

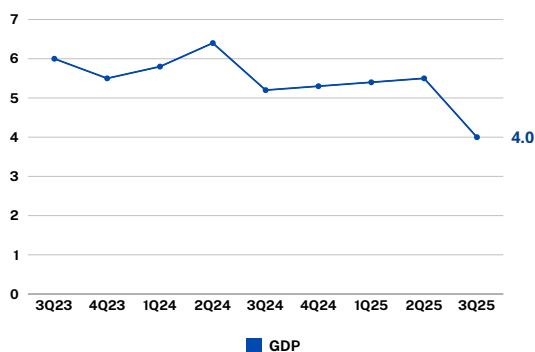
4.0%

Q3 - 2025 GROWTH RATE

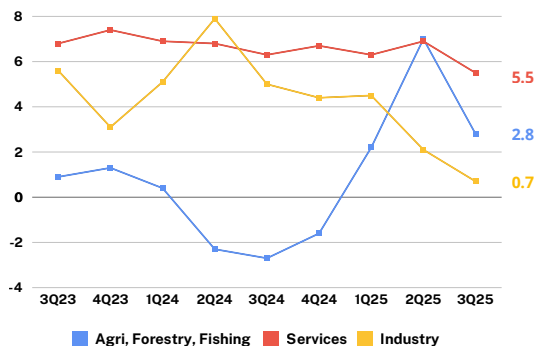
5.5% Q2 2025 GDP (from 5.2% Q3 2024)

GROWTH IN %

GDP



GDP by Production



PH ECONOMY SLOWS TO 4.0% IN Q3 2025 FROM 5.5% LAST QUARTER, LOWEST QUARTERLY GROWTH SINCE 2023

Q3 - 2025

The Philippine economy grew by 4.0% in the third quarter of 2025, lower than the 5.5% recorded in Q2 and below the 5.2% growth posted in the same period last year. This falls below the government's revised 5.5-6.5% full-year growth target and below the median forecast of economists at 5.3%. Moreover, this marks the slowest quarterly growth of the Philippine economy since 2023. DEPDev Secretary Arsenio Balisacan emphasized that this is a reminder to "strengthen foundations for rapid, sustained, and inclusive growth."

On the supply side, growth was mainly fueled by the Services sector, which expanded by 5.5% and contributed 3.6 percentage points to overall GDP growth. However, this is notably lower than the previous quarter's growth at 6.9%. Top performing industries included Human Health and Social Work Activities (+12.2%), Education (+6.8%), Public Administration and Defense (+6.6%), and Professional and Business Services (+6.2%). There was a sharp decline in Industry growth, falling to 0.7%, its weakest performance since Q1 2020 at -4.2%. According to Sec. Balisacan, this slowdown was driven by decline in public construction, as the DPWH implemented stricter validation measures for civil works and enforced tighter billing and disbursement requirements due to corruption issues in flood control. This delayed project execution and spending. Meanwhile, Agriculture, Forestry, and Fishing grew by 2.8%, a sharp decline from 7.0% in the previous quarter, a likely result of typhoons.

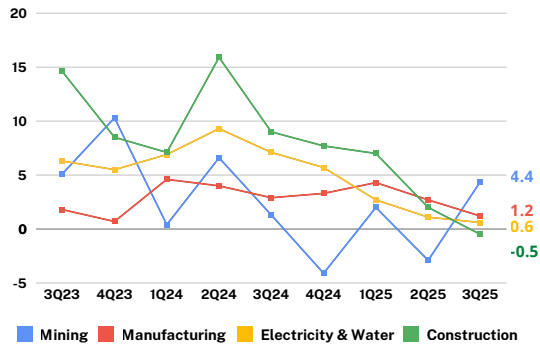
On the demand side, growth was led by Household Final Consumption Expenditure (HFCE), which rose 3.0%, reflecting slower spending across most categories. Secretary Balisacan noted that widespread cancellations of school, work, and travel activities during the quarter likely dampened consumer spending. Moreover, he also noted that consumer confidence was affected by public discussions around government infrastructure spending, prompting some households to delay durable goods purchases. The slower disbursement of Conditional Cash Transfers (CCTs) also contributed to these figures. Valuables (+40.4%), exports of goods (+11.6%), and imports of services (+6.4%) also posted notable increases. Government expenditure garnered 5.8% growth, significantly lower from 8.7% in Q2, consistent with the tighter policies on public works and procurement. Usec. Mapa of the Philippine Statistics Authority also noted that public construction growth was at -26.2%, its sharpest drop since Q3 of 2011 at -22.5%.

The International Monetary Fund (IMF) had previously flagged rising trade tensions, political uncertainty, and climate shocks as factors that may affect Philippine economic growth in the near future. During the ASEAN Summit in Malaysia, Thai news report outlets revealed that the US granted zero percent tariffs on select products from Thailand, Cambodia, and Malaysia which could put the country at a potential disadvantage. However, according to Special Assistant to the President for Investment and Economic Affairs Frederick Go, the Philippines opted against zero tariffs to "protect several industries in the Philippines" such as rice, corn, sugar, and poultry. The Philippines initially got a lower tariff at 17% but after rounds of negotiations with other ASEAN countries, the current tariff rates from the US range around 19-20% for the Philippines, Malaysia, Cambodia, Thailand, Vietnam, and Indonesia. However, Secretary Balisacan noted that exemptions on electronics and pursuing trade agreements outside of the US are being pursued by the government: "On the external front, electronics exports may continue to benefit from stable demand as well as the exemption from U.S. tariff increases. We are aggressively pursuing free trade agreements with the UAE, Chile, EU, and Canada; and fully implementing the Regional Comprehensive Economic Partnership."

