



DLSU-AKI POLICY BRIEF
2025-06-055, JUNE 2025

DLSU REPORT OF THE PHILIPPINE ECONOMY

Authors: Jesus Felipe, Mariel Monica Sauler, Gerome Vedeja, Clarence Gabriel Fernandez (*)

Table 1 provides year-on-year growth forecasts from Q1 2025 to Q4 2025, Y2025 and Y2026. We hardly modify our May forecast because most of the indicators used by our model do not show a clear improvement. The Philippine economy is predicted to expand by 5.31% in 2025, below the government's current target of 6-8%. Although we forecast a slower growth rate for Q2 2025 (4.94%), the economic expansion is anticipated to pick up in the second half of 2025. We also expect a higher growth rate in 2026, at 5.56%, still below the government's forecast.

**TABLE 1: YEAR-ON-YEAR PERCENTAGE CHANGE FORECAST
Q1 2025 TO Q4 2025, Y2025-Y2026**

	2024 ^a	2025Q1 ^a	2025Q2	2025Q3	2025Q4	2025	2026
<i>GDP</i>	5.65	5.35	4.94	5.01	5.94	5.31	5.56
<i>Private Consumption</i>	4.88	5.23	5.33	4.95	3.76	4.81	5.08
<i>Government Expenditure</i>	7.04	17.31	15.45	12.99	11.96	14.36	12.82
<i>Gross Capital Formation</i>	7.28	4.60	3.64	2.44	4.39	3.76	5.18
<i>Exports</i>	3.84	5.68	3.48	0.64	-0.64	2.27	0.72
<i>Imports</i>	3.67	9.50	5.56	2.13	1.50	4.67	4.12
<i>Agriculture</i>	-1.89	1.55	2.00	2.61	3.04	2.30	3.36
<i>Industry</i>	5.51	4.32	3.47	3.77	5.19	4.19	5.47
<i>Service</i>	6.75	6.33	6.00	5.88	6.63	6.21	5.87

Source: Authors' calculations based on the DLSU High-Frequency Model of the Philippine Economy

Note: a – Actual values, for reference

The Philippine High Frequency Model of De La Salle University (DLSU) generates monthly and quarterly forecasts of the Quarterly National Accounts, reported by the Philippine Statistics Authority. The model uses Quarterly National Accounts and over 50 monthly indicators. The process involves pooling the indicators into factors used for predicting both the National Accounts and the indicators themselves. The predicted values of the National Accounts undergo disaggregation and benchmarking to obtain the forecasts. This report presents the actual and forecast year-on-year (y-o-y) and quarter-on-quarter (q-o-q) percentage changes of the National Accounts, and y-o-y growth rates of the indicators, based on the latest available information.

(*) Jesus Felipe is Distinguished Professor in the Department of Economics, De La Salle University
Mariel Monica Sauler is Associate Professor in the Department of Economics, De La Salle University
Gerome Vedeja is Lecturer in the Department of Economics, De La Salle University
Clarence Gabriel Fernandez is Research Assistant in the Angelo King Institute, De La Salle University

Scan QR
code to
access
previous
reports





DLSU REPORT OF THE PHILIPPINE ECONOMY

Despite easing inflation and a reported increase in consumer loans by 24% due to a surge in credit card use (Bangko Sentral ng Pilipinas, 2025), private consumption is forecasted to weaken in 2025, with a growth rate of 4.81%. A steady decline in domestic consumer demand is also projected until the end of 2025. Both unemployment (4.1%) and underemployment (14.6%) have increased based on the recent data released by the Philippine Statistics Authority (PSA) in April 2025. Private consumption is expected to uptick in 2026 by 5.08%.

Moreover, we forecast the growth rate of gross capital formation to decline from 7.28% in 2024 to 3.76% in 2025. According to a recent BSP report, overall lending grew by only 11.2% in April 2025, slower than the February 2025 figure, 12.2%. Bank lending to manufacturers rose by a meager 0.6% in April versus 2.0% in March. The growth in loans for production-related activities also experienced a slight reduction, from 10.8% in March to 10.3% in April. Given these figures, we believe that the sluggish growth in private investment signals a waning private sector confidence due to a lethargic domestic consumer demand and pale external demand.

The trade deficit is also foreseen to widen towards the end of 2025. The latest reports from the central bank indicate that the current account deficit doubled in the first quarter of the year (US\$4.2 bn., equivalent to 3.7% of GDP). This was the result of the widening merchandise trade gap and the contraction of net receipts in trade in services. Export growth is predicted to exhibit a downward trend in all quarters before eventually settling at 2.27% in 2025, lower than in 2024 (3.84%). Imports are estimated to grow by 4.67% this year. We believe that the weakness in the external sector has been exacerbated by the brewing global trade tensions, and its effects will continue to be felt with a significant increase in the trade deficit in 2026.

