COCOLIFE

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ECONOMIC AND MARKET UPDATE

The Philippine Economy at a Glance

GROSS DOMESTIC PRODUCT	FOREIGN EXCHANGE	INFLATION RATE	UNEMPLOYMENT RATE	BSP POLICY RATES	CREDIT RATINGS
7.6% (FY2022)	February 2023 P54.64/$ (2.00% stronger FTM) (2.00% weaker YTD)	8.1% (Dec 2022) (based on 2018 prices)	5.4% (2022)	**5.50%** (lending rate) **5.00%** (borrowing rate) **4.50%** (overnight deposit)	**BBB+** (Standard and Poor's) **BBB** (Fitch Ratings) **Baa2** (Moody's Investor)

Macroeconomic Updates

Inflation likely to breach 9.0% in February. According to the Bangko Sentral ng Pilipinas (BSP), the country's inflation rate will likely settle within 8.5% and 9.3% in February, still in a high position following the 8.7% in January. If realized, February would mark the 11th straight month that inflation would exceed the central bank's 2.0-4.0% target range. Markedly, the upper end of the forecast could be the fastest reading in more than 14 years since the 9.7% recorded in October 2008. The BSP cited the upward pressures stemming from higher petroleum prices coupled with the elevated prices of key food commodities. The Philippine Statistics Authority (PSA) will be releasing the February inflation print on March 7.

Nomura raises PH GDP forecast for 2023, 2024. Nomura Holdings, Inc. raised its Philippine gross domestic product (GDP) growth estimates for this year and 2024. The research group projected the country to grow by 5.5% in 2023 after a better-than-expected outturn of 7.2% in the fourth quarter of 2022, which brought full-year 2022 growth to 7.6%. Meanwhile, Nomura hiked its GDP growth projection to 6.3% for 2024 from 6.0%. Although, these estimates fall below the government's 6.0-7.0% target for 2023 and the 6.5-8.0% goal for 2024. The relatively large upward revisions to the US and China GDP growth forecasts have a material impact on local forecasts, particularly with the improving export channel for both goods and services.

BSP hikes rates, signals more to come. The Bangko Sentral ng Pilipinas (BSP) hiked its key policy rates by 50 basis points to 6.0%, unleashing another big rate hike during its first rate-setting for the year to step up its attack on inflation that unexpectedly hit a new record-high in January. The BSP added that the Monetary Board would consider stronger follow-through monetary policy measures to reduce inflation breaching its targets in 2023. The central bank raised its average inflation forecast for 2023 to 6.1% from 4.5% previously. This is beyond the BSP's 2.0-4.0% target range, and faster than the 5.8% full-year inflation in 2022.

PH unemployment rate settles to 3-year low in 2022. The country's unemployment rate eased to a new three-year low of 5.4% in 2022 amidst the slight uptick in December. In December alone, the jobless rate stood at 4.3%, a tad higher than November's 4.2%. This translates to 2.22 million jobless Filipinos in December, up 43,000 from the 2.18 million unemployed in November. The government remains committed to providing more, better and green job opportunities to Filipinos and sustaining a vibrant labor market through the strategies articulated in the Philippine Development Plan 2023-2028.

January money supply grows by 5.5%. The country's money supply grew moderately by 5.5% in January to P15.98 trillion. The latest data expanded slower than the 6.7% percent in December. On a monthly seasonally-adjusted basis, the BSP said domestic liquidity was "broadly unchanged". The local central bank said it will continue to make sure that the overall domestic liquidity conditions will remain consistent with the prevailing stance of monetary policy.

Forex reserves climb to $99.7B in January. The country's gross international reserves (GIR) climbed for the fourth straight month, hitting a six-month high of $99.72 billion in January from $96.15 billion in December. Markedly, the GIR level has been increasing since October 2022, reaching the highest level since the $99.84 billion recorded in July 2022. The latest data represents a more than adequate external liquidity buffer equivalent to 7.5 months' worth of imports of goods and payments. The buffer also covers about six times the country's external debt based on original maturity and four times based on residual maturity.

Remittances hit a record-high in 2022. The country's remittances jumped by 3.6% to $32.54 billion in 2022, exceeding the previous record of $31.42 billion in 2021. However, the 3.6% annual remittance increase fell short of the BSP's 4.0% projection as well as slower than the 5.1% expansion in 2021. In December alone, cash remittances jumped by 5.8% to a record $3.16 billion, from $2.99 billion a year earlier. The growth in remittances for December was also the fastest since the 7.0% seen in June 2021. For the coming year, the BSP expects remittances to grow by 4.0%.

BoP posts $3B surplus in January. The country's balance of payments (BoP) position swung to a surplus in January from a deficit a year ago, reflecting the proceeds of the government's global bond issuance. The latest data from the BSP showed a BoP surplus of $3.08 billion in January, a reversal of the $102 million deficit in January 2022. Also, this was significantly higher than the $612 million surplus in December 2022. Markedly, this was the largest BoP surplus in 26 months, since the $4.24 billion surfeit in December 2020. The BSP projects the BoP position to reach a $5.4-billion deficit by the end of 2023, which is equivalent to -1.3% of the GDP.

January 'hot money' surges anew. Philippine net foreign portfolio investments, also known as "hot money", posted a net inflow of $292.12 million in January, more than triple the $92.95 million in December 2022. The BSP said the January tally was also about 20 times larger than the $14.6-million net inflow in the same month last year. Year-to-date, including the first week of February, hot money yielded a net inflow of $316 million, surging by 276% from the $83.88 million net inflow in the same period last year. The BSP expects hot money to post a $5 billion net inflow this year, higher than the $886.7-million net inflows in 2022.

Peso tumbles on mixed reports. The Philippine peso closed at P55.33/dollar last February 28. The local currency weakened to a near two-month low following the data release of US personal consumption expenditures (PCE) inflation data, which fueled bets of more rate hikes from the US Federal Reserve. The souring bets lingered even as the weaker-than-expected US data dampened appetite for dollar. Nevertheless, on a year-to-date basis, the Peso still recorded an upside of 0.76% from end-2022's close of P55.76/$.

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