Philippine startups face tighter funding in 2026

By Beatriz Marie D. Cruz
Reporter

PHILIPPINE STARTUPS face tighter funding conditions this year amid macroeconomic uncertainty, as investors demand clearer revenue models and growth strategies, analysts said.

"The Philippine startup landscape in 2026 will reward discipline, not hype," Dan I. Siazon, managing partner and co-founder at Kickstart Ventures, said in an e-mailed reply to questions.

Investors are becoming more selective, prioritizing startups that show strong fundamentals, proven customer demand, recurring revenue, sound governance, and a clear path to scale, he added.

"There's tighter funding for early-stage valuations, and late-stage capital could remain scarce, especially in the Philippines, where there have been no recent late-stage deals," Mr. Siazon said.

Paulo Campos III, founding managing general partner at Kaya Founders, said startup funding may remain "broadly stable" but uneven this year.

"Our outlook for 2026 is cautiously optimistic," he said in a Viber message. "We expect a selective but constructive funding environment, rather than a broad-based rebound."

Mr. Siazon said startups expected to attract investor interest include those in health technology, business-to-business services, climate and energy solutions, and financial technology platforms.

However, political uncertainty in the Philippines could weigh on economic activity and pose challenges for both large industries and startups, he said.

FREEPIK/ATLASCOMPANY

"This adds to the necessity for startups to be built to last and have strong fundamentals," Mr. Siazon said.

Mr. Campos said macroeconomic uncertainty and heightened governance scrutiny mean investors will continue to set a high bar for capital efficiency, unit economics and credible paths to profitability.

For startups, this translates into longer fundraising cycles and greater pressure to show discipline early, he said.

Alewijn Aidan K. Ong, assistant general manager for business development at state-run National Development Corp., said startups tied to construction technology could be affected by slower infrastructure spending linked to a corruption scandal.

"With the biggest infrastructure spender, the government, toning down expenditure due to the corruption scandal, some startups that are part of the value chain may be adversely affected," he said in a Viber message.

Data from the Department of Budget and Management showed infrastructure spending fell 40.1% to P65.9 billion in October, amid a graft scandal involving flood control projects that has also dampened economic activity.

Gross domestic product grew 4% in the third quarter, the slowest in more than four years, weighed down by weak household consumption and reduced public infrastructure spending.

In the first half of 2025, startup equity funding in the Philippines dropped 55% to $86.4 million from a year earlier, according to a joint report by Kickstart Ventures and Singapore-based business news platform DealStreetAsia.

Kaya Founders to invest in more early-stage startups this year

KAYAFOUNDERS.COM

LOCAL VENTURE capital firm Kaya Founders plans to invest in eight to 12 startups this year, focusing on early-stage financial technology and business-to-business (B2B) platforms.

"In 2026, we expect to invest in approximately eight to 12 startups, primarily at the pre-seed and seed stages," Paulo Campos III, founding managing general partner at Kaya Founders, said in a Viber message.

The firm's priority investments next year will be startups in fintech, commerce and distribution channels, he said. It will also focus on capital-light B2B platforms and frictionless business models that show early potential for regional or global expansion.

Kaya Founders is also looking at startups with embedded credit solutions and those building foundational fintech infrastructure, Mr. Campos said.

The firm invested in 10 startups last year.

Investment decisions are based on a startup's capital efficiency, addressable market size, scalability and ability to build lean teams, he said.

Founders are also expected to demonstrate strong founder–market fit, a clear path to profitability and regulatory awareness, particularly in fintech and other regulated sectors.

Kaya Founders also evaluates realistic exit pathways and a startup's capacity to form strategic partnerships with corporations, Mr. Campos said.

"Ultimately, we back founders who combine ambition with discipline — building companies that can scale efficiently in today's environment while positioning themselves for meaningful outcomes over the long term," he added.

Since its founding in 2021, Kaya Founders has increased its portfolio to about 40 startups across sectors including e-commerce, fintech, education, healthcare and software-as-a-service.

The firm ended 2025 with the close of its $25-million (P1.5 billion) fund, which will be deployed to support Filipino and regional startups.

The fund follows a two-part structure, consisting of Kaya Founders' "Zero to One" pre-seed fund and its "One to Ten" seed-to-Series A fund, allowing the firm to support founders from the idea stage through early growth.

Investors in the fund include local and international partners such as Singapore-based Pavilion Capital, Gabriel and Geraldine Sunshine of Boston-based hedge fund Bracebridge Capital and Chicago-based Concentric Equity Partners.

The Philippine startup ecosystem raised $1.12 billion in equity funding in 2024, up 16% from a year earlier, according to the Philippine Venture Capital report by Boston Consulting Group and Foxmont Capital Partners. — **Beatriz Marie D. Cruz**

Factory,
from S1/1

In the third quarter, GDP grew by 4%, the slowest in over four years. This brought the nine-month average growth to 5%, below the government's 5.5%-6.5% target.

