

# BSP says 'A' credit rating by 2028 still possible

THE PHILIPPINES could still obtain an "A" credit rating before the Marcos administration steps down even after credit rating agencies expressed concerns over the country's heightened exposure to the Middle East war, the Bangko Sentral ng Pilipinas (BSP) said.

"It's still very much possible," BSP Governor Eli M. Remolona, Jr. told reporters on Thursday. "It is just hard right now but, when or if these things go away then we should be back on track."

Fitch Ratings' downgraded its long-term foreign-currency issuer default outlook for

the Philippines last week to "negative" from "stable," but kept its rating at "BBB."

S&P Global Ratings also revised its outlook for the Philippines earlier this month to "stable" from "positive" but affirmed the country's "BBB+" long-term rating.

Both credit ratings agencies cited risks to the country's growth prospects due to its exposure to the Middle East war.

Mr. Remolona said the target can still be reached if the external environment improves.

He added that the looming entry of the peso government bonds into JPMorgan

Chase & Co.'s Government Bond Index-Emerging Markets (GBI-EM) could also be positive for the credit rating.

"That may be worth \$5 billion to \$6 billion in terms of additional inflows into our peso bond market," he said.

The Philippines is set to be added to the index starting Jan. 29, which is expected to drive foreign participation in bond issues here and improve pricing conditions for government borrowing.

JPMorgan's GBI-EM tracks sovereign and quasi-sovereign bonds issued in emerging markets. Global peso notes

were removed from the index in January 2024 due to illiquidity concerns.

Eligible securities include peso-denominated government bonds issued from 2023 with maturities of up to 20 years.

The Philippines was placed on "Index Watch Positive" seven months before the announcement.

Economy Secretary Arsenio M. Balisacan noted that the cautious credit outlooks was a global trend, with other countries also highly exposed to the Middle East war.

"I think everybody in every economy is likely going to have that kind of challenge because we're not the only country that faces this challenge. Whether the rating is reduced or not, I don't think we will be constrained from doing what we need to do in so far as our medium-term and long-term objectives are concerned," he told *BusinessWorld* on the sidelines of an event at midweek.

He expressed hope that the economy can recover its growth momentum after the Iran crisis is resolved. — **Aaron Michael C. Sy**

## PHL franchising industry sees growth slowing down due to Persian Gulf crisis

THE Philippine franchising industry is expected to continue posting growth but at a slower pace this year, citing investors caution due to the Middle East crisis.

"The franchising industry will continue to grow, but at a slower pace, because every time there's a crisis, people are always (turning) cautious," Philippine Franchise Association (PFA) President Steve D. Benitez told reporters on the sidelines of the Franchise Asia Philippines' 2026 International Franchise Conference on April 23.

"But it will not stop, especially those franchises that requires little capital. In every crisis, there is an opportunity," he said.

Mr. Benitez said rising oil prices, may increase demand for specific types of franchises like convenience stores, as consumers reduce their spending on transport and discretionary purchases.

Nearly 70% of PFA's members are classified as micro-, small-, and medium-sized enterprise franchisors.

The Philippine franchising industry grew by about 8% to 10% in 2025, it said.

Meanwhile, the retail industry is feeling the impact of the Middle East war, with higher fuel prices causing consumers to cut back, Philippine Retailers Association (PRA) President Alice T. Liu said.

"When the crisis started towards March, fuel prices went up. The knee jerk reaction of the consumer is to really cut back on spending, so retailers are all feeling that now," she told reporters on the sidelines of the event.

"Right now with the fuel prices rolled back twice already, we are hoping that it will encourage a little bit more confidence," she said.

Meanwhile, the recent easing of foreign investment rules for retail is expected to boost foreign participation and promote competitiveness in the industry, the PRA said.

"I hope we get foreign investors who put in real money to invest in the Philippines, and for our retailers also to be exposed to international trends and innova-

tions, that will help increase their revenue," PRA Chairman Roberto S. Claudio told reporters.

The Philippines' 13<sup>th</sup> Regular Foreign Investment Negative List, which allows overseas investors to own as much as 40% of enterprises with paid-up capital of less than P25 million, "continues to safeguard the interests of Filipino retailers," the PRA said in an April 18 statement.

It noted that the 13<sup>th</sup> Negative List retains the same clarification footnote contained in the 12<sup>th</sup> Negative List.

"This footnote reiterates the existing requirements for foreign retailers investing in the Philippines, namely: a minimum paid-up capital of P25 million, reciprocity from their home country allowing Filipino retailers to operate therein, and a minimum investment of P10 million per store," PRA said.

