•Publication : BusinessWorld
•Date : Wednesday, 02 September 2026
•AVE Value : PHP431,248.62
•Section : Economy
•Page : S1-4(1/1)

Return to beyond-4% growth seen possible by 4th quarter

THE ECONOMY could return to an above-4% growth path in the fourth quarter, backed by record employment, stronger exports and remittances and an expected rebound in infrastructure spending, the University of Asia and the Pacific (UA&P) said.

However, it said third-quarter growth could remain tepid at 2.3% due to delays in infrastructure spending and the August floods.

"Short-term pressures from oil volatility and trade deficits may push the peso toward P63/dollar, yet a massive infrastructure surge and solid fundamentals will propel economic growth past 4% in the fourth quarter," UA&P said in its August Market Call.

The peso closed at a new record low of P62.40 against the dollar on Tuesday, weakening past its previous historical trough of P62.265 logged last Friday.

Meanwhile, the merchandise trade deficit widened to $37.34 billion in the first seven months from $28.91 billion a year earlier, according to the Philippine Statistics Authority (PSA).

UA&P said solid fundamentals may push economic growth past 4% in the last quarter.

In particular, UA&P cited substantial expansion in the workforce, after the total employed population rose to 50.66 million in June from 49.63 million in May.

"Rather than signaling structural labor weakening, the marginal uptick in the unemployment rate to 4.9% (May: 4.8%) was predominantly driven by a surge of entry-level jobseekers and re-entrants swamping the market faster than private firms could absorb them," it said.

Citing June data, UA&P said merchandise exports surged 24.1% to $8.77 billion.

Preliminary data also indicate that exports rose 10.8% year on year in July to $8.15 billion.

"The export surge highlights the Philippines' growing exposure to the global technology cycle, with electronics and semiconductors driving much of the recent gains," it said.

"While stronger external demand should support manufacturing activity and foreign exchange earnings, the concentration of growth in tech-related exports leaves the outlook vulnerable to shifts in global AI and semiconductor demand," it added.

Personal remittances from overseas Filipino workers hit $3.39 billion in June, up 1.8% from a year earlier.

"Looking ahead, remittance growth is expected to remain constrained in the low single digits for the remainder of the year," UA&P said.

"If lingering host-country inflation and Middle East deployment friction persist, annual inflows may face downside risks relative to the Bangko Sentral ng Pilipinas (BSP) full-year cash remittance growth target of 2.7% or $36.6 billion," it added.

Meanwhile, UA&P expects the BSP to deliver another 25-basis-point rate hike this year despite cooling inflation.

"Another feeble 2.3% year-on-year Philippine GDP in the second quarter and milder inflation prints in June and July may temper BSP next moves after it hiked policy rates by 25 bps deep in August," it said.

The Monetary Board tightened for a third straight meeting on Aug. 27, raising key interest rate by 25 bps to 5%, the highest level in over a year or since June 2025's 5.25%. This also matched the benchmark rate set in August 2025.

"This together with rising interest rates in advanced economies will likely put pressure on local bond yields, especially with the expiration of the 60-day ceasefire agreement between the US and Iran," the UA&P said.

Inflation continued to ease to 6.2% in July from 6.4% in June. However, this remained above the BSP's 3% target.

The median estimate of 20 analysts polled by *BusinessWorld* is for inflation to have eased to 6% in August from 6.2% in July, but to have accelerated from 1.5% a year earlier. The PSA will report the August consumer price index on Sept. 4.

"While inflation had a soft reprieve, upside risks to the inflation outlook remain material. Uncertain Middle East negotiation procedures, agricultural damage from heavy rainfall and a potentially aggressive dry season, along with minimum wage adjustments may keep inflation above target until 2027," UA&P said. — **Justine Irish D. Tabile**