Conversely, fiscal expansion will remain a significant driver of Philippine economic growth in 2025. The growth of government spending is anticipated to double in 2025 (14.36%), mainly due to the significant growth in the first two quarters of the year, 17.31% and 15.45%, respectively. Government spending will have to continue at this rate to try to attain the government's growth objectives, unless there is a marked improvement in private sector expenditure.

On the supply side, agriculture is forecasted to post positive growth, rebounding to 2.30% in 2025, from -1.89% in 2024. Industry's growth is projected to decelerate to 4.19%, an expected outcome of the slump in private investments and manufacturing. Services growth will remain resilient, expanding at 6.21% in 2025. However, both sectors will grow more slowly than in 2024 as a result of higher unemployment and underemployment.

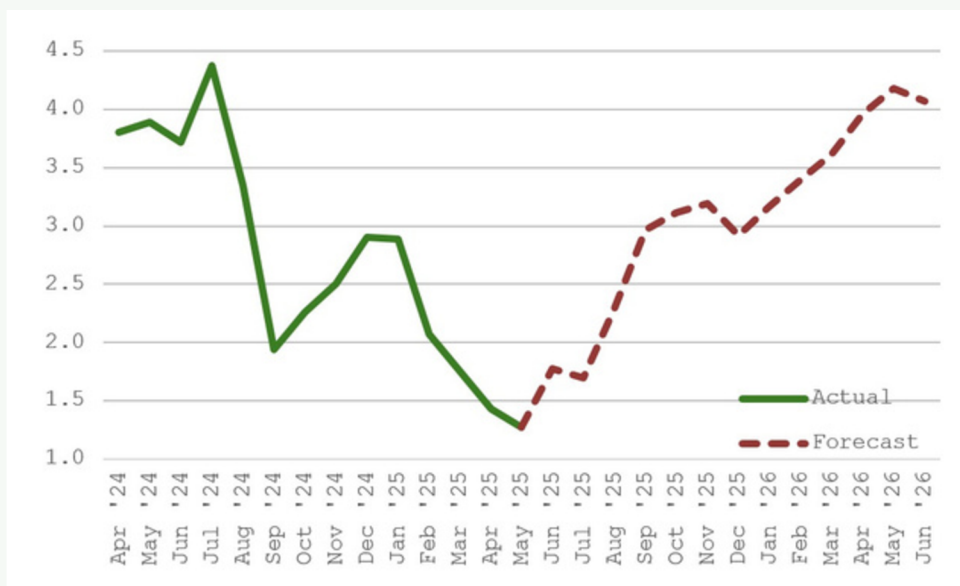
INFLATION

The headline inflation rate for May 2025 is at its five-year low, 1.3%, even lower than the previous month's 1.4%, and 1.8% back in March. We forecast inflation to increase in the second half of the year, with an average inflation rate of 2.8% in 2025 (Figure 1).



DLSU REPORT OF THE PHILIPPINE ECONOMY

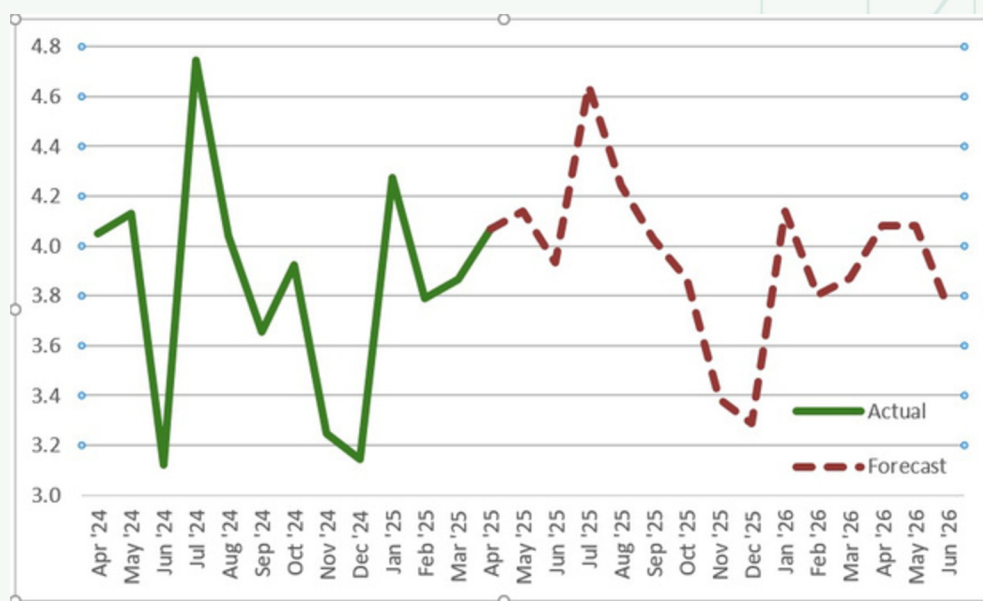
FIGURE 1. INFLATION RATE (CPI, 2018 = 100), %



