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
4.30% (2Q2023)	August 2023 P56.595/$ (3.13% weaker FTM) (1.51% weaker YTD)	5.3% (Aug 2023) (based on 2018 prices)	4.5% (6M2023)	**6.75%** (lending rate) **6.25%** (borrowing rate) **5.75%** (overnight deposit)	**BBB+** (Standard and Poor's) **BBB** (Fitch Ratings) **Baa2** (Moody's Investor)

Macroeconomic Updates

Inflation rises in August to 5.3%. According to the Philippine Statistics Authority (PSA), the country's inflation rate grew by 5.3% in August, higher than the 4.7% seen in July yet below the 6.6% recorded in the same period last year. The government cited the higher data as influenced by the increase in food, transport and energy prices. In turn, the eight-month inflation average tallied to 6.6%, above the 2.0-4.0% target band of the government.

BSP extends 'hawkish' rate pause, raises inflation forecasts. The Bangko Sentral ng Pilipinas (BSP) resolved to keep its key interest rates steady for a third straight meeting last August 17, but signaled its preparedness to resume tightening if needed amid risks to inflation. The latest move of the central bank came in line with the market expectations of another pause. Meanwhile, the BSP raised its inflation forecast for this year and next, reflecting the spike in global oil prices. The central bank revised its inflation forecast for 2023 to 5.6% from 5.4% previously and 3.3% from 2.9% for 2024, citing wage hikes and the recent rally in global oil prices. The BSP also hiked its 2025 inflation forecast to 3.4% from 3.2% previously.

PH GDP growth slowed to 4.3% in 2Q2023. The Philippine economy has grown at a slower pace on the second quarter of the year. According to PSA, the country's gross domestic product (GDP) increased by 4.3%, which was relatively lower than the 6.4% growth recorded in the first quarter of 2023 and significantly lower than 7.5% growth rate recorded in the same quarter last year. This is mainly attributed to the reduced government spending and capital formation in comparison with the seasonal presidential election period of last year.

Unemployment rate climbs in June. According to the latest Labor Force Survey (LFS) results released by the PSA, the country's unemployment rate inched up to 4.5% in June, translating to roughly 2.3 million jobless Filipinos. The agency noted a 159,000 increase from the 2.17 million posted in May 2023 though, this was lower than the 2.95 million posted in June 2022. Meanwhile, the June labor force participation rate (LFPR) was estimated at 66.1%, higher than the 64.8% seen int eh same period a year ago. The PSA said this would reflect a strong labor force as it reached 51.17 million.

Domestic liquidity grows by 5.9% in June. The country's money supply expanded by 5.9% in June slower than 6.6% in May. On a monthly seasonally adjusted basis, domestic liquidity increased by 0.2%, which can be attributed to the restrictive monetary policy measures as high borrowing costs weighed on the credit demand. The BSP said it will continue to ensure domestic liquidity conditions are consistent with price and financial stability.

July PH forex reserves near $100-B mark. The Philippines' gross international reserves (GIR) picked up to reach $99.7 billion in July, attributed to the increase in the value of the central bank's cache of gold amid rising prices. The BSP said the latest GIR level represents a sufficient liquidity buffer equivalent to 7.4 months' worth of imports of goods and payments of services and primary income. This could also cover about 5.9 times the country's short-term external debt based on original maturity and 4.1 times based on residual maturity.

Trade deficit shrank in June. The Philippine trade deficit continued to narrow in June even as imports contracted by double digits and exports posted only slight growth during the month. The PSA reported the balance-of-trade in goods posted a $3.92-billion deficit in June. This is narrower than the $4.45-billion deficit in May, and the $5.88-billion deficit the same month in the previous year. Exports stood at $6.70 billion, 0.8% higher than the $6.64 billion in June 2022, and 2.4% higher than the $6.473 billion in May. On the other hand, imports fell by 15.2% to $10.62 billion from $12.52 billion a year ago. Year-to-date, the exports for the first half of 2023 tallied to $34.94 billion, down by 9.3% from last year's $38.54 billion. Meanwhile, imports from January to June amounted to $62.90 billion, falling by 8.0% from last year's $68.38 billion. In turn, the first semester posted a trade gap of $27.96 billion, up from $23.99 billion the month before.

June remittances hit 6-month high. Remittances rose to a six-month high in June amid improved economic conditions in host countries which led to more job opportunities and better wages for OFWs. The June data rose by 2.1% to $2.81 billion from $2.75 billion in the same month in 2022. Notably, the remittance inflows are at the highest level since the $3.16 billion in December 2022. However, the 2.1% annual growth in cash remittances was the slowest in 13 months or since the 1.8% rise seen in May 2022. For the first six months of 2023, cash remittances rose by 2.9% to $15.79 billion, from $15.35 billion in the comparable period last year.

BoP deficit narrows to $53M in July. The country's balance of payments (BOP) narrowed to $53 million in July, as more dollars flowed out of the country to pay for the government's foreign debt. The latest data was significantly smaller than the $1.8-billion gap in the same month a year ago and $606 million in June. Markedly, this was the narrowest BoP deficit in three months or since the $148-million gap in April. In turn, the seven-month till July tallied to a BoP surplus of $2.21 billion, from the $4.92-billion deficit in the same period in 2022.

Budget deficit shrinks in July. Philippine fiscal balance swung to a narrower deficit in July amid double-digit growth in revenues and expenditures. The Treasury reported that the fiscal gap narrowed by 44.89% to P47.8 billion in July from P86.8 billion in the same month a year ago. Broken down, revenue collection rose to P411.7 billion from P308.6 billion in the same month a year ago. Meanwhile, state spending went up by 16.22% to P459.5 billion during the month from P395.4 billion a year ago. The government cited the increase in expenditures was mainly due to higher disbursements by the Social Welfare, Health and Agriculture departments. For the first seven months of the year, the budget gap narrowed by 21.22% to P599.5 billion from the P761-billion shortfall a year ago.

Hot money inflows surge to $962M. Foreign portfolio investments, also known as 'hot money', registered a net inflow for the second straight month in July. The latest data posted a net inflow of $962 million in July, a turnaround from the $103.14-million outflow in the same month in 2022. The net inflow in July was also significantly higher than the revised $280,000 net inflow in June. Year-to-date, BSP-registered foreign investments yielded a net inflow of $81.71 million, significantly lower than the $715-million net inflow in the same period last year.

Peso depreciates further on souring developments. The local unit closed at P56.595/dollar last August 31. Early on, the peso was dragged down by data showing slower GDP growth last quarter. The second-quarter print was slower than the revised 6.4% growth in the first quarter and 7.5% in the same period a year earlier. Sentiments were also spooked by the latest hawkish Fed signals despite the news of a cooling US inflation data. The US Chairman hinted at a prolonged period of elevated US policy rates to cool still-too-high inflation. Year-to-date, the Peso recorded a downside of 1.51% from end-2022's close of 55.76/$.

DISCLAIMER: Historical performance is not indicative of future results. The price per unit may go up or down depending on market fluctuations. The Fund is NOT a deposit product, and, as such, yields are NOT guaranteed. The performance of the fund is reflected by the Net Asset Value (NAV) computed at the end of each business day.

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