ING

Press release

ING Wholesale Banking APAC
Manila, Philippines
5 March 2025

ING forecasts BSP rate cut flexibility as Asia navigates global headwinds

Manila, Philippines, 5 March 2025 – ING Philippines delivered its annual economic outlook on 4 March at Shangri-La The Fort, offering a comprehensive analysis of the key drivers shaping the global and Philippine economies in 2025.

The event, attended by corporate executives and investment professionals, centred on three transformative themes: *Trade, Tariffs, and Technology*. These themes were identified as critical forces with the potential to reshape markets and influence economic trajectories in the coming year.

Jun Palanca, country manager of ING Philippines, emphasised the importance of clarity in uncertain times: "Filipino businesses deserve a clear understanding of the challenges and opportunities ahead. Trade dynamics, tariff policies, and technological disruption are game-changers that will define the economic landscape. By connecting global trends to local opportunities, we aim to help our clients not just adapt but thrive in this new era."

The event featured a panel of esteemed speakers, including Finance Undersecretary Domini Velasquez, ING Asia Pacific chief economist Deepali Bhargava, and Peter Noordzij, head of Wholesale Banking Technology at ING Hubs Philippines. Usec. Domini explored economic risk mitigation and the Philippines' opportunities in artificial intelligence (AI), while Deepali addressed global economic risks and their impact on growth and employment. Peter delved into AI's transformative potential and ING's strategic approach to leveraging technology.

Key Highlights from ING Philippines Briefing 2025: Trade, Tariffs, Tech

Philippines: A Resilient Growth Story

- The Philippine economy remains a standout performer in Asia, with GDP growth projected at **6.1% in 2025**, following a strong recovery in 2024. The country ranked as the **third-fastest-growing economy in Asia and eighth globally in 2024**, driven by robust labour market conditions and rising domestic consumption.
- Inflation remained within target in 2024, supported by reduced rice tariffs, which lowered prices by an average of P3.41/kg. This enabled the Bangko Sentral ng Pilipinas (BSP) to become the first among ASEAN-5 central banks to initiate monetary easing.
- Strategic reforms, such as the CREATE MORE Act, are expected to further enhance the business environment by reducing corporate tax rates from 25% to 20% and streamlining investment processes. Additional initiatives, including entry into the JPMorgan Bond Index and amendments to key banking charters, underscore the government's commitment to fostering a competitive economy.

- Real policy rates in the Philippines and Indonesia remain elevated compared to historical ranges, but Asian inflation is at a 10-year low. The Philippine peso faces overvaluation concerns, but favourable fundamentals and expected rate cuts make the country an attractive investment destination.
- Currency volatility suggests hedging risks opportunistically, but the Philippines' strong growth prospects and lower inflation provide a compelling case for investors.

Asia-Pacific: A Global Growth Engine

- The Asia-Pacific region now contributes **over half of global growth**, with emerging Asia projected to triple the size of developed Asia within five years. Key markets like India and China are driving this expansion, with India focusing on infrastructure development and China pivoting toward digitisation and green energy.
- ASEAN continues to attract significant foreign direct investment (FDI), particularly in electronics manufacturing and electric vehicle (EV)-related industries. Vietnam has doubled its share of the global electronics export market, while intra-Asia trade improvements are helping offset tariff-related challenges.
- **Deepali Bhargava, chief economist for ING Asia Pacific** noted: " As FDI and global production continues to shift to Asia, it should remain resilient in the face of global headwinds. Emerging Asia is driving global growth, with Philippines as one of the key players in this story. However, businesses must remain vigilant about trade and tariff dynamics, as well as the transformative impact of AI on industries."

Global Economic Trends

- The US economy remains robust in 2025 but faces potential headwinds in 2026 due to slowing consumer spending and tariff impacts. **Inflation is expected to stabilise around 3%**, with **two rate cuts anticipated by year-end**.
- Europe, meanwhile, grapples with structural growth constraints, creating a divergence in economic performance between the US and the Eurozone.

Trade and Tariff Dynamics

- The Philippines is less exposed to direct US tariffs compared to regional peers like Vietnam, where 25% of GDP is tied to US trade. However, the country faces indirect vulnerabilities, with **50% of low-end manufacturing imports sourced from China and 85% of trades subject to non-tariff barriers.**
- Intra-Asia trade improvements are expected to partially mitigate these challenges, bolstering the region's resilience.

Artificial Intelligence: A Transformative Force

- AI adoption is accelerating globally, with the US leading in private investment and China making strides in industrial implementation. The Philippines ranks highly in **human**

capital readiness but faces challenges in **digital infrastructure**, which remains a key focus for the government.

- The Business Process Outsourcing (BPO) sector is undergoing transformation as AI reduces traditional service delivery times. The government's role in fostering academic-industry collaboration and improving digital infrastructure will be critical to preparing the workforce for AI-driven changes.
- **Peter Noordzij, head of Wholesale Banking Technology at ING Hubs Philippines** noted: "AI is no longer a futuristic concept—it's here, and it's reshaping industries. The Philippines has the human capital to harness this technology, but bridging the digital infrastructure gap will be critical to unlocking its full potential."

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ING is a global financial institution with a strong European base, offering banking services through its operating company ING Bank. The purpose of ING Bank is to empower people to stay a step ahead in life and in business. ING Bank's more than 60,000 employees offer retail and wholesale banking services to customers in over 40 countries.

ING Group shares are listed on the exchanges of Amsterdam (INGA NA, INGA.AS), Brussels and on the New York Stock Exchange (ADRs: ING US, ING.N).

Sustainability is an integral part of ING's strategy, evidenced by ING's leading position in sector benchmarks. ING's Environmental, Social and Governance (ESG) rating by MSCI was affirmed 'AA' in July 2023. As of December 2023, Sustainalytics considers ING's management of ESG material risk to be 'strong'. ING Group shares are also included in major sustainability and ESG index products of leading providers Euronext, STOXX, Morningstar and FTSE Russell.

Society is transitioning to a low-carbon economy. So are our clients, and so is ING. We finance a lot of sustainable activities, but we still finance more that's not. Follow our progress on ing.com/climate.

ING in Asia Pacific
In Asia Pacific, ING offers wholesale banking across 11 markets, namely Australia, China, Hong Kong SAR, India, Indonesia, Japan, the Philippines, Singapore, South Korea, Taiwan and Vietnam.

ING offers both retail and wholesale banking services in Australia. ING's regional presence includes a 13% stake in Bank of Beijing, China and a 23% stake in TMBThanachart Bank in Thailand.