EMPLOYMENT

In April 2025, the country's unemployment rate rose to 4.1%, an increase from 3.9% in March and 3.8% in February. We forecast a 3.96% average unemployment rate for 2025 (Figure 2).

FIGURE 2. UNEMPLOYMENT RATE (%)





DLSU REPORT OF THE PHILIPPINE ECONOMY

Also in April, employment in industry decreased by 3.7% compared to April 2024 (Figures 3 and 6). Employment in agriculture, forestry and fisheries (AFF) (Figures 4 and 6) and services (Figures 5 and 6) increased in April 2025 by 2.3% and 1.4%, respectively, compared to April 2024. We forecast that the average employment in AFF for 2025 will be -0.4% lower than in 2024, while the average employment in industry and services will increase by 0.6% and 1.8% respectively (Figure 7).

FIGURE 3. TOTAL EMPLOYMENT – INDUSTRY (IN MILLIONS)

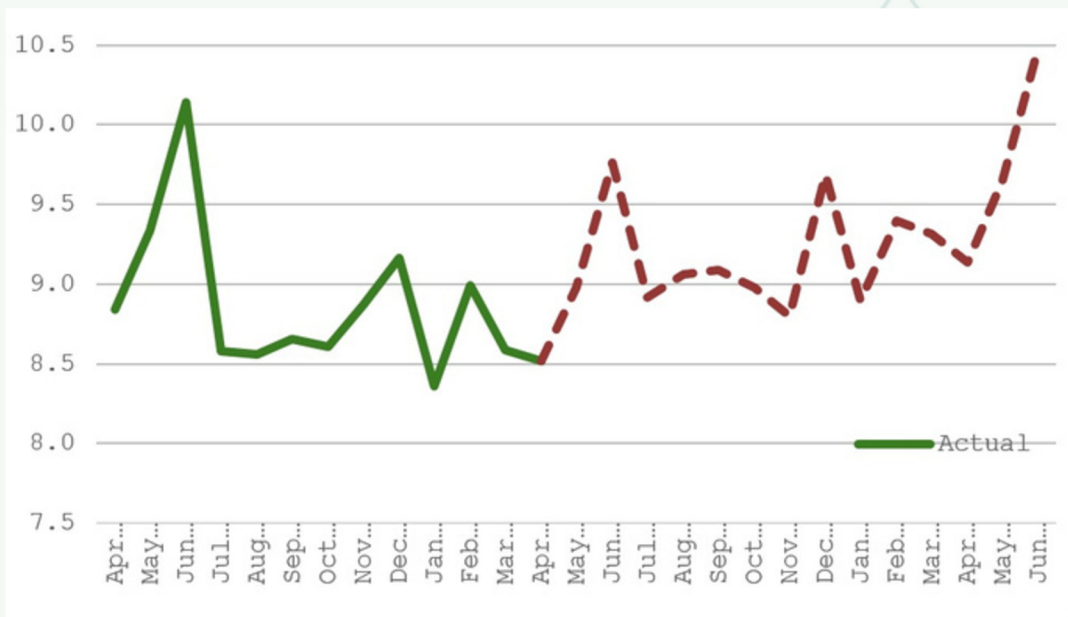


FIGURE 4. TOTAL EMPLOYMENT – AFF (IN MILLIONS)





DLSU REPORT OF THE PHILIPPINE ECONOMY

FIGURE 5. TOTAL EMPLOYMENT - SERVICE (IN MILLIONS)