The group added that the easier foreign ownership rules for retail companies would create jobs and widen consumers' access to other goods and services. — **Beatriz Marie D. Cruz**

## ACEN urges scaling up renewables over coal

ACEN CORP. said the Philippines should accelerate renewable energy development rather than expand coal use, citing energy security concerns.

"We can't depend on coal saving the day in terms of energy security and so forth. We still need to make sure that we accelerate the scale-up of renewable and energy storage," ACEN President and Chief Executive Officer Eric T. Francia told reporters last week.

He said expanding coal-based power generation faces challenges, particularly in securing financing and gaining social acceptance.

Energy Secretary Sharon S. Garin said the Department of Energy (DoE) is "considering" the possible lifting of the five-year-old coal moratorium to cushion the impact of high fuel prices, which could drive up electricity costs.

"In times of crisis, coal remains one of the cheapest options we have for power generation," she said at a briefing last week.

"Our teams are already studying this, and we are open as far as coal is concerned."

In 2020, the DoE issued a moratorium on the development of new coal-fired power plants, except for projects that meet certain conditions for non-coverage.

Coal remains the dominant source in the country's power mix, accounting for more than 60% of electricity generation, followed by renewables and natural gas.



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Mr. Francia said the Philippines should instead accelerate renewable energy development, which he described as central to the country's long-term energy strategy.

"I'd like to believe that we need to double down on renewables and energy storage, even if it sounds like a self-serving statement," he said.

ACEN has about 7 gigawatts of attributable renewable energy capacity, including operational, under-construction, and committed projects.

The company has presence in the Philippines, Australia, Vietnam, India, Indonesia, Laos, and the United States. — **Sheldeen Joy Talavera**

### OUTLIER

## BPI shares fall on earnings, rate hike

By **Isa Jane D. Acabal**  
Researcher

SHARES of Bank of the Philippine Islands (BPI) declined last week after softer first-quarter earnings and the Bangko Sentral ng Pilipinas' (BSP) latest rate hike, with analysts citing concerns over near-term profitability and loan growth.

Investors also turned cautious after the bank signaled a guarded outlook amid the ongoing Middle East conflict, according to analysts.

Data from the Philippine Stock Exchange (PSE) showed BPI was the third most actively traded stock from April 20 to 24, with 21.52 million shares worth P2.07 billion changing hands.

The stock closed at P92.10 per share on Friday, down 7.2% from P99.20 the previous week. This was steeper than the financial sector's 3.4% week-on-week decline and the 0.9% drop in the benchmark PSE index.

Year to date, BPI shares have fallen 20.7%, underperforming the financial sector's 10.3% decline and the PSE's 1.8% drop.

Linncon M. Lahip, equity analyst at Regina Capital Development Corp., said the decline was driven by tempered first-quarter earnings, raising concerns about near-term profitability amid a more cautious operating outlook.

"Investor confidence weakened this week following BPI's 1Q results, which likely came in lower than expected, and were released in the same week as the BSP's rate hike," he said in a Viber message.

"The combination prompted investors to reassess earnings expectations, as higher policy rates raised concerns over slower loan growth, higher funding costs, and potential pressure on asset quality despite near-term margin support," he added.

In a press statement on April 20, BPI reported net income of P16.9 billion for the first quarter, up 1.7% from P16.6 billion a year earlier. The bank cited sustained loan portfolio expansion, wider net interest margins (NIMs), and stronger fee-based income.

Revenues rose 13.9% year on year to P50.9 billion, supported by a 13.7% increase in net interest income. Net interest margins expanded by seven basis points (bps) to 4.57%.

Total loans increased 13.5% year on year to P2.6 trillion, reflecting growth across its portfolio.

"On one hand, the 13.9% revenue growth to P50.9 billion is impressive, proving that the bank's core business is still strong. However, the

1.7% year-on-year increase in net income despite such strong revenue growth suggests the bank is likely facing significantly higher operating expenses," Jervin De Celis, equity trader at The First Resources Management and Securities Corp., said in an e-mail.

BPI's operating expenses rose 15.8% year on year to P23.5 billion in the first quarter, driven by higher technology and manpower costs.

Mr. De Celis said that while revenues remained strong, inflationary pressures and geopolitical risks are "squeezing" the bank's bottom line.

Meanwhile, Jash Matthew M. Baylon, equity analyst at The First Resources Management and Securities Corp., said "despite the stronger expansion of its loan portfolio and wider [NIMs], BPI's net income is flat, as provisions increase while higher operating expense outpaced the growth of net interest income, as economic environment remains fragile."

On April 23, the BSP raised the target reverse repurchase rate by 25 basis points to 4.5%, marking its first rate increase in more than two years.

"The BSP's rate hike is initially supportive of BPI's earnings, as loan yields generally reprice faster than deposits, helping sustain net interest margins given its strong CASA (Current Account and Savings Account) base," Mr. Lahip said.

