

Macro Movements: September inflation jumps to 7.2%; growth forecasts cut as investment weakens

Inflation jumps to 7.2% in September, reversing four-month decline

- ▶ Headline inflation accelerated to 7.2% in September from 6.1% in August, matching the three-year high recorded in April and ending four consecutive months of easing. The print remained within the BSP's 6.4% to 7.4% forecast range, while year-to-date inflation rose to 5.4%, above the government's 2% to 4% target.
- ▶ The acceleration was driven by weather-related disruptions to food supply, higher fuel prices and continued peso weakness. Inflationary pressures may remain elevated in the coming months as recent transport fare increases feed through, alongside risks from higher electricity rates, Middle East tensions and further currency depreciation.

ADB and S&P cut Philippine 2026 growth forecasts

- ▶ The Asian Development Bank (ADB) lowered its 2026 Philippine GDP growth forecast to 3.3% from 3.8%, while S&P Global Ratings cut its projection to 2.9% from 4.1%. Both estimates fall below the government's 3.5% to 4.5% growth target and the 4.4% expansion recorded in 2025.
- ▶ ADB cited weaker first-half investment and higher imported fuel and fertilizer costs as key headwinds, with El Niño posing an additional risk to agriculture and food prices. Growth is nevertheless expected to recover in 2027, with ADB forecasting 5.1% and S&P 5.4%, supported by stronger services, industry and infrastructure spending.

Industry Insights: EU trade deal and AI infrastructure buildout widen investment opportunities

Philippines and EU reach substantial agreement on free trade deal

- ▶ The Philippines and the European Union have reached a "substantial agreement" on a free trade deal that would liberalize more than 94% of tariff lines, covering over 97% of bilateral goods trade and putting the agreement on track for conclusion in the coming months.
- ▶ Beyond tariff reductions, the deal would broaden bilateral access to services, investment and government procurement, while establishing clearer rules on digital trade, intellectual property, energy and raw materials, providing a more predictable framework for businesses operating across both markets.

Philippines launches \$34.4B AI infrastructure roadmap

- ▶ The government launched the finalized Philippines AI+ Infrastructure Masterplan 2026–2033, a \$34.4 billion roadmap targeting a 30-fold increase in AI data center capacity from around 50 MW to 1.5 GW by 2033, with an initial 400 MW targeted by 2030.
- ▶ Private investors are expected to provide \$21 billion, or 61%, of required funding, with Clark-Bataan designated as the primary development corridor alongside supporting and regional hubs across the country. The roadmap also targets over 500,000 AI-related jobs and 175,000 AI infrastructure jobs by 2033.

Deals Spotlight: Mitsubishi expands Ayala stake; SteelAsia advances ₱19.8B Batangas plant

Mitsubishi invests ₱44.5B to raise Ayala stake to 15%

- ▶ Mitsubishi Corporation agreed to invest approximately ₱44.5 billion in Ayala Corporation, increasing its economic ownership from 4.7% to 15% and its voting stake to 20% upon completion of the transaction
- ▶ Ayala expects to receive approximately ₱20 billion in proceeds, which will be used for debt reduction, continued share purchases and future growth initiatives. The expanded investment also deepens Mitsubishi's exposure to the Philippine market and its long-standing strategic partnership with Ayala.

SteelAsia advances ₱19.8B Batangas steel manufacturing project

- ▶ The Board of Investments registered SteelAsia Lemery Works' ₱19.82 billion project as the country's first High-Value Domestic Market Enterprise under CREATE MORE. The 72-hectare Batangas facility will have annual capacity of 500,000 metric tons and is targeted to begin commercial operations in January 2027.
- ▶ The facility will establish the Philippines' first domestic manufacturing capacity for medium steel sections, including H-beams, I-beams and channels used in buildings, bridges and industrial facilities. The project is expected to directly employ 656 workers and reduce reliance on imported structural steel products while strengthening the local construction supply chain.