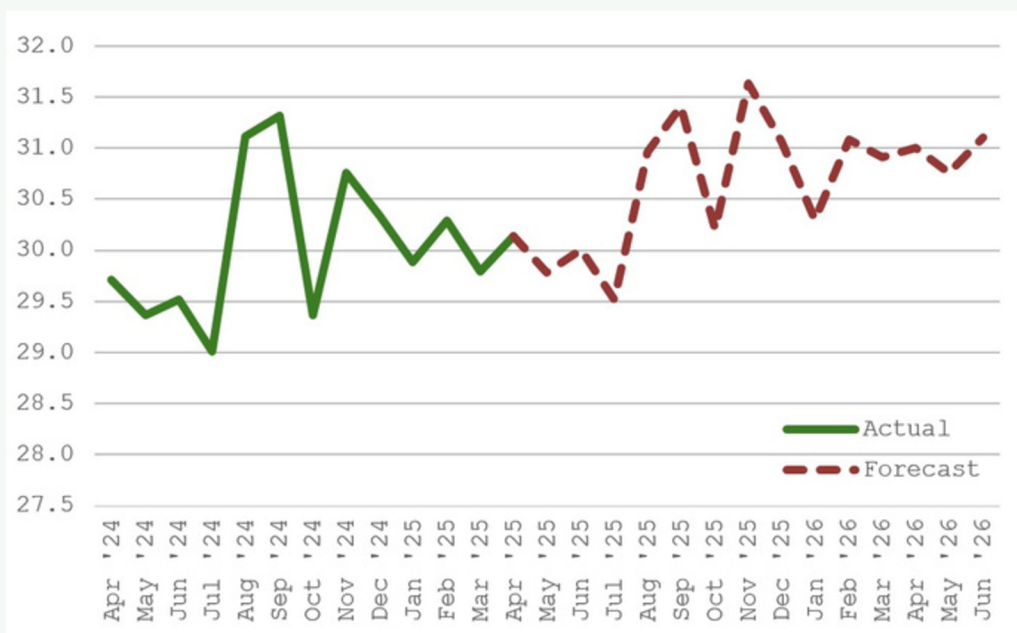


FIGURE 6. % CHANGE IN EMPLOYMENT – APRIL (2024 VS. 2025)

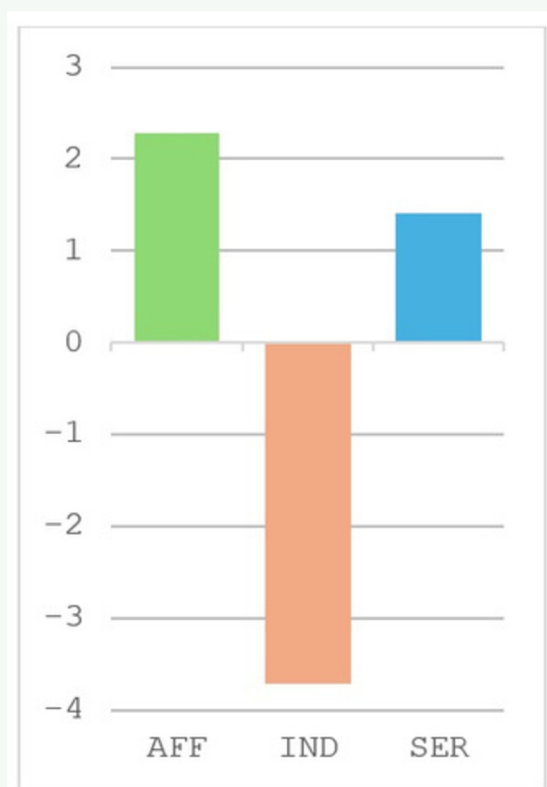
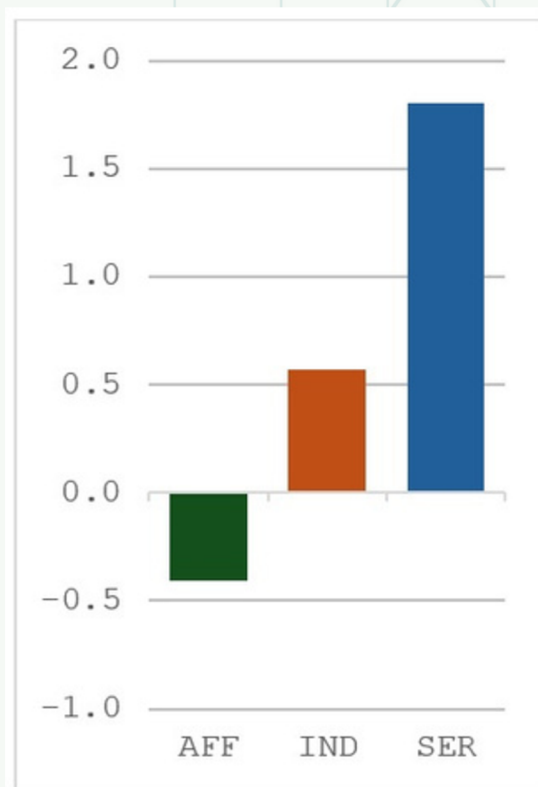


