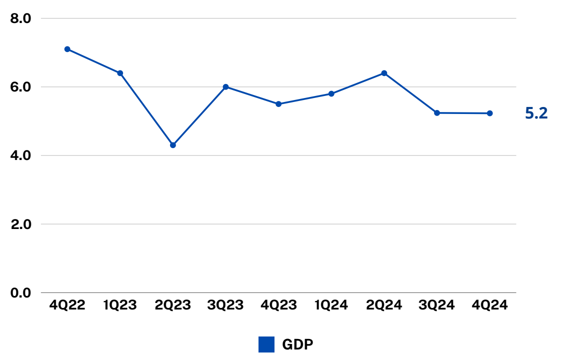
5.2%

Q4 - 2024 GROWTH RATE

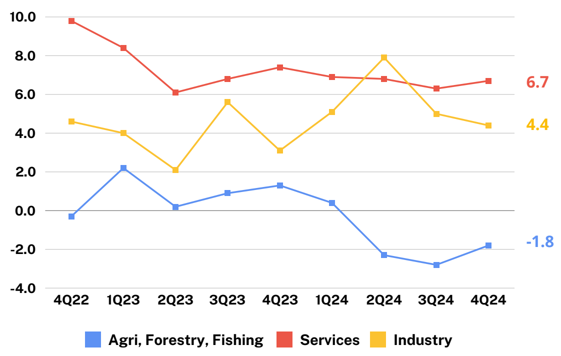
5.2% Q3 2024 GDP (from 5.5% Q4 2023)

GROWTH IN %

GDP



GDP by Production



PH ECONOMY GROWS BY 5.6% IN 2024; BELOW GOVERNMENT TARGET

Q4 - 2024

The Philippine economy grew by 5.2% in the 4th quarter, unchanged from the previous quarter, thus resulting in a 5.6% expansion for the year 2024. This year's GDP growth of 5.6% fell short of the median estimate of local economists, which was 5.8%. It also missed the government's target of 6% to 6.5% for 2024. The government has revised its 2025 GDP growth target to a range of 6.5% to 7.5%.

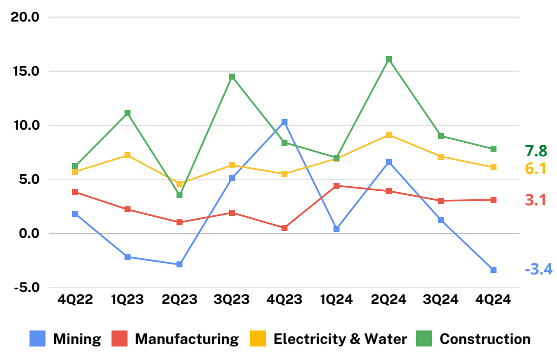
On the demand side, Government Spending expanded by 9.7%, accelerating from 5.0% in the previous quarter. The increase is driven by infrastructure projects, social programs, and higher public-sector expenditure in anticipation of the 2025 mid-term elections. Household Spending grew by 4.7% from 5.2%. Investment (gross capital formation) rose by 4.1%, a sharp slowdown from 13.7% in the third quarter. The significant drop suggests that businesses may be exercising caution in expanding capacity, potentially due to rising borrowing costs, global uncertainty, or weaker demand prospects. Exports of goods and services increased by 3.2%, while imports of goods and services declined by 3.2%.

On the supply side, the Services sector expanded by 6.7% and continues to drive overall growth. This resilience reflects strong activity in sectors such as retail, finance, and tourism, which benefit from the country's consumer-driven economy. Industry expanded by 4.4% which suggests moderate but stable expansion in manufacturing and construction, despite global supply chain challenges and input cost pressures. On the other hand, Agriculture contracted by 1.8%. The decline was primarily due to adverse weather conditions, particularly numerous typhoons and the prevalence of animal diseases. The Department of Agriculture reported that the farm sector alone suffered ₱57.78 billion in damages in 2024, a 136.4% increase from the previous year's ₱24.44 billion, posing a high risk to food security and inflation rates.

