SGV Government and Infrastructure (G&I) Bulletin
No. 04 Series of 2026

Philippine Macroeconomic Update

First Quarter 2026 Economic Performance

7 May 2026

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The better the world works.**

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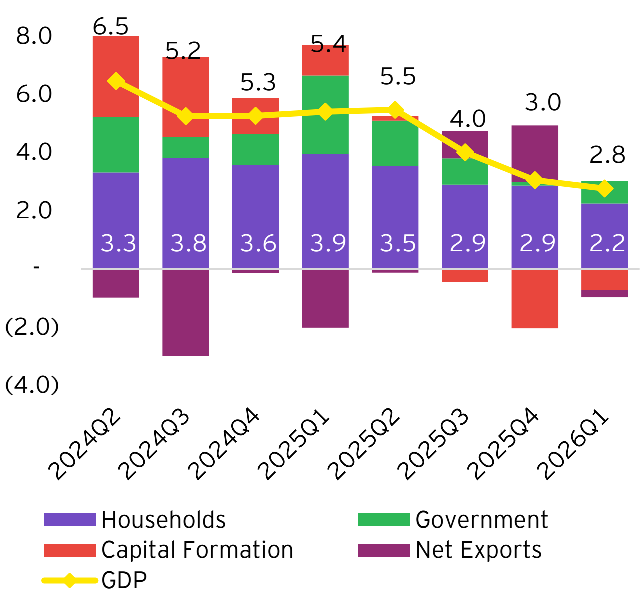
Image from Alexes Gerard

The economy **grew by 2.8%** in the first quarter of 2026, lower than expected, largely from the twin economic fallouts from the fiscal governance issues that spilled over into the year and the Middle East conflict that broke out early this year. The energy price shock dented consumption, which was amplified by demand suppression that came along with energy supply management measures. Inflation breached the central bank's tolerance ceiling of 4% and monetary authorities hiked the central bank's policy rate—in what is widely believed as the first in a series of rate hikes—to anchor inflation expectations and contain second-round inflationary effects of the energy price shock.

Economic Growth

GDP Growth (%) and Expenditure Contribution to Growth (percentage points)



Source: PSA

> “While uncertainties remain, we are guided by the sound fundamentals, clear policy direction, vision and push for structural reforms, and our shared commitment to improving the lives of every Filipino. By continuing to strengthen our institutions, pursue meaningful reforms, expand opportunities for investment and innovation, we face the months ahead with cautious optimism, renewed confidence, and determination.
>
> **Arsenio M. Balisacan, Ph.D.**
> *Department of Economy, Planning, and Development (DEPDev) Secretary*
> Press Conference on the 2026 1st Quarter Performance of the Philippine Economy, 7 May 2026

Expenditure Side of the Economy

Consumption growth moderated to 3.0%, year-on-year, in the first quarter of 2026 on higher inflation, demand suppression brought about by energy conservation efforts, and base effects from election-related spending in the same quarter of last year. Government's social protection programs, however, helped ameliorate the effects of higher fuel prices on the vulnerable sectors of society.

Government consumption similarly posted slower growth, at 4.8%, on energy conservation mandates, base effects from last year's election-related spending, and the delayed implementation of the FY2026 General Appropriations Act (GAA).

Investment continued its decline as the economy still bore the effects of the fallout from the fiscal governance issues. Capital formation declined by 3.3%, largely due to government construction expenditure further falling by 31.5%. Private sector construction, however, tempered this decline, posting growth of 5.3%. Amid the energy supply disruption, the economy consumed inventories, leading to lesser capital formation.

The contribution of net exports turned negative as import growth picked up the pace from 3.2% in Q4 2025 to 6.1% in Q1 2026. Exports were driven by electronics which saw double-digit growth of 28.1%. Agriculture exports managed to grow by 6.2%, driven by bananas (17.3%) and pineapples (65.8%), among others. Growth of exports of services slowed down to 3.0%, dragged down by the 0.1% contraction in travel.

Economic Growth (cont.)