Philippine Chamber of Commerce and Industry Chairman Sergio R. Ortiz-Luis, Jr. said that the decline in November came after most orders were frontloaded in the first nine months of 2025.

"Actually, both local and export production were fast-tracked in the first three quarters of the year... There was front-loading for year-end deliveries. So, production tapered down in the fourth quarter," said Mr. Luis-Ortiz in mixed English and Tagalog in a phone call.

Capital utilization averaged 77.4% in November, slightly lower than October's 77.6%. All sectors have reached an average capacity utilization rate of more than 60% during the month.

Going forward, Mr. Asuncion anticipates a "modest" improvement in December and "gradual" recovery through 2026. — **Lourdes O. Pilar**

ADB,
from S1/1

Despite the slower growth in the third quarter, the ADB said spending on essentials, particularly food, remained resilient, supported by low inflation.

Inflation picked up to 1.8% in December from 1.5% in November. This brought the average to 1.7% in 2025.

For 2026, the central bank sees inflation accelerating to 3.2%, but still within the 2-4% target band.

The Bangko Sentral ng Pilipinas (BSP) has so far delivered a total of 200 bps in cuts since August 2024, after it lowered its policy rate by 25 bps to an over three-year low of 4.5% at its Dec. 11 meeting, amid subdued inflation and sluggish growth.

The Monetary Board is scheduled to hold six regular policy meetings in 2026, with the first one set on Feb. 19.

TAX RELIEF?

To spur household demand and ease public concerns over flood control issues, a lawmaker had proposed giving tax relief to Filipinos, but analysts were divided, saying the measure could lift spending but risk undermining fiscal consolidation.

Senator Erwin T. Tulfo filed a bill in the Senate in October to provide a one-time, one-month income tax holiday for individual taxpayers receiving compensation income, effective on the first payroll month immediately following the bill's approval.

Senate Bill No. 1446, or the One-Month Tax Holiday bill, remains pending at the committee level.

"A tax relief will only delay fiscal consolidation," Foundation for Economic Freedom President Calixto V. Chikiamco told *BusinessWorld* on Tuesday.

The Marcos administration aims to bring the deficit down to P1.56 trillion, or 5.5% of GDP, in 2025, and eventually to P1.55 trillion, or 4.3% of GDP, in 2028.

Mr. Chikiamco noted that many factors influence consumer spending, such as unemployment, inflation, and wage growth.

"Depreciation of the peso will increase OFW (overseas Filipino worker) incomes and spur consumer spending without decreasing government revenues," he added.

The peso has breached the P59-a-dollar mark several times since November and sank to a record low of P59.22 on Dec. 9.

Meanwhile, Jonathan L. Ravelas, a senior adviser at Reyes Tacandong & Co., argued that tax relief can boost private consumption, but the program has to be "smart and targeted."

"Tax relief can help revive spending, especially after a year of high prices and tight budgets," he said.

"Focus on essentials like VAT (value-added tax) breaks on food and utilities, and give relief to lower- and middle-income families who are more likely to spend," Mr. Ravelas added.

However, he said tax relief must be "time-bound," and paired with job creation and price stability, so people feel confident to open their wallets.

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
<tinyurl.com/2c4jatg9>

Inflation,
from S1/1

In November, Typhoon Kalmaegi (local name: Tino) battered parts of the country, leaving the local agricultural sector with about P2.5 billion in losses.

Rice deflation eased to -12.3% in December from -15.4% in the previous month. This was the slowest decline in rice prices in eight months or since -10.9% in April.

In mid-December, the average price of regular milled rice declined by 14.05% year on year to P42.10 per kilo from P48.98 per kilo previously, based on PSA data. Well-milled rice likewise fell by 9.9% year on year to P49.53 per kilo, while special rice fell by an annual 7.17% to P58.91 per kilo.

The National Government extended the suspension of regular and well-milled rice imports until end-2025.

CHEAPER ELECTRICITY, FUEL

Meanwhile, lower electricity and fuel prices during the month offered some relief, with inflation for housing, water, electricity, gas and other fuels slowing to 2.5% from 2.9% in November.

In December, the Manila Electric Co. (Meralco) lowered electricity rates by P0.3557 per kilowatt-hour (kWh) to P13.1145 per kWh from P13.4702 per kWh in November. This was equivalent to a P71 decrease in the monthly electricity bills of households consuming an average of 200 kWh.

Pump price adjustments in December recorded a net increase of P0.80 per liter for gasoline. However, prices of diesel saw a net decrease of P3.80 per liter, while kerosene posted a net decrease of P4.40 per liter.

PSA's Mr. Mapa noted that the holiday-driven pressures may signal that the inflation spike in December was seasonal and temporary, adding that he hopes "prices will go back down in January."

"Despite global headwinds and domestic challenges, the Philippine economy has remained resilient against inflationary pressures due to the government's timely and targeted interventions," Economy Secretary Arsenio M. Balisacan said in a statement.

