



Media Release

RAM Ratings upgrades the Philippines' ASEAN-scale rating to $_{\text{sea}}A_{1(\text{pi})}$ /Stable

RAM Ratings has upgraded the ASEAN-scale rating of the Philippines to $_{\text{sea}}A_{1(\text{pi})}$ /Stable from $_{\text{sea}}A_{2(\text{pi})}$ /Positive, in view of the impressive progress in the implementation of key legislative and administrative reforms. "The continuous enactment of laws is expected to provide long-term benefits and more inclusive growth," highlights Esther Lai, RAM's Head of Sovereign Ratings. The upgrade is also premised on the country's resilience, especially its ability to withstand external volatilities that compares favourably to ASEAN peers. A robust growth momentum, driven by the acceleration of public infrastructure spending and the country's persistently strong external position, anchors the Philippines' global-scale rating of $_{\text{g}}BBB_{3(\text{pi})}$ /Stable while structural issues such as elevated underemployment and poverty rates remain long-term constraints.

Amendments to the Build Operate Transfer Law and the Right of Way Act that was passed into law in February 2016 should address bottlenecks in infrastructure projects by providing clear and standard guidelines for the acquisition of properties for this purpose. Besides simplified business regulations, especially as regards construction permits to overcome costly and complex requirements, an executive order on the Freedom of Information Bill to strengthen law and order and promote transparency within the government is viewed positively. We expect GDP growth to accelerate to 6.5% in 2016 (2015: 5.9%) as more Public-Private Partnership projects are implemented and the government's budget planning and execution process improves.

The Philippines weathered a bout of financial volatility in 2015 relatively well. A USD2.1 billion (0.7% of GDP) net outflow of foreign portfolio investments resulting from global financial volatilities in 2015 – notably the US Federal Reserve's interest rate hike – has turned around since February 2016. Movements of the peso against the USD have been relatively mild, with the peso depreciating by only 5.7% through 2015, reflecting the Philippines' resilience to external shocks. Furthermore, the country's persistent current account surpluses stand out against its peers' deficits.

The Philippines' global-scale rating could be upgraded if current improvements are sustained and the growth momentum continues with increased domestic investments and FDI. In addition, successful implementation of government's new plans will be

viewed positively. As the continuity of current reforms and development plans that began during the tenure of the last administration is paramount to bolster investor confidence, RAM will continue to assess the current administration's stance on business-friendly economic policies, apart from its commitment to strengthening law and order and maintaining current macroeconomic policies.

Analytical contact

Lynette Lee
+603 7628 1182
lynette@ram.com.my

Media contact

Padthma Subbiah
(603) 7628 1162
padthma@ram.com.my

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