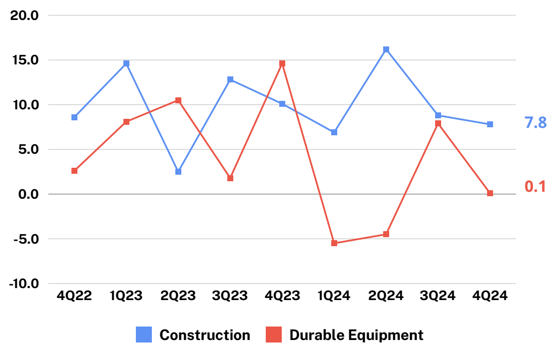
According to the latest Philippine Economic Update of the World Bank released in December 2024, economic growth for the year may be slightly weaker than expected due to several typhoons that hit the country affecting both agriculture and infrastructure. NEDA Usec. Rosemarie Edillon echoed this during the press conference of the Philippine Statistics Authority (PSA) noting that the agriculture sector was one of the hardest hit for 2024: "The agriculture sector in particular faced several setbacks particularly between late October until mid-November, when six typhoons struck the country in succession. These extreme weather conditions led to a 1.8% year-on-year contraction in the agriculture, forestry and fishery sector in the fourth quarter of 2024. The AFF sector contributes around 8% of GDP and provides livelihood to about one-fourth of the workforce."

However, World Bank Senior Economist, Jaffar Al-Rikabi noted that advancing the digital economy can help improve economic growth: "Increased digitalization could provide expanded market access, build resilience to economic shocks, and increase the country's productivity, efficiency, and competitiveness." The report also added that human capital development initiatives would be key to helping the Philippines take advantage of its young population. Congress also passed key reforms in 2024 that can help both human capital development and in attracting investment. One of these reforms is the Enterprise-Based Education and Training (EBET) Framework Act, which aims to address the persistent issue of job-skills mismatch. The law creates a framework on career advancement and industry-relevant skills. Another would be the CREATE More reform which clarifies existing provisions and improves existing incentives. The World Economic Outlook of the International Monetary Fund has forecasted that 2025 economic growth for the Philippines will be at 6.1%.

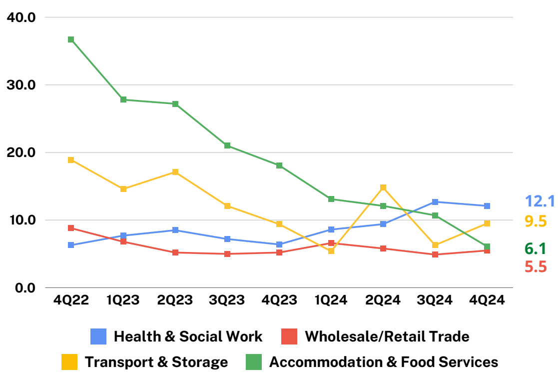
Key Industry Components



Key Fixed Capital Components



Key Services Components



"To boost economic competitiveness, we will enhance operational efficiency and streamline business processes. The Anti-Red Tape Authority (ARTA) will expand partnerships to accelerate Electronic Virtual One-Stop Shop EVOSS. Meanwhile key legislations including the Foreign Investors Long Term Lease Act, the Amendments to the Right of Way Act, the Konektadong Pinoy bill, and the E-Governance Act will be crucial in attracting investments."

ROSEMARIE G. EDILLON
Undersecretary, Policy and Planning Group
National Economic and Development Authority

"Increased infrastructure spending would also contribute to economic growth in view of election-related spending in preparation for the May 2025 elections. Thus, the latest slowdown in GDP growth data could still justify further local rate cuts for the coming months/quarters, especially if inflation stays within the BSP's target range of 2%-4%."

RCBC

MICHAEL RICAFORT
Chief Economist,
RCBC

"We remain optimistic that economic growth for 2025 will substantially improve. The passage of key reforms, as well as increased initiatives to join free trade agreements would contribute to this. MBC would also like to echo Usec. Edillon's statement that key reforms like the Amendments to the Right of Way Act and E-governance act are important pending legislation that should be passed within the year. "

MBC

RAFAEL "APA" ONGPIN
Executive Director,
Makati Business Club

"Growth figures still indicate a resilient economy, driven by strong domestic demand, recovery in key sectors, and government stimulus measures. However, the slight deceleration suggests some moderation in growth momentum, due to external headwinds and a weak peso. If inflation is under control and growth is expected to stabilize, authorities will prioritize supporting growth further."

SM INVESTMENTS

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Co-presented by MBC's Economy Partner:
Monde Nissin

Read this report on MBC's website:
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