COCOLIFE

December 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)	December 2023 P55.37/$ (0.22% stronger FTM) (0.69% stronger YTD)	3.9% (Dec 2023) (based on 2018 prices)	4.2% (10M2023)	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

NEDA sees PH hitting the economic growth target of 6%. The National Economic and Development Authority (NEDA) is positive the country will hit the low end of its economic growth target at 6.0% by the end of the year as Philippines posts gross domestic product (GDP) growth at 5.9% in the 3rd quarter bringing the year-to-date growth at 5.5%. Looking at the increasing Purchasing Manager's Index (PMI) as one indicator, NEDA is optimistic that the GDP forecast is achievable.

Inflation continues to cooldown in December. The country's inflation rate continues to cooldown as it records a year low 3.9% in December brought by the lower price growth in housing, water, electricity, gas, and other fuels. Notably, the latest data was below the market consensus of 4.0% and settled within the 3.6% to 4.4% range of the BSP for the December print, this substantially supports the notion for the central bank to cut down rates later in the year.

BSP pauses for the last time in 2023, still showing hawkish signs for 2024. The BSP has kept its key policy rates steady for the last time this 2023. The continued easing inflation data for the past two months has moved the central bank to pause its policy, despite this, BSP remained hawkish as 2024 considering the risks of El Niño, and geopolitical tensions which may disrupt food and oil prices.

Unemployment dips to 4.2% in October. The Philippine Statistics Authority (PSA) reported that the country's unemployment rate stood at 4.2% in October from the 4.5% in the previous month. There were about 2.09 million unemployed individuals in October 2023, which is lower than the 2.24 million recorded in October 2022.

PH foreign debt burden eases slightly in Q3. The outstanding foreign debt of borrowers in the Philippines, compared to the size of the economy as of end-September, decreased to 28.1% from 28.5% at end of June, thanks to faster-than-expected gross domestic product growth in the third quarter. This happened despite an increase in the foreign debt stock by 0.8% or $915 million to $118.8 billion from $117.9 billion. The rise in the debt level was due to adjustments in the prior period, such as borrowings made in previous quarters.

PH reserves rose to $101.3B in November. The country's gross international reserves (GIR) increased to $101.3 billion in November, up $268.6 million compared to the $101.0 billion reported last October. The increase was primarily caused by higher valuations of the central bank's gold holdings, driven by rising global gold prices, as well as earnings from overseas investments. This represents a more than adequate external liquidity buffer equivalent to 7.5 months' worth of imports of goods and payments of services and primary income.

Domestic liquidity went up in October. Domestic liquidity continued to expand in October as domestic claims posted double-digit growth during the period. Data showed that money supply was recorded at P16.72 trillion in October, 8.2% higher than P15.456 trillion the same month last year. This is also 0.4% higher than the P16.660 trillion in September, which also posted an 8.2% growth from P15.398 trillion in the same month in 2022. This comes as domestic claims posted an annual growth of 10.2% to P17.701 trillion.

October remittances up 3% to $3 billion. The BSP reported cash remittances increased by 3.0% to $3 billion in October from a year ago. Year-to-date, cash remittances through banks rose 2.8% to $27.49 billion. This was the highest since the all-time high of $3.49 billion recorded in December last year. In terms of pace, this was the fastest since the 3.8% increase recorded in April. The Philippines is likely to be among the top recipients of remittances for this year, with inflows projected to hit $40 billion, according to the World Bank.

PH balance-of-payments posts deficit of $216M in November. The country's balance-of-payments (BoP) deficit narrowed to $216 million in November from the $756-million gap a year ago. The deficit in November 2023 reflects outflow arising mainly from the National Government's (NG) payments of its foreign currency debt obligations.

Hot money flows positively in November. Foreign portfolio investments, also known as 'hot money', increased in November to snap a two-month run of net outflows. The latest data settled with a net inflow of $673 million, reversing the $328-million net outflow posted in October. Overall inflows for the month totaled $1.6 billion, this is 65.0% higher compared to October's $954 million, while gross outflows hit $902 million, 29.7% less than the $1.3 billion seen a month earlier.

Peso closes year on a brighter tone amidst improving appetite. The Philippine peso closed at P55.37 per dollar last December 29, appreciating by 0.22% from its P55.49 finish last November 30. The peso traded sideways as the market carefully watched over easing oil prices. Moreover, the peso gained through weakening dollar as investors weigh in the timing of the interest rate cuts from the Federal Reserve, as most market players anticipates a cut as early as March of 2024. Year-to-date, the local currency recorded a upside of 0.69% from end-2022's close of P55.76/$.

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.

COCOLIFE Bldg., 6807 Ayala Avenue, Makati City 1226 MCC PO Box 1681

Trunk line: (632) 8-812-9015 to 58 Customer Care Center: (632) 8-810-7888 Email: customer_service@cocolife.com Website: www.cocolife.com