Production Side of the Economy

The supply side of the economy saw declines in agriculture and industry and growth moderation in services. Crop output declined, largely on account of rice (-6.3%) as well as fishing and aquaculture (-5.0%) but was tempered by the expansion in the output of livestock (5.0%), poultry (7.0%), and other animal production (6.2%).

Industry output declined by 0.1%, dragged down by construction (-2.8%). Mining and quarrying posted modest growth of 3.8%, driven by nickel mining which expanded by 58.1%. Output of utilities and manufacturing, meanwhile, remained relatively flat, with growth at 0.5% and 0.7%, respectively. Output of electronics manufacturing, however, rebounded by 11.0%, overturning the 2.8% contraction in the same quarter last year.

The services sector posted modest growth of 4.5%. Trade growth slowed down to 4.4%, along with the moderation in consumption growth. The energy price shock came at a time when the growth rates of tourism-related activities, namely transportation and food & accommodation, were normalizing from their above-average post-pandemic recovery rates. Transportation & storage output growth slowed down to 4.2% as land transportation posted growth of 3.5%, easing from the 7.9% expansion in the same quarter last year.

Seasonally-adjusted quarter-on-quarter growth and Purchasing Managers' Index

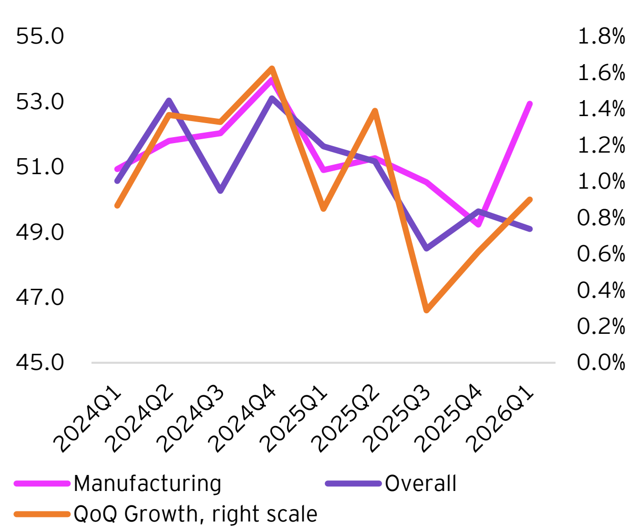
On a seasonally-adjusted basis, the economy expanded further by 0.9% from the prior quarter. The quarter-on-quarter economic expansion is reflected by the direction of the purchasing managers' index (PMI).

Growth by Industrial Source (%), year-on-year

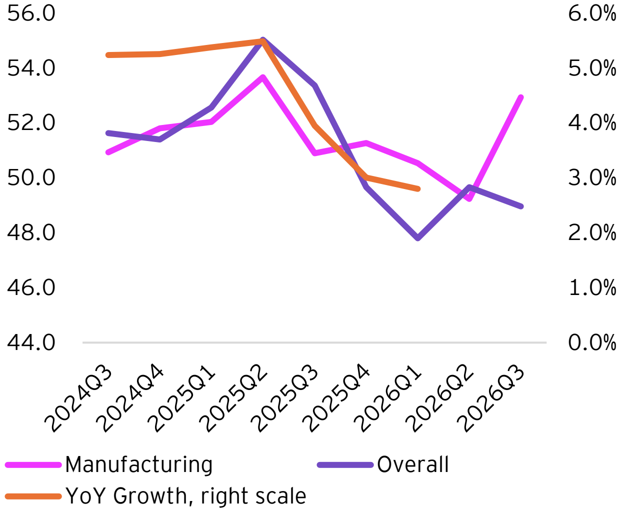
Production Sector	25Q1	25Q4	26Q1
Agriculture	***2.2***	***1.0***	***(0.2)***
Industry	***4.6***	***(0.3)***	***(0.1)***
Mining & Quarrying	2.1	5.1	3.8
Manufacturing	4.3	1.8	0.5
Utilities	2.7	0.8	0.7
Construction	7.1	(6.0)	(2.8)
Services	***6.2***	***4.9***	***4.5***
Trade	6.4	4.7	4.6
Transportation & Storage	9.4	4.8	4.4
Food & Accommodation	6.0	5.8	4.0
Information & Communication	5.0	3.7	4.4
Finance	6.9	5.6	3.4
Real Estate	3.7	4.3	3.3
Professional & Business Services	5.3	2.6	2.8
Public Administration	2.7	4.1	8.6
Education	6.6	5.3	6.1
Health & Social Work	11.4	11.4	7.4
Other Services	6.9	7.6	3.9