Finance Secretary Frederick D. Go said the Department of Finance is focused on implementing "necessary measures to keep inflation manageable and ensure that Filipino families are protected from price shocks."

Meanwhile, PSA data also showed that core inflation, which excludes volatile prices of food and fuel, steadied month on month at 2.4% in December, but eased from 2.8% in the same month in 2024.

In 2025, core inflation averaged 2.4%, easing from 3% in 2024.

Inflation in the National Capital Region (NCR) cooled to 2.3% in December from 2.8% in November and 3.1% in the same month a year ago. This brought full-year inflation in NCR to 2.4% in 2025 from 2.6% in 2024.

Outside NCR, inflation picked up to 1.7% from 1.2% in November but eased from 2.9% in December 2024, bringing the full-year average to 1.5%.

Central Visayas saw the highest inflation rate at 3.8%, while the Bangsamoro Autonomous Region in Muslim Mindanao recorded a -1% deflation.

On the other hand, inflation for the bottom 30% of income households stood at 1.1% in December, reversing the -0.2% in November but slowed from 2.5% in December 2024.

In 2025, inflation for the bottom 30% averaged 0.3%, easing from 4.9% in the previous year.

FURTHER EASING

Meanwhile, the central bank noted that the December clip supported its benign inflation outlook for 2025 and the next two years.

"(The) 1.8% is a welcome number. It's a reasonably low inflation rate," BSP Governor Eli M. Remolona, Jr. told reporters during an event in Mandaluyong City on Tuesday.

Amid this, Mr. Remolona left the door open for another 25-basis-point (bp) reduction to the key policy rate in February, noting that economic data falling below their expectations may warrant further cuts.

"On balance, the Monetary Board views the monetary policy easing cycle as nearing its end," the BSP said. "Any further easing is likely to be limited and guided by incoming data."

The central bank has so far lowered borrowing costs by a total of 200 bps since August 2024, bringing the benchmark interest rate to an over three-year low of 4.5%.

For 2026, the BSP sees inflation accelerating to 3.2%, before cooling to 3% in 2027.

Chinabank Research projects faster inflation this year due to a low base effect from the 2025 as well as potential upticks in food and energy prices amid weather disruptions and geopolitical tensions.

"This 2026, we expect inflation to edge higher to around the midpoint of the target range, partly due to base effects from last year's low readings," it said in a commentary. "Still, barring new shocks, price pressures are projected to remain manageable moving forward."

Chinabank Research said this gives the BSP room to trim its key rates this year to spur the economy.

Meanwhile, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said headline inflation will likely stay below target until February before rising to 2-3% by March.

"(This) could still justify future local policy rate cut/s that would match future Fed rate cuts in 2026, (which) could realistically happen in the latter part of 2026, as early as June 2026, based on the latest Fed Funds Futures," he added.

Rate cut,
from S1/1

This would be below the government's 5.5%-6.5% target for the year and also lower than the Development Budget Coordination Committee's (DBCC) latest projection of 4.8%-5%.

"There was a loss of confidence of investors. So, investments came down. Consumption also came down," Mr. Remolona said.

"When you realize that your taxes are not really going into infrastructure spending, *masakit 'yon eh* (that's painful)... It's more painful when you know it's going to the wrong guys. So, that has a big effect," he added.

In the third quarter, GDP growth slumped to an over four-year low of 4% amid allegations that Public Works officials, lawmakers and private contractors received kickbacks from anomalous flood control projects.

Economic managers have since conceded that the economy likely failed to meet the government's growth target for 2025.

Meanwhile, the BSP has repeatedly said following its December meeting that further easing is now limited and would depend on economic developments in the country.

Mr. Remolona said they may only deliver two 25-bp cuts if growth slows to below 5% this year due to weak demand.

"If we cut two more times, *medyo ibig sabihin nu'n*, things are worse than we thought (that might mean that things are worse than we thought). So, that would require a bad surprise in the data," Mr. Remolona said.

"If growth is much slower than we anticipated. We're saying that for 2026, growth will be 5.4%. If it goes below 5%, then there's ground for one more cut beyond the 25 bps," he added.

For 2026, the central bank sees GDP growth averaging 5.4%, noting that the economy will likely remain sluggish in the first half before picking up in the second half.

"*Mahaba pala 'tong* impact *eh 'yung* loss of confidence (The impact of the loss of confidence may be prolonged)... it will continue through the first half of 2026," Mr. Remolona said, noting that a 5.4% growth is "not bad" considering the flood control scandal.

The DBCC on Monday revised its growth target for this year to 5-6% from the 6-7% goal previously.

Economic growth may further improve to 6.2% in 2027, the BSP chief added, settling near the upper bound of the administration's 5.5%-6.5% revised goal.

The Monetary Board is set to have its first policy meeting this year on Feb. 19. — **Katherine K. Chan**