowing rate) 4.25% (overnight deposit)</p> 	<p>CREDIT RATINGS</p>  <p>BBB+ (Standard and Poor's) BBB (Fitch Ratings) Baa2 (Moody's Investor)</p>
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Macroeconomic Updates

Inflation likely up in June. Inflation is expected to remain elevated at 6–7% in June, according to the BSP, as higher electricity rates and vegetable prices are likely to offset the easing in domestic oil prices and lower costs of key food items such as rice and meat. While the lower end of the forecast would mark a slight slowdown from the 6.8% inflation recorded in May, the projected range remains well above the BSP’s 2–4% target and significantly higher than the 1.4% posted in June 2025.

Unemployment falls in April. The Philippines' unemployment rate declined to 4.7% in April 2026 from 5.0% in March, bringing the number of unemployed Filipinos down to 2.41 million and signaling an improvement in labor market conditions. However, underemployment climbed to 15.2%, its highest level since July 2023, as more workers sought additional jobs or longer working hours to cope with rising living costs and higher fuel prices. At the same time, total employment slipped to 48.89 million and labor force participation edged lower, suggesting that challenges related to job quality and income adequacy remain.

BSP raises policy rates amid inflation pressures. The BSP increased its key policy rates by another 25 basis points, bringing the benchmark rate to 4.75%, as persistent inflation risks continued to warrant tighter monetary policy. The decision reflected concerns over elevated global oil and fertilizer prices, which have added to inflationary pressures, while rising core inflation pointed to broader and more persistent price increases. As a result, the BSP raised its inflation forecasts for 2026 and 2027. BSP Governor Eli Remolona Jr. also indicated that additional rate hikes remain possible if global supply disruptions linked to the Middle East conflict continue to push inflation higher.

Dollar reserves decline further in May. The Philippines' gross international reserves (GIR) fell to \$103.98 billion in May 2026, marking their lowest level since January 2025. The decline was mainly attributed to foreign debt repayments, lower gold holdings, and the BSP’s interventions to stabilize the peso amid heightened market volatility caused by the Middle East conflict. A reduction in the BSP's offshore investments and weaker gold reserves, as higher interest rate expectations dampened demand for non-yielding assets, also weighed on reserves. Despite the decline, the country's reserve position remained strong, providing coverage for 6.9 months of imports and 3.6 times its short-term external debt.

FDI inflows ease in March. Foreign direct investment (FDI) net inflows into the Philippines eased to \$611 million in March from \$638 million in February, according to data from the BSP. Despite the monthly decline, FDI remained higher than the \$485 million recorded in March last year, supported by stronger net equity capital and reinvested earnings. Japan, the United States, and Singapore were the largest sources of equity investments, with manufacturing, financial and insurance, and real estate receiving the bulk of the inflows. However, first-quarter FDI net inflows totaled \$1.717 billion, lower than the \$2.068 billion recorded in the same period last year, reflecting the continued impact of global uncertainties on foreign investment.

May ends in dollar surplus. The Philippines posted a \$131-million balance of payments (BOP) surplus in May, ending seven consecutive months of deficits as external conditions improved, according to the BSP. The surplus was driven by continued inflows from overseas remittances, external borrowings, trade in services, and foreign investments, which helped offset the country's trade deficit and portfolio investment outflows. As a result, the cumulative BOP deficit narrowed to \$7.28 billion, although it remained higher than the level recorded a year earlier and was already close to the BSP's full-year projection.

Remittance growth slows in April. Cash remittances from overseas Filipino workers (OFWs) rose by 2% year-on-year to US\$2.718 billion in April 2026 but declined to their lowest monthly level in 11 months, signaling a moderation in remittance growth. Personal remittances, which include both cash and in-kind transfers, also recorded modest annual growth while following a similar monthly easing trend. While remittances remain a resilient source of foreign exchange, analysts noted that persistent inflation, softer global labor market conditions, and more cautious household spending among overseas workers are weighing on the pace of growth.

Peso strengthens in June. The Philippine peso closed at ₱61.36 per dollar on June 30, stronger than the previous month's ₱61.59. The local currency appreciated during much of the month, supported by easing geopolitical tensions, lower oil prices, softer domestic inflation, and steady foreign exchange inflows. However, some gains were later pared by renewed uncertainty over US-Iran peace talks, stronger safe-haven demand for the US dollar, and hawkish signals from the US Federal Reserve. Overall, the peso remained volatile but ended June stronger than the previous 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.