Source: PSA

PMI* and quarter-on-quarter GDP Growth



PMI (two qtrs. advanced)* and year-on-year GDP Growth

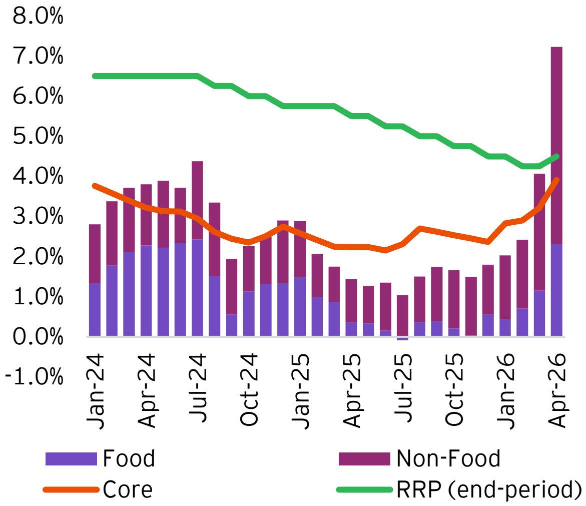


Note: * - quarterly averages. Manufacturing pertains to S&P Global's manufacturing PMI. Overall pertains to the overall PMI calculated by the Philippine Institute for Supply Management (PISM).

Sources: BSP, S&P Global, PSA

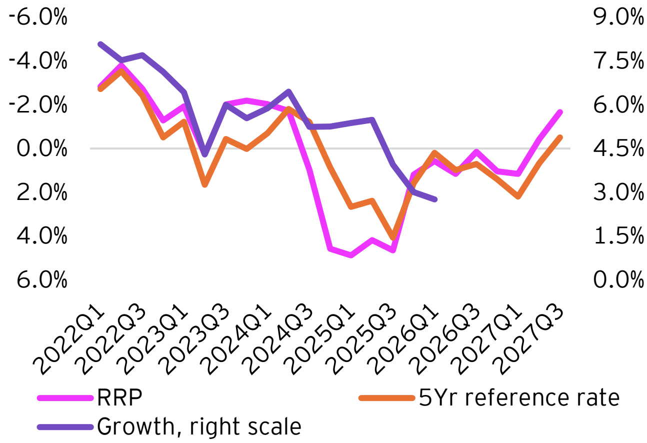
Inflation and Monetary Policy

Core inflation, components of headline inflation (in percentage points), and RRP



Sources: BSP, PSA

Year-on-year change in real interest rates (6 qtrs. advanced) and GDP growth



*Note: * - Real interest rate is nominal interest rate net of deflator-based inflation. A negative year-on-year change indicates easing of monetary policy, in real terms, over the prior period; otherwise, relative tightening.*
Sources: BSP, PDS, PSA

Inflation

Headline Inflation

First-round effects of the economic fallout from the Middle East conflict continued to manifest in the headline inflation numbers, amplified by low base effects. After ticking higher to 4.1% in March, the general price level increased to a three-year high of 7.2% in April and was above expectations. The April figure already shows the effect of the price increase in liquefied petroleum gas (LPG). LPG prices in Metro Manila in April increased by 34-45% over the same month last year. The sub-index operation of personal transport equipment rose further by 65.8%, contributing 1.7 percentage points to the headline number. Diesel pump prices in Metro Manila peaked at over PHP150/liter (L) in the second week of April, rising from PHP60.79/L at the onset of the conflict, before settling at PHP86.9/L for the week covering 28 April-04 May.

Food price inflation rose to 6% in April, partly on low base effects. Rice price inflation rose further to 13.7%, reversing the price decline of 10.9% in the same month last year. The retail price of regular milled rice averaged PHP51.46/Kg in April this year, compared to PHP47.71/Kg in March and PHP44.45/Kg in April last year. The double-digit rice price inflation contributed 1 percentage point to the headline figure for the month.

