Philippine Economic Updates

Vol. 1-2024, March 2024

INVESTOR RELATIONS GROUP
Think Growth. Think Philippines.

Economy sustains broad-based growth in 2023 on robust domestic demand

- GDP expanded by 5.6% in Q4 2023, showing robust domestic demand coming from household consumption at 5.3% and a turnaround of investments at 11.2% (vs. -1.4% in Q3). This growth is anchored on better employment settings, sustained overseas Filipino (OF) remittances and a bounce back of tourism-related spending. Growth in investments was driven by construction that grew by 10.1%, owing to private and public construction, which is expected to benefit from the government's infrastructure ("Build Better More") and housing programs. Major economic sectors posted growth with agriculture, industry, and services, growing by 1.4%, 3.2% and 7.4%, respectively.
- The Philippines remains one of the best performing economies in Southeast Asia, following Vietnam's GDP growth of 6.7% in Q4 2023, while surpassing Indonesia at 5.0%, Malaysia at 3.0%, Singapore at 2.2%, and Thailand 1.7%.
- Full year GDP growth reached 5.6%, exceeding IMF's forecast of 5.3%.
- The government projects growth to reach 6.5%-7.5% in 2024 and 6.5%-8.0% in 2025-2028 as it pushes for strategies to boost economic growth and ensures that the Philippines remains on track with its medium- to long-term goals.

JCR affirms the Philippines credit rating at 'A-'; outlook 'Stable'

- In March 2024, JCR affirmed the Philippines' "A-" rating and has kept the outlook at "stable," citing high and sustained economic growth on the back of solid domestic demand, low-level external debt, resilience to external shocks supported by accumulated foreign exchange reserves, and its solid fiscal base as credit strengths.
- The rating agency highlighted the country's robust external payments position, which will provide cushion against potential spillovers should there be flight to safe haven assets.

BSP remains prepared to resume monetary tightening as necessary to steer inflation toward a target-consistent path

- Inflation inched up to 3.4% year-on-year in February from 2.8% in January 2024, still within the BSP's 2-4% target range. This is consistent with the BSP's expectations that inflation will remain within the target range in Q1 2024. Inflation could temporarily accelerate slightly above the target range in Q2 2024 due to the adverse impact of El Niño weather conditions on agricultural production and positive base effects.
- Looking ahead, the BSP deems it necessary to keep monetary policy settings sufficiently tight in the near term to better anchor inflation expectations and mitigate second-round effects. The BSP will also continue to monitor price developments and will take appropriate action as needed to secure the inflation target over the medium term in keeping with the BSP's price stability mandate.

Philippines' Credit Ratings
As of 6 March 2024

Fitch	Affirmed at BBB/Stable – Nov 2023
R&I	Affirmed at BBB+/Positive – Aug 2023
JCR	Affirmed at A-/Stable – Mar 2024
S&P	Affirmed at BBB+/Stable – Nov 2023
Moody's	Affirmed at Baa2/Stable – Sep 2022

JCR's Select Evaluation Factors
6 March 2024

Economic Base/Policies

The real GDP growth rate in 2023 was 5.6% on strong private consumption supported by a favorable employment environment and solid remittances from Filipinos abroad. The growth of fixed capital formation owing to upbeat construction activities also helped.
JCR forecasts real GDP growth of 6% in 2024, supported by recovery of external demand and tourism demand, and solid private consumption.

Fiscal Base

The fiscal consolidation efforts is producing good results, and JCR believes the government will maintain fiscal soundness.

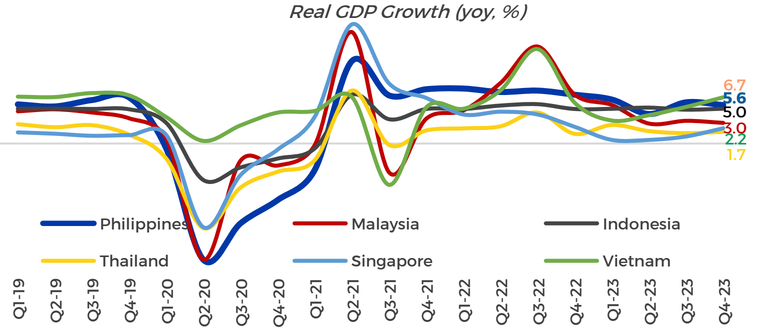
Resilience to External Shocks

Robust foreign currency liquidity position as shown by improving BOP on account of increasing remittances, BPO receipts and tourism revenues, and contained external debt.

