Slowdown,
from S1/1

"While fiscal expansions, such as those that we are seeing always during election periods, can temporarily stimulate the economy, and generate economic activities, they are not substitutes for structural reforms," he said.

Mr. Rivera said good governance, transparency and accountability are needed to ensure the temporary boost from elections are converted into "durable, real and long-term gains."

For this year, Mr. Rivera said the key headwinds or risks include a global economic slowdown and rising protectionism among developed economies.

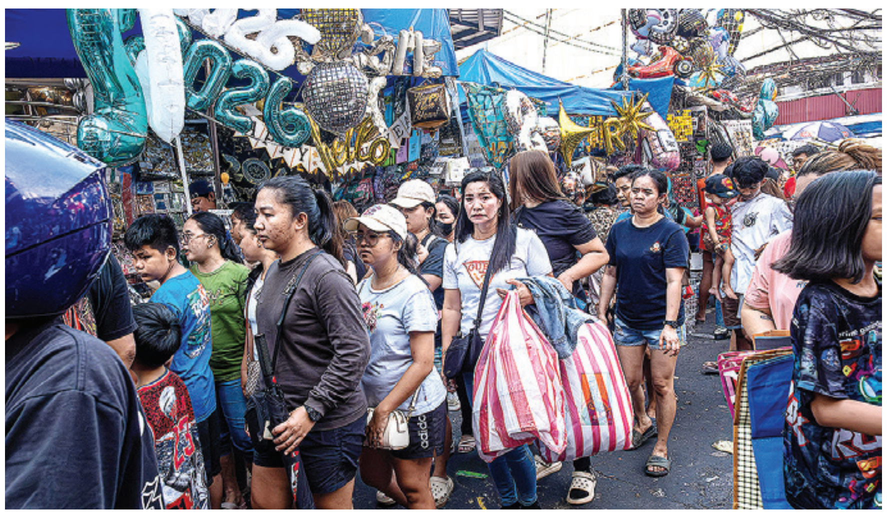
"[Add to these] more frequent and severe climate-related shocks, fragile investment recovery, and persistent governance risk. We need to watch out for those headwinds," he said.

At the same time, PIDS President Philip Arnold P. Tuaño said that election years in the Philippines have been associated with faster economic growth, with effects that often extend to the year immediately following the elections.

Between 2001 and 2024, average GDP growth during election years was 6.4%, compared with about 4.3% in non-election years, he said.

GDP grew by 6.9% in 2016 and 7.6% in 2022, supported by strong household expenditures and service activities, he said.

"Taken together, these studies remind us that while election years may provide temporal economic momentum, sustainable growth ultimately depends on credible governance, sound macroeconomic management, and institutions that endure beyond the political cycle," he said.



PHILIPPINE STAR/RYAN BALDEMOR

SHOPPERS purchase New Year's Eve decorations in Divisoria, Manila, Dec. 27, 2025.

RATE CUTS TO SPUR GROWTH

Meanwhile, recent monetary policy easing is expected to prop up domestic demand and boost growth this year, giving the Philippines an edge over its regional peers, Fitch Solutions unit BMI said.

BMI trimmed its growth forecast for the ASEAN-5 region, which is composed of Indonesia, Malaysia, the Philippines, Thailand and Singapore, to an average 3.8% for 2026, down from its earlier projection of 4.4%.

"In 2025, the ASEAN-5 benefited from the frontloading of exports," BMI said in a report dated Jan. 12. "As this frontloading is paid back in 2026, however, we expect export growth to moderate across the ASEAN-5, weighing on regional growth."

"However, we expect the Philippines and Indonesia to buck regional trends, with growth accelerating in 2026 as robust domestic demand offsets their relatively smaller, less-exposed external sectors," it added.

The Fitch unit expects the Philippine economy to expand by 5.2% this year.

Also, BMI sees room for a 50-basis-point (bp) cut this year to bring the key policy rate at 4% or the lowest since August 2022.

It noted that a more accommodative monetary policy will help the economy recover from last year's slump.

"For the Philippines, easier monetary policy will gradually feed through while infrastructure spending will rebound from the disruptions caused by the probe into misappropriated funds earmarked for flood control," BMI said.

Severe flooding last year exposed multiple anomalous flood control projects nationwide, sparking public outrage and investigations that uncovered corruption among Public Works officials, lawmakers and private contractors behind the administration's infrastructure program.

The economy saw its weakest growth in over four years at 4% in the July-to-September period as the scandal slowed government spending and household consumption. As of the third quarter, GDP growth averaged 5%.

