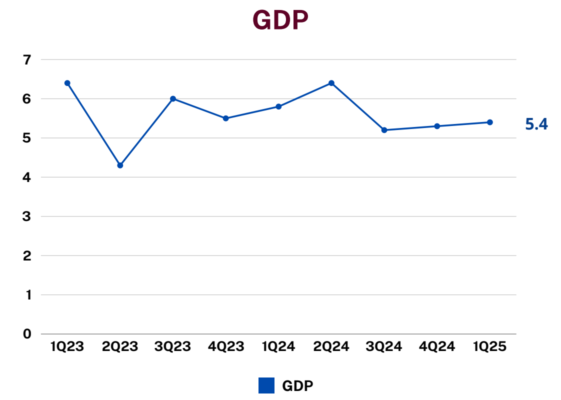
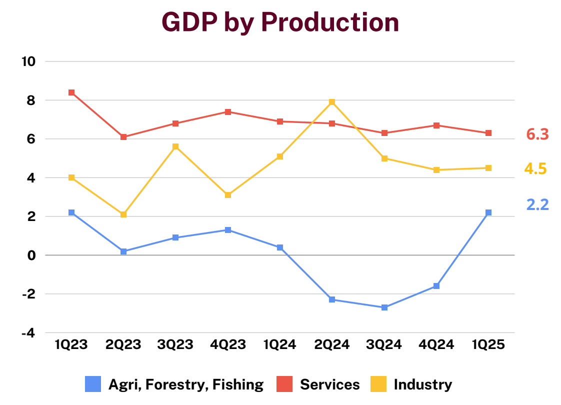
5.4%

Q1 - 2025 GROWTH RATE

5.3% Q4 2024 GDP (from 5.9% Q1 2024)

GROWTH IN %





PH ECONOMY GROWS BY 5.4 IN Q1 2025, FASTER THAN PREVIOUS QUARTER

Q1 - 2025

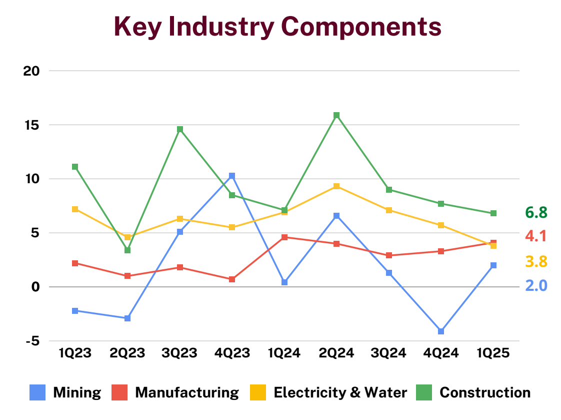
The Philippine economy grew by 5.4% in the 1st quarter of 2025, slightly above the 5.3% expansion in Q4 2024 but below the 5.9% growth in Q1 2024. This quarter's GDP growth of 5.4% fell short of the median estimate of local economists at 5.8%. This also falls short of the government's 6-8% full-year growth target range.

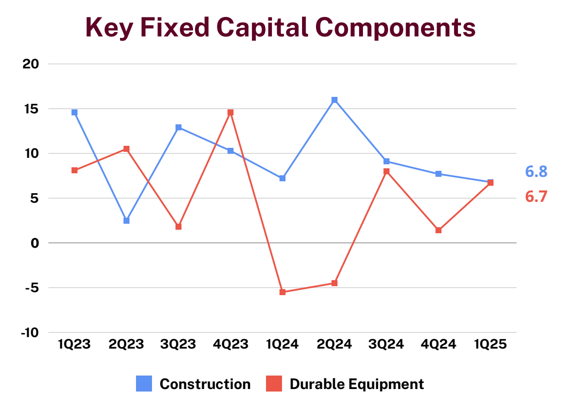
On the demand side, Government Spending expanded by 18.7%, a significant increase from 9.0% in the previous quarter. This growth was largely driven by frontloaded infrastructure projects, expanded social protection programs, and increased public sector spending in the lead-up to the elections. Household spending grew by 5.3%, up from 4.7% last quarter, supported by easing inflation that improved consumer purchasing power and sustained remittance inflows. Investment, measured in gross capital formation, rose by 4.0%, though this marks a slowdown from 5.5% in the previous quarter, suggesting some caution among businesses in capital expenditure amid global uncertainties including tariffs imposed by the US on Philippine exports, geopolitical tensions, and supply chain disruptions. Furthermore, exports of goods and services increased by 6.2%, while imports of goods and services grew by 9.9%.