Commitment toward a sustained rapid, solid, and inclusive economy

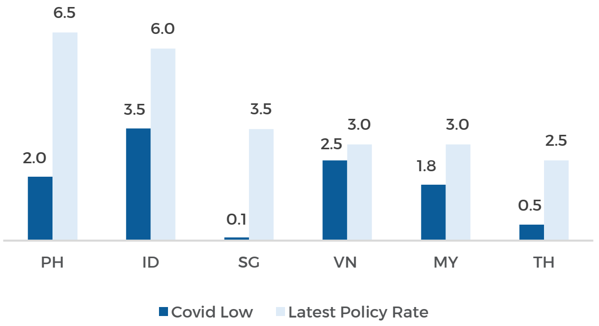
Sustained solid growth anchored on sound fundamentals
Real GDP Growth (yoy, %)

The Philippines remains among the fastest growing economies in Southeast Asia
Real GDP Growth (yoy, %)



BSP remains prepared to resume monetary tightening as necessary to steer inflation toward a target-consistent path[1/]

Policy Rates (%)



Headline CPI of Selected ASEAN countries

	ID	MY	PH	SG	TH	VN
Jan-22	2.2	2.3	3.0	4.0	3.2	1.9
Feb-22	2.1	2.2	3.0	4.3	5.3	1.4
Mar-22	2.6	2.2	4.0	5.4	5.7	2.4
Apr-22	3.5	2.3	4.9	5.4	4.6	2.6
May-22	3.6	2.8	5.4	5.6	7.1	2.9
Jun-22	4.3	3.4	6.1	6.7	7.7	3.4
Jul-22	4.9	4.4	6.4	7.0	7.6	3.1
Aug-22	4.7	4.7	6.3	7.5	7.9	2.9
Sep-22	6.0	4.5	6.9	7.5	6.4	3.9
Oct-22	5.7	4.0	7.7	6.7	6.0	4.3
Nov-22	5.4	4.0	8.0	6.7	5.5	4.4
Dec-22	5.5	3.8	8.1	6.5	5.9	4.5
Jan-23	5.1	3.7	8.7	6.6	5.0	4.9
Feb-23	5.4	3.7	8.6	6.3	3.8	4.3
Mar-23	5.0	3.4	7.6	5.5	2.8	3.4
Apr-23	4.4	3.3	6.6	5.7	2.7	2.8
May-23	4.1	2.8	6.1	5.1	0.5	2.4
Jun-23	3.5	2.4	5.4	4.5	0.2	2.0
Jul-23	3.1	2.0	4.7	4.1	0.4	2.1
Aug-23	3.4	2.0	5.3	4.0	0.9	3.0
Sep-23	2.3	1.9	6.1	4.1	0.3	3.7
Oct-23	2.6	1.8	4.9	4.7	-0.3	3.6
Nov-23	3.0	1.5	4.1	3.6	-0.4	3.4
Dec-23	2.8	1.5	3.9	3.7	-0.8	3.6
Jan-24	2.6	1.5	2.8	2.9	-1.1	3.4
Feb-24	2.8	N/A	3.4	N/A	-0.8	4.0

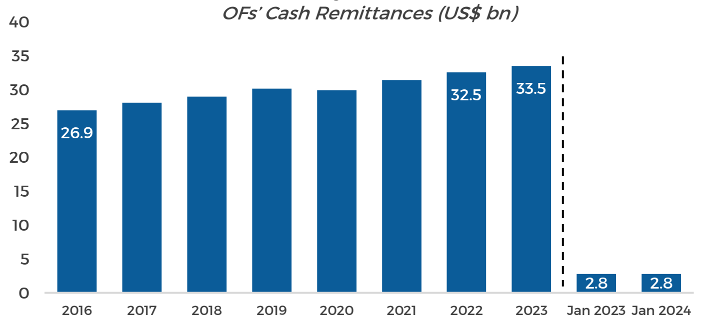
1/ Since May 2022, the BSP has increased its policy rate by 450 bps.

*High end of GDP growth target for 2023 and 2024.

Source: NEDA, DBM, PSA, Bloomberg, BSP, CEIC, and other Central Bank Websites

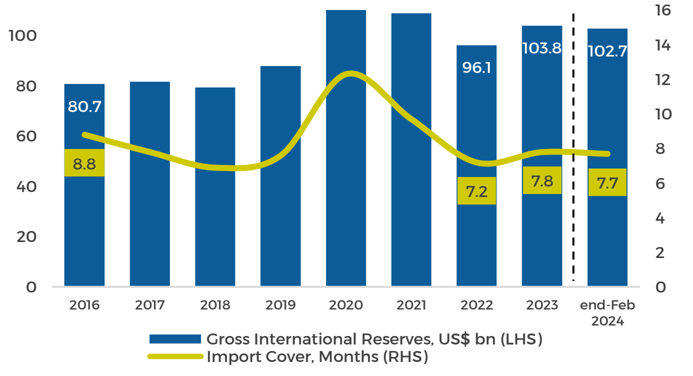
Remittances are a strong source of growth and stability for the Peso

OFs' Cash Remittances (US$ bn)



Ample reserves support solid external position

Gross International Reserves (US$ bn); Import Cover (months)