A dim growth outlook and weak investor sentiment, coupled with benign inflation, prompted the Monetary Board to deliver a fifth straight 25-bp reduction at the Dec. 11 meeting. This brought its total cuts to 200 bps since August 2024, lowering the benchmark interest rate to 4.5%.

Since then, the central bank has repeatedly said that they are approaching the end of the current easing cycle, with BSP Governor Eli M. Remolona, Jr. noting that the policy rate is already "very close" to where they want it to be.

However, Mr. Remolona left the door open for a sixth straight 25-bp cut, adding that a weaker-than-expected GDP growth could prompt them to slash key borrowing costs twice this year.

The Monetary Board is set to have its first rate-setting meeting for 2026 on Feb. 19.

Meanwhile, BMI noted that central banks across the region will likely be less aggressive in cutting rates as inflation is expected to pick up this year.

"Despite the generally less upbeat outlook for the ASEAN-5, we are still projecting fewer rate cuts in 2026, compared with 2025," it said. "One reason is that inflation will rise back towards policy targets or long-term averages in 2026, lowering real policy rates across ASEAN-5."

BMI forecasts Philippine inflation to settle at 3.1% by yearend, slightly below the 3.2% seen by the BSP but at the midpoint of its 2%-4% target.

Remittances,
from S1/1

11-MONTH CLIMB

As of November, cash remittances from migrant Filipinos reached $32.111 billion, climbing by 3.2% from $31.113 billion during the same period in 2024.

Remittances from land-based workers grew by 3.3% year on year to $25.66 billion as of end-November, while sea-based OFW remittances rose by 2.8% to $6.45 billion.

On the other hand, personal remittances in the 11-month period stood at $35.727 billion, up by 3.2% from $34.608 billion at end-November 2024.

"The United States remained the top source of remittances to the Philippines during January-November 2025, followed by Singapore and Saudi Arabia," the BSP said in a statement.

Based on BSP data, money sent home from the US accounted for 40% of the remittances in the 11 months to November.

Inflows from Singapore made up 7.1% of the total remittances, followed by Saudi Arabia (6.4%), Japan (5%), the United Kingdom (4.6%), the United Arab Emirates (4.6%), Canada (3.5%), Qatar (2.9%), Taiwan (2.8%) and South Korea (2.4%).

The US was the top source of land-based remittances at end-November with 41.9% of total remittances. The rest came from Saudi Arabia (8%), Singapore (6.4%), the United Arab Emirates (5.7%) and the UK (4.5%).

Meanwhile, 32.2% of the remittances from sea-based workers were from the US, followed by Singapore (10.2%), Japan (7.1%), Germany (5.5%) and the UK (5.4%).

The BSP expects cash remittances to grow by 3% to $35.5 billion this year.

Job shortage,
from S1/1

The lack of additional opportunities is also causing a number of businesses, particularly micro, small, and medium enterprises, to fail, Mr. Lanzona said.

"Consequently, this economic slowdown brings about significant unemployment," he added.

In the first 11 months of 2025, the unemployment rate averaged 4.19% or equivalent to 2.25 million jobless Filipinos. This is higher than the 3.9% jobless rate, which is equivalent to 1.66 million in the same period in 2024.

"As most of the budget is eaten by debt, the situation is aggravated by lower social protection, political infighting, and a labor-saving technology such as AI (artificial intelligence) that can further reduce labor demand," Mr. Lanzona said.

Meanwhile, the WEF report showed globally, the biggest risk over the next two years remained geoeconomic confrontation.

The WEF's Global Risks Perception Survey captured insights from over 1,300 experts worldwide.

Other top risks cited by global business leaders included misinformation and disinformation, societal polarization, extreme weather events, and state-based armed conflict.

"Geoeconomic confrontation has emerged as the most severe risk over the next two years, while economic risks have experienced the sharpest rises among all risk categories over the two-year timeframe," WEF Managing Director Saadia Zahidi said.

Rising inflation and potential asset worries rose as countries face high debt burdens and volatile markets amid growing concerns over an economic downturn, she said.

The WEF noted that 18% of surveyed participants identified geoeconomic confrontation as the top risk likely to trigger a material global crisis in 2026.

This was followed by state-based armed conflict (14%), extreme weather events (8%), societal polarization (7%), misinformation and disinformation (7%), and economic downturn (5%).

Meanwhile, over the next 10 years, survey participants expect extreme weather events to become even more severe. — **Aubrey Rose A. Inosante**