Core Inflation

Core inflation, which excludes volatile items (such as food and energy) to provide an indicator of the persistent component of inflation, rose further to 3.9% in April, up from 3.2% in March. Further upticks in core inflation may be indicative of indirect or second-round effects of the fallout from the Middle East conflict on inflation.

Monetary Policy

Monetary Policy Action

The Monetary Board of the *Bangko Sentral ng Pilipinas* (BSP) decided to take preemptive action in its 23 April meeting and hiked the BSP's target policy rate, the reverse repurchase rate (RRP), by 25 basis points to 4.50%. The BSP also revised upward its inflation projections to 6.3% and 4.3% for this year and the next, respectively.

Even with the rate hike, the acceleration in inflation means that real interest rates, or nominal interest rates adjusted for inflation, have declined. With the lags in monetary policy, however, the potential effect on growth of this decline in real interest rates will be felt a few quarters thereafter.

> “[T]he Monetary Board deemed it necessary to take timely and preemptive policy action to safeguard price stability. The policy rate increase is intended to anchor inflation expectations and contain the buildup of second-round effects. A measured increase in policy rate will still accommodate economic recovery over the medium term.
>
> ***Bangko Sentral ng Pilipinas***
> Statement following the Monetary Board's policy meeting on 23 April 2026

Employment Situation

As of March 2026

51.65M Labor Force

63.3% of the population aged 15 years and above who are either employed or unemployed

49.07M employed

95.0% Employment Rate

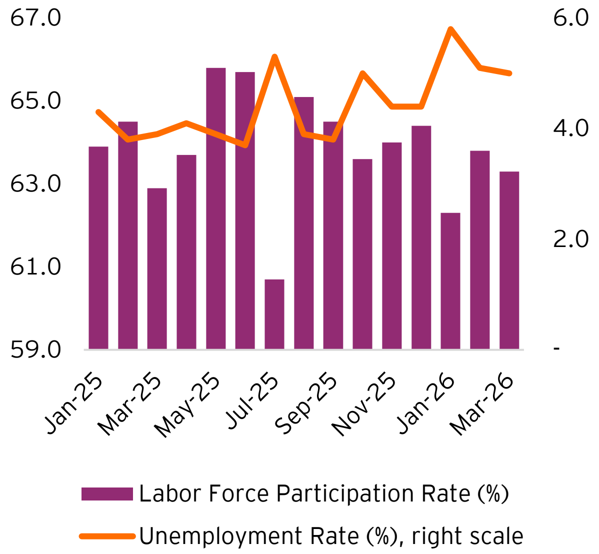
6.03M underemployed

12.3% of employed

2.58M unemployed

5.0% Unemployment Rate

Selected Employment Indicators



Source: PSA

Fiscal Sector

Fiscal Performance of the National Government, January to March

Item	Level* (billion pesos)		% Change
	2025	2026	
Revenues	***998.2***	***1,135.3***	***13.7***
Tax	931.5	969.2	4.0
Non-Tax	66.7	166.1	149.3
Expenditures	***1,444.2***	***1,490.8***	***3.2***
Interest	241.0	273.1	13.3
Non-interest Expenditures	1,203.2	1,217.6	1.2
Primary Balance	***(205.0)***	***(82.4)***	***(59.8)***
Overall Balance	***(446.0)***	***(355.5)***	***(20.3)***

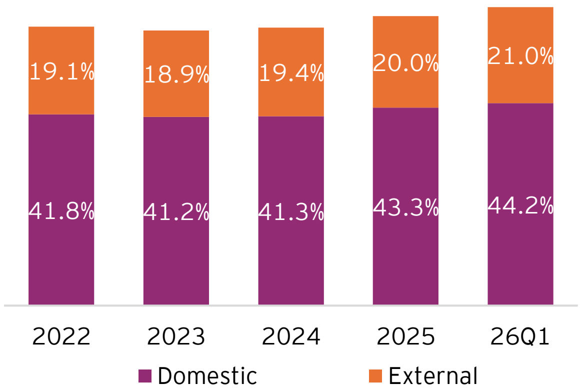
*Note: * - Details may not add up to total due to rounding off*
Source: BTr