FIGURE 7. % CHANGE IN AVERAGE EMPLOYMENT – ANNUAL (2024 VS. 2025*)



*Note: May – December 2025 values are forecasts

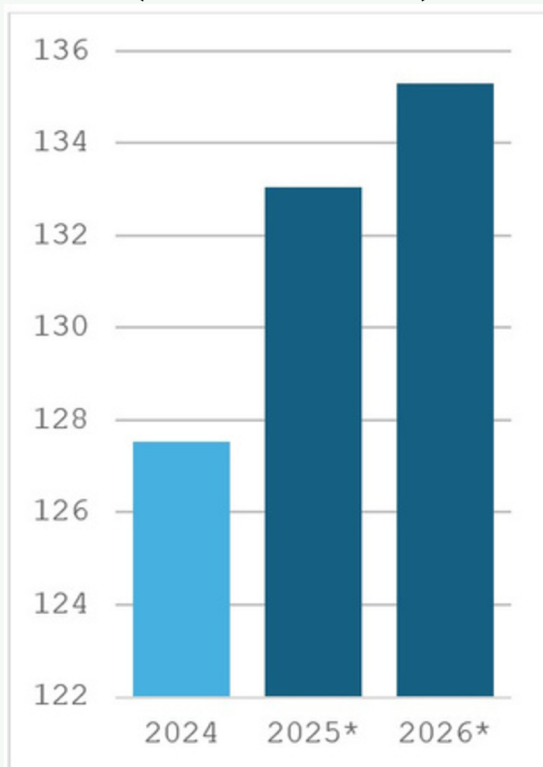


DLSU REPORT OF THE PHILIPPINE ECONOMY

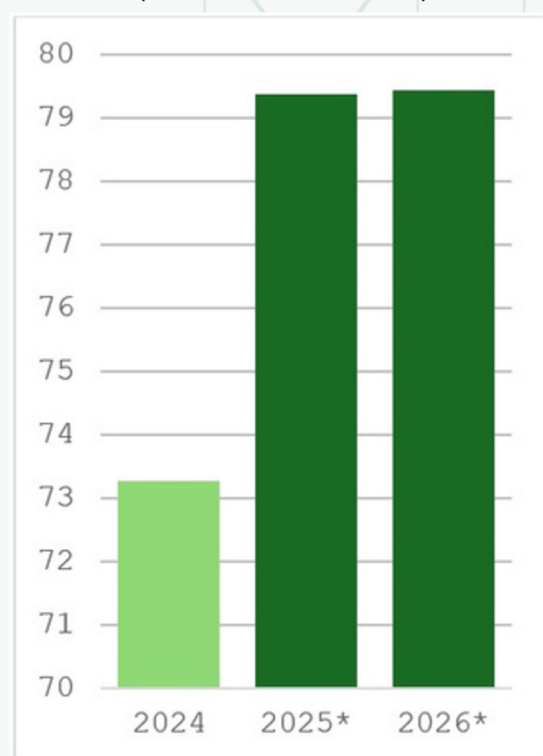
TRADE AND EXCHANGE RATE

In April 2025, the value of imported goods posted a y-o-y decline of 7.2%, while the value of exported goods showed a y-o-y increase of 7.0%. The Philippine Statistics Authority (2025) also reports that the total value of imports YTD is 5.6% higher than last year (January to April), while the total value of exports YTD has increased by 9.5% from last year (January to April). We forecast that total imports will increase from \$127.5bn in 2024 to \$133bn in 2025 (Figure 8). Similarly, we forecast that total exports will increase from \$73.2bn in 2024 to \$79.4bn in 2025 (Figure 9).

**FIGURE 8. TOTAL IMPORTS
(IN BILLIONS USD)**



**FIGURE 9. TOTAL EXPORTS
(IN BILLIONS USD)**



*Note: May – December 2025 and 2026 values are forecasts

The Philippine Peso has also continued to appreciate against the US Dollar every month since January, posting a YTD decline (May/January) in the end-of-period exchange rate of -4.55% (Figure 10). We forecast an average exchange rate of PHP56.9 for 2025.



DLSU REPORT OF THE PHILIPPINE ECONOMY

FIGURE 10. PHP TO USD EXCHANGE RATE (END OF PERIOD)