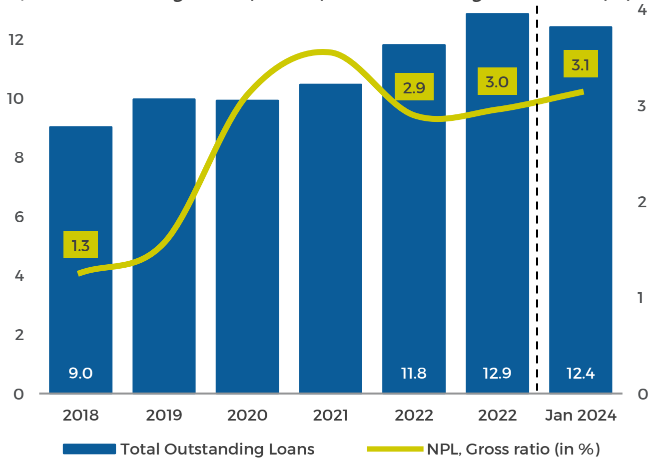


Strong loan expansion led by household consumption

Sectors	Jan 2024 (PHP bn)	Share to Total (Net of RRPs,%)	Growth (%)
Loans to Productive Sector	**9,915.7**	**85.9**	**7.7**
Real Estate Activities	2,368.3	20.5	**11.5**
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	1,307.9	11.3	**8.8**
Manufacturing	1,214.0	10.5	**(0.4)**
Electricity, Gas, Steam and Air-Conditioning Supply	1,267.1	11.0	**12.0**
Financial and Insurance Activities	984.0	8.5	**(2.1)**
Construction	467.8	4.1	**11.4**
Information and Communication	629.9	5.5	**8.5**
Transportation and Storage	404.3	3.5	**19.1**
Agriculture, Forestry and Fishing	211.9	1.8	**3.0**
Others	1,060.6	9.2	**4.1**
Loans to Household Consumption	**1,286.3**	**11.1**	**33.1**
Loans to Residents, net of RRP Agreements	**11,202.0**	**97.0**	**10.1**
Loans to Non-Residents	**342.7**	**3.0**	**5.6**
Total Loans to Residents and Non-Residents, net of RRP	**11,544.8**	**100.0**	**10.0**

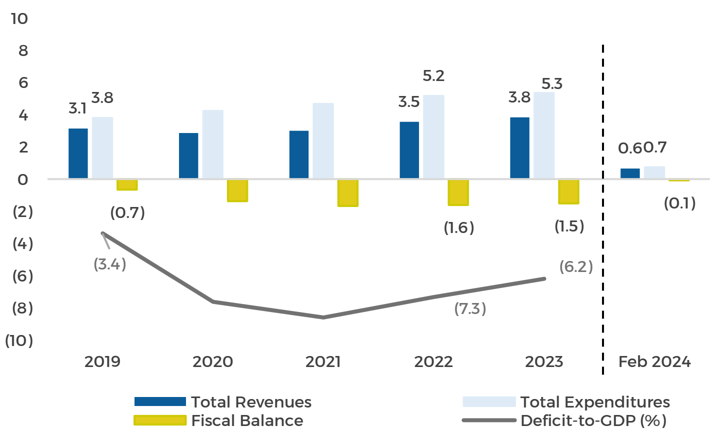
Improving loan demand while keeping asset quality manageable

U/KBs Outstanding Loans (PHP tn), Non-Performing Loans Ratio (%)



Efficient mobilization and utilization of resources to help achieve fiscal sustainability

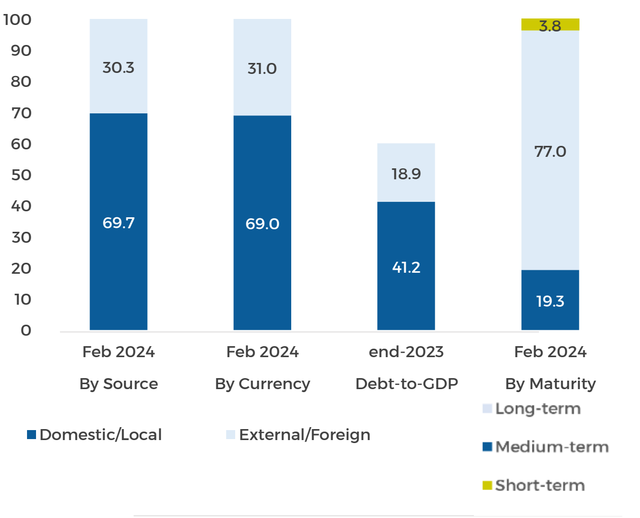
National Government (NG) Expenditure, Revenue, and Deficit (PHP tn)



Note: Figures may not add up due to rounding off

Debt structure remains resilient; on track with fiscal consolidation goal

National Government Outstanding Debt (% share)



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