5.1% 2026Q1 deficit, in % to GDP

PhP18.49 trillion

Outstanding National Government Debt 2026Q1 | 4.4% higher vs. end-2025

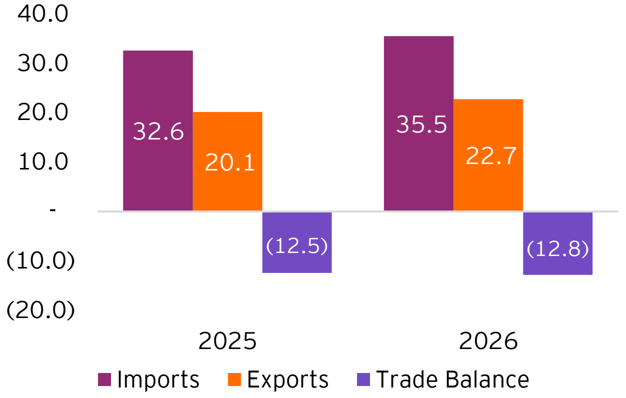
Debt-GDP Ratio by Composition



Sources: BTr, PSA

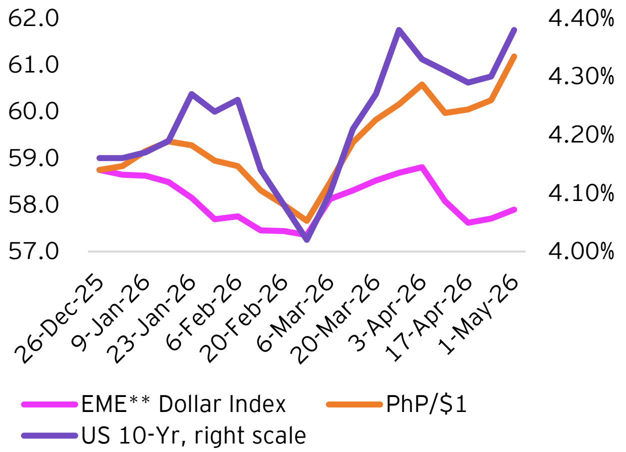
External Sector and Global Commodity Markets

Philippine International Merchandise Trade Performance ($Bn), Q1



Source: PSA

Weekly US Interest and Exchange Rates*



*Note: * - An increase in the value of the exchange rate indicates appreciation of the dollar; otherwise, depreciation*
*** - EME - Emerging Market Economies, rebased at 26Dec25 = 58.7*
Sources: BSP, St. Louis Fed

$33.5 billion BPO export revenues
2025 | 4.8% higher than in 2024

$6.5 billion OFW remittances
Jan-Feb of 2026 | 3.1% higher vs. same period in 2025

$106.6 billion
Gross International Reserves
End-Mar26 | Equivalent to 7.0 months' worth of imports

$7.8 billion
Foreign Direct Investment
2025 | 17.1% lower than in 2024

$5.3 billion Balance of Payments Deficit
2026Q1 | vs. 2025Q1 deficit of $3.0 billion

PHP61.485/$1 Exchange Rate
Apr26 close | vs. Dec25 close of PHP58.79/$1

"...[T]he BSP stresses that it operates in the foreign exchange market to smooth excess volatility and maintain orderly conditions. This is consistent with a flexible exchange rate policy, with intervention limited to tempering large swings that could affect inflation rather than defending any specific level.

Bangko Sentral ng Pilipinas
Statement on the peso
18 March 2026

Global Commodity Prices

Commodity	2025	2026Q1	Feb-26	Mar-26	Apr-26
Brent Crude, $/barrel	69.0	80.5	71.1	103.7	120.4
Dubai Crude, $/barrel	68.3	74.7	68.4	91.9	92.7
WTI* Crude, $/barrel	64.9	72.0	64.6	91.2	98.6
Natural Gas Index (2010=100)	107.8	130.3	105.1	132.2	114.8
Australian Coal, $/MT	108.4	122.3	118.4	138.6	130.9
Saudi Aramco LPG Contract Price, $/MT	565.0	538.3	545.0	545.0	750.0
Food Index (2010=100)	109.2	113.7	113.5	116.7	118.5
Thai Rice, 5%, $/MT	407.8	399.3	409.0	381.0	403.0
Urea, $/MT	422.7	537.7	472.0	725.6	856.9

