COCOLIFE

November 2023

ECONOMIC AND MARKET UPDATE

The Philippine Economy at a Glance

GROSS DOMESTIC PRODUCT	FOREIGN EXCHANGE	INFLATION RATE	UNEMPLOYMENT RATE	BSP POLICY RATES	CREDIT RATINGS
5.90% (3Q2023)	November 2023 P56.73/$ (2.19% stronger FTM) (0.48% stronger YTD)	4.1% (Nov 2023) (based on 2018 prices)	4.5% (9M2023)	**7.0%** (lending rate) **6.50%** (borrowing rate) **6.00%** (overnight deposit)	**BBB+** (Standard and Poor's) **BBB** (Fitch Ratings) **Baa2** (Moody's Investor)

Macroeconomic Updates

GDP climbs to 5.9% in the 3rd Quarter. The Philippine economy bounces back as the country's gross domestic product (GDP) records 5.9% growth rate on the 3rd quarter. This brings the year-to-date growth to 5.5%, falling short of the government's target 6.0%-7.0%. Economic managers said that a 7.2% growth in the last quarter will be needed to reach the lower-end of the growth target.

Inflation cools off further in November at 4.1%. The country's inflation rate substantially slowed to 4.1% in November from October's 4.9%, bringing the annual inflation to 6.2%. This was influenced by lower food and transport prices. With this, the chances of more BSP policy rate hikes have been quelled. If the trend continues, the BSP may start cutting rates in early 2024.

BSP pauses in November policy rate meeting yet remains hawkish. The BSP decided to keep the benchmark interest rates at 6.50%, citing the recent dip in the country's inflation figures for October helped ease the financial façade. Although, the central bank's Monetary Board Committee reiterated preparedness to resume tightening if needed. The BSP said the latest projections show the inflation outlook has moderated over the policy horizon.

September unemployment inches up to 4.5%. The Philippine unemployment rate climbed moderately by 4.5% in September. This translates a growth in the number of jobless Filipinos rising by 50,000 from a month earlier to 2.26 million in September, even as the underemployment rate hit its lowest level in over 18 years. Also, the government reported a decline in the number of people who sought more working hours to augment their income, a likely indication of better job quality. Meanwhile, the country's labor force participation rate (LFPR) was at 64.1%, lower than the 65.2% recorded in the comparable period a year ago.

Debt-to-GDP ratio falls to 60.2% at end of 3rd quarter. Government debt as a share of GDP fell to 60.2% at the end of the third quarter. With the latest developments, the government's end of year debt ratio is likely to be lower than the 2023 Medium Term Fiscal Framework (MTFF) target of 61.4%. Moreover, the NG debt-to-GDP ratio is on pace to fall below 60% earlier than the 2025 MTFF commitment.

Philippine foreign reserve breaches $100 billion level anew. Gross international reserve (GIR) went up to $101 billion last October. This means that the country has an adequate external liquidity buffer equivalent to 7.5 months' worth of imports of goods and payments of services and primary income. The October surfeit reflected inflows arising mainly from the government's net foreign currency deposits with the local central bank and its net foreign exchange operations and net income from its investments abroad. Year-to-date, the BOP surplus reached $3.2 billion, a turnaround from the $7.1-billion deficit comparable a year ago.

Trade gap shrinks to $3.5B in September. The country's exports contracted 6.3% in September, a turnaround from the 4.2% expansion seen in August. With this, the total export earnings amounted to $54.54 billion, down by 6.6% compared with a year ago. Meanwhile, imports declined substantially by 14.7% to $10.24 billion in September. Notably, this was worse than the 13.0% contraction in the previous month, sustaining a losing streak that started since February. The 9-month import data settled to $94.36 billion, dropping by 10.2% from the comparable period last year. Accordingly, the Philippine trade gap shrank by 27.0% to $3.51 billion in September. The Philippines' total external trade amounted to $16.97 billion in September, down by 11.6%.

PH remittances grow by 2.6% in September. Remittances from overseas Filipino workers (OFWs) increased at a slower pace of 2.6% in September from 2.8% in August amid the economic slowdown in some host countries. Markedly, this was the highest in two months since the $2.99 billion in July. For the first nine months of the year, remittances grew by 2.8% to $24.49 billion from $23.83 billion in the same period in 2022.

Balance of payments swing to surplus after 6 months of contraction. The local balance of payments (BOP) settled with a surplus of $1.5 billion in October, after seven months of deficit outturns, attributed to the fresh debt made by the government with foreign currency-based retail bond market. The latest data was more than double the $711 million recorded a year ago. Moreover, the last time monthly BOP registered a surplus was in March with $1.27 billion. After that, and throughout the next eight months, the tally of the country's transactions with the rest of the world registered a monthly deficit that ran as high as $606 million in June.

Foreign direct investments slide in August. The country's foreign direct investments (FDI) slid in August as elevated inflation and high-interest rates continued to dampen investor sentiment. FDI net inflows inched down by 0.3% 1% to $789 million from $797 million a year earlier. The local central bank said the drop in inflows reflected the contraction among foreigners' net investments in debt instruments. In turn, the year-to-date FDI net inflows stood at $5.5 billion, down 12.9% from $6.3 billion net inflows recorded in the same period last year.

Hot money continues to exit PH in October. Foreign portfolio investments, also known as hot money, reached $714.98 million from January to October, reversing the $305 million net inflow recorded in the same period last year. In October alone, the Philippines recorded a net outflow amounting to $328.19 million, reversing the $83.44 million net inflow recorded in the same month last year.

Philippine peso appreciates on improving market sentiments. The Philippine peso closed at P55.485 per dollar last November 30. The local currency climbs after Fed Governor Christopher Waller cited the possibility of reducing the federal funds rate in the coming months if the inflation data continues to ease. Moreover, the confidence in the market façade was boosted after the Organization of the Petroleum Exporting Countries (OPEC) postponed its meeting, trimming the odds of a production cut. Accordingly, the Peso recorded an upside of 0.48% from end-2022's close of P55.755/$.

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