However, higher borrowing costs may dampen loan demand over the medium term, potentially slowing growth, he added.

"The same dynamic applies to other listed banks; institutions with strong CASA franchises and sound asset quality are better positioned to benefit from margin expansion, while those with weaker funding bases may face slower loan growth and higher credit risk, leading to more cautious earnings across the sector," Mr. Lahip said.

Mr. De Celis said the BSP's policy rate hike is "generally accretive" to BPI's NIM in the medium term.

"As interest rates rise, BPI can reprice its loan portfolio faster than its deposit costs increase," he said.

"Other listed banks will also see NIM expansion, but those with higher reliance on expensive time deposits may see their margins lag behind BPI's. If rates stay high or rise further in 2026 to combat the Middle East-induced inflation, the borrowers' debt-servicing capacity could weaken and may lead to higher nonperforming loans (NPLs)," he added.

He expects BPI to maintain a NIM of about 4.2% to 4.4% this year.

Analysts also cited the ongoing Middle East conflict as weighing on investor sentiment.

"Investors are concerned that sustained high energy costs will fuel second-round effects on inflation which can potentially force the BSP to remain hawkish for the remainder of 2026. This overshadows the bank's strong core revenue growth," Mr. De Celis said.

Mr. Baylon said geopolitical tensions in the Middle East have dampened investor confidence, as reflected in persistent net foreign outflows.

At its annual stockholders' meeting on April 20, BPI President and Chief Executive Officer Jose Teodoro K. Limcaoco said the bank would adopt a more cautious stance as it monitors economic conditions amid the ongoing Middle East conflict.

BPI Head of Consumer Banking and Executive Vice-President Maria Cristina L. Go said the bank would tighten its credit standards.

Mr. De Celis said the bank's move to tighten lending parameters and adopt a cautious outlook suggested that loan growth may slow in the coming quarters, shifting sentiment toward a more defensive stance.

"When a bank as big as BPI signals a need to protect its balance sheet, it often triggers a temporary de-risking phase or affects the company's stock performance," he said.

Mr. Lahip said the market viewed BPI's stance as "prudent risk management amid Middle East uncertainty and its potential economic spillovers."

"The tightening of credit standards was also seen as a response to rising industry NPLs, signaling a focus on asset quality over short-term growth, which helped limit downside sentiment despite a broader risk-off backdrop," he said.

In the coming weeks, Mr. Lahip said investors should monitor geopolitical and macroeconomic developments, citing banks' sensitivity to interest rate changes and economic conditions.

For the second quarter, Mr. De Celis forecast BPI's net profit at around P17.5 billion, and full-year 2026 at P71.2 billion.

"This forecast assumes that the bank's tightened credit standards will successfully keep NPLs manageable despite the 4.5% policy rate," he said.

Mr. Lahip sees immediate support for the stock at P91 and resistance at P96, while Mr. Baylon placed support at P92.50 and resistance at P105.

Mr. De Celis set near-term support at P90 and resistance at P95.50.

"Even if the stock manages a relief rally, it will face heavy selling pressure here as trapped investors from earlier in the week look to exit at break-even prices," he added.

## Pag-IBIG Fund, CHED push affordable rental housing for SUCs nationwide

Pag-IBIG Fund Chief Executive Officer Marilene C. Acosta addresses participants during the consultative meeting for Project BALAY: Bridging Access to Learning, held on April 15, 2026, at the CHED Auditorium in Quezon City. The initiative, a strategic partnership between Pag-IBIG Fund and the Commission on Higher Education, seeks to expand access to affordable rental housing for educators, students, and non-teaching personnel in state universities and colleges nationwide.

During the meeting, Pag-IBIG Fund presented its Rental Housing Construction Loan program, which offers state universities and colleges financing at a subsidized interest rate of 3% per annum for the first 10 years, payable for up to 30 years. Pag-IBIG Fund has allocated P6.3 billion to support the development of dormitories and rental housing facilities within or near campuses.

Also present were Pag-IBIG Fund Deputy Chief Executive Officer Alexander Hilario G. Aguilar, Commission on Higher Education Commissioners Dr. Ricmar Aquino and Dr. Myrna Mallari, Officer-in-Charge Deputy Executive



Pag-IBIG Fund Chief Executive Officer Marilene C. Acosta

Director Ian Evangelista, and Director Aline Magalong. Discussions focused on practical and sustainable housing solutions tailored to the needs of the academic community.

The consultative meeting gathered more than 30 state universities and colleges, with participants providing inputs on site development, financing, and implementation. To date, 11 state universities and colleges have already engaged with Pag-IBIG Fund, reflecting strong momentum for the program's nationwide rollout.