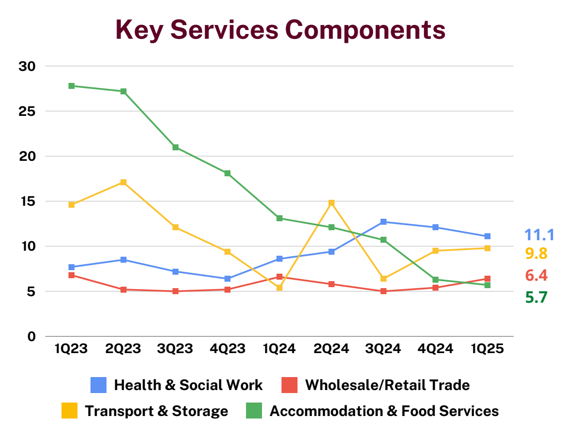
On the supply side, the Services sector expanded by 6.3% and continues to drive overall growth. This reflects strong consumer demand, increased business activity, and continued diversification in finance, healthcare, and information technology. Industry expanded by 4.5%, indicating good performance in manufacturing, construction, and utilities supporting economic activity. On the other hand, Agriculture posted 2.2% growth, largely attributed to favorable weather conditions that supported crop production.

According to Department of Economy, Planning and Development (DEPDev) Undersecretary Rosemarie G. Edillon: "A concise description of this first quarter economic performance is 'a measured start'...While this pace falls short of our initial expectations, it reflects developments from the broader global context of tempered economic activity amid persistent uncertainties." The Marcos administration previously had a goal for the Philippines to be classified as an upper middle income country by 2025. However, the forecast has been recently adjusted by the World Bank, noting that this may be possible by 2027. According to Gonzalo Varela, lead economist and program leader at the World Bank, "The more likely scenario is that it will take a couple of years. It won't be 2026. It's more likely that it may be 2027." Both the World Bank and the ADB have adjusted their respective economic outlooks due to the Trump administration's recent issuance of tariffs where the Philippines received 17%. However, DEPDev Secretary Arsenio Balisacan has previously stated that he sees "minimal" effects of the 17% tariff imposed by the United States on the Philippines; he noted that "the reason for that is that we had some of the trade diversion benefits because we had lower tariffs (than) our neighbors."

However, Usec. Edillon emphasized the need for the passage of economic reforms in the midst of an increasingly uncertain global economy: "We must hasten the passage of key economic reforms that will strengthen the governance of critical industries like water, electricity, and telecommunications; [and] open up the market to greater private sector participation..."







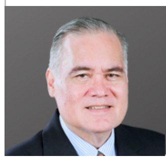
"Amid the global realignment of trade and investments, the government must accelerate its efforts to expand trade partnerships with key economies such as the European Union, United Arab Emirates, United States and other potential markets. Such engagements will allow us to diversify our export markets, secure broader market access, and ensure our businesses–particularly micro, small, and medium enterprises–become part of global value chains and ensure food availability and security."

ROSEMARIE G. EDILLON
Undersecretary, Department of Economy, Planning and Development

"The possibility of higher US import tariffs/more protectionist policies by the Trump administration would benefit US businesses/industries but could lead to a trade war between the US and China as well as other countries. This could also lead to higher inflation and a slow down in global trade as well as overall world economic/GDP growth. Other geopolitical risks could also contribute to higher inflation in many parts of the world."

MICHAEL RICAFORT
Chief Economist, RCBC

"We are concerned about the possible effects of the 17% tariff imposed by the government of the United States to the Philippines especially for skilled Filipino workers employed in export sectors. We believe that the government must prioritize reducing the cost of power and building a strong manufacturing base to attract investors. These factors have become all the more relevant in an increasingly uncertain global economy."



RAFAEL "APA" ONGPIN
Executive Director, Makati Business Club

"The bright spots? Filipino households continue spending thanks to super low inflation growth (just 2.0% YTD!) Business confidence is a bit shaky though, thanks to offshore uncertainties as well as our widening trade deficit. Yet, manufacturing hit a 4-month high in April with a PMI of 53.0, bouncing back nicely after dipping below the crucial 50-mark in March. We're even more optimistic about Q2, forecasting 5.9-6.1% growth as election spending kicks in. But let's keep an eye on global trade tensions – though we may not be directly affected by it, escalating tariff wars could throw cold water on everyone's outlook."

ROBERT DAN ROCES
Economist, SM Investments Corporation

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Monde Nissin

Read this report on MBC's website:
mbc.com.ph/2025/05/08/mbc-ph-gdp-economy-report-insights-ph-economy-grows-by-5-4-in-q1-2025-faster-than-previous-quarter

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