*Note: * - West Texas Intermediate*
Sources: World Bank, 3MCO

Growth Targets and Fiscal Program

DBCC Growth Targets* (%)	
2026	5.0 - 6.0
2027	5.5 - 6.5
2028-30	6.0 - 7.0

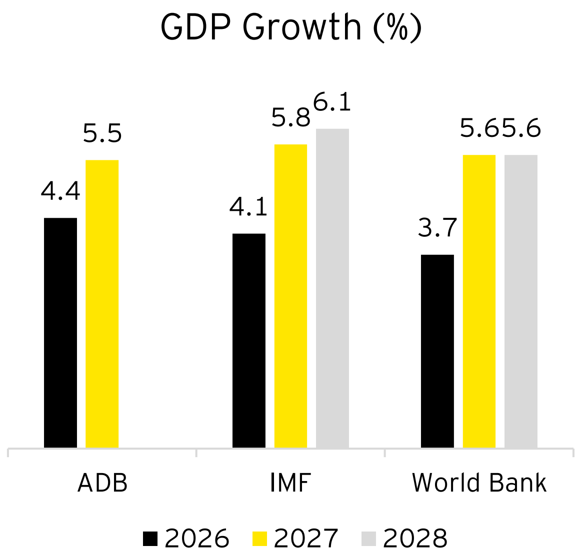
Fiscal Program* (in billion pesos)

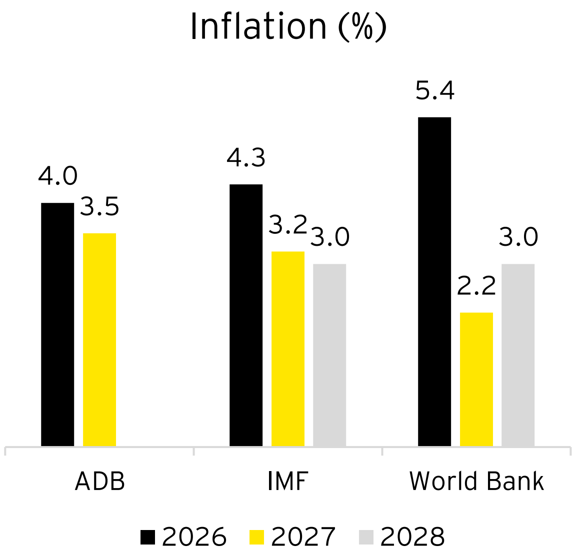
Particulars	2025	2026P	2027P	2028P
Revenue	4,453.4	4,823.7	5,122.1	5,568.3
Disbursements	6,030.3	6,434.8	6,711.5	7,108.9
Deficit	(1,576.8)	(1,611.1)	(1,589.4)	(1,540.6)
Deficit (in % of GDP)	(5.6)	(5.3)	(4.8)	(4.3)
Infrastructure Program (in % of GDP)	4.5	4.3	4.2	4.2
National Government Debt (in % of GDP)	63.2	61.8	61.3	60.3

*Notes: * - Based on the 192nd meeting of the Development Budget Coordination Committee (DBCC); P - Program*
Sources: DOF, DEPDev, PSA

Outlook

Philippine GDP Growth and Inflation Outlook by Financial Institutions (as of April 2026)





Notes:
ADB – Assumes that the conflict lasts for one month, with disruptions easing gradually. Brent crude price to average $72/barrel in 2026 and $63/bbl in 2027.
IMF – Assumes that the duration of the conflict is limited, with disruptions fading by mid-2026. Average crude oil price across Brent, Dubai, WTI is projected at $82.2/bbl in 2026 and $ 73/bbl in 2027.
World Bank – Assumes severe 3-month disruption to shipping through the Strait of Hormuz, before gradually dissipating. Brent crude oil price is assumed at $84-96/bbl for 2026.

Sources: ADB, IMF, World Bank

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