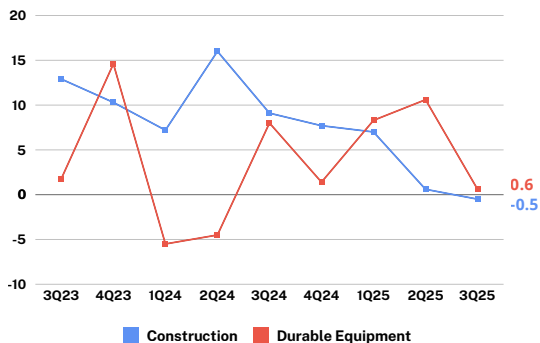
As for political uncertainty, the latest analysis from Fitch Ratings noted that the ongoing corruption investigations pertaining to "ghost" or nonexistent flood control projects can affect the economy: "Domestic political uncertainty could affect investment, with allies of President Ferdinand Marcos doing worse than we expected in the recent midterm elections and a recent corruption scandal." GlobalSource Partners' analysts Diwa C. Guinigundo and Wilhelmina C. Mañalac echoed these sentiments noting that the scandals can prevent the Philippines from reaching its 6% growth target: "These funds — siphoned through fraudulent contracts and padded budgets — could have built schools, improved hospitals, and created up to 266,000 jobs. The resulting drag on productivity meant economic growth of 5.5-5.7%, when the economy could have expanded closer to over 6%". To address these, Sec. Balisacan has noted that priority reforms in the common legislative agenda include amendments to the Bank Deposits Secrecy Law to support anti-corruption investigations, amendments to the Anti-Money Laundering Act to strengthen enforcement, and the proposed Master Plan for Infrastructure and National Development. He also mentioned the possibility of applying a rule to "disqualify relatives of public officials up to the fourth degree from participating in government contracts."

The Makati Business Club has been actively involved in initiatives promoting transparency and accountability to ensure integrity in the 2026 national budget.

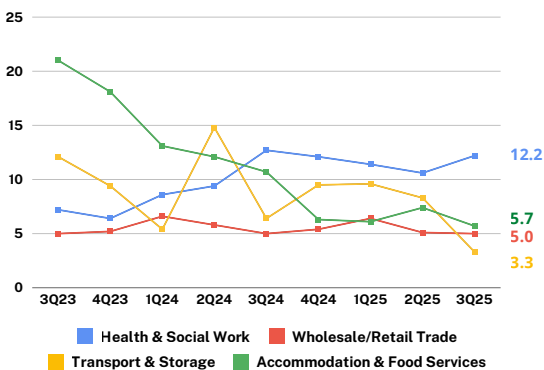
Key Industry Components



Key Fixed Capital Components



Key Services Components



“The fight against corruption must be a whole-of-society effort . . . while government must rightfully go after the crooked and reform its processes, the private sector must also play an active role in championing good governance. . . . Despite these challenges, we remain optimistic, the Philippines has strong macroeconomic fundamentals.”



ARSENIO BALISACAN
Secretary, Department of Economy,
Planning, and Development (DEPDev)

“The significantly lower third quarter GDP growth result of 4% illustrates how the corruption scandal has begun to affect our macroeconomic performance. This is an indirect effect: the corruption scandal did not directly slow economic growth, but instead, it slowed government spending, as many programmed infrastructure projects are on hold or even in limbo, as the DPWH and the ICI investigate them. Government spending is an important driver of economic growth. The Makati Business Club agrees with Secretary Balisacan that the private sector should continue to champion good governance. Our role as watchdogs is all the more vital and these results show how good governance is good economics. Public officials must be held accountable, in order for the country to encourage both domestic and foreign investment.”



APA ONGPIN
Executive Director,
Makati Business Club

“Philippine economic GDP estimates have been reduced in recent months largely due to Trump’s higher tariffs, trade wars, and other protectionist measures that could slow down global economic/GDP growth in terms of slower global trade (especially exports and their supply chains), investments (wait-and-see stance), employment/jobs (supply chains of exporters) that, in turn, could fundamentally indirectly slow down local economic/GDP growth, some disruptions in terms of political noises could also affect the economy given that it can reduce government spending on infrastructure amid anti-corruption measures after the anomalous flood control projects. However, in lieu of this, some of the government spending could be redirected to other social services that could benefit the poorest of the poor such as various assistance programs coursed through the DSWD, Dept. of Agriculture, Dept. of Health, etc.”



MICHAEL RICAFORT
Chief Economist,
RBCB

“The Philippine economy grew at its weakest pace in over four years and well below expectations, underscoring that the real drag isn’t liquidity but confidence — particularly around governance and policy credibility. While demand, credit, and inflation are broadly manageable, the slowdown in quarter-on-quarter momentum reveals a hesitancy among firms, investors, and government to commit capital amid persistent governance questions. This is less a story of tightening financial conditions and more one of sentiment and trust, which means that even with room for monetary support, growth will struggle to accelerate unless confidence is restored.”



ROBERT DAN ROCES
Economist,
SM Investments Corporation



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