

ECONOMIC AND MARKET UPDATE

The Philippine Economy at a Glance

GROSS DOMESTIC PRODUCT	FOREIGN EXCHANGE	INFLATION RATE	UNEMPLOYMENT RATE	BSP POLICY RATES	CREDIT RATINGS
<p>5.90% (3Q2023)</p>	February 2024 <p>P56.20/\$ (0.14% stronger FTM) (1.50% weaker YTD)</p>	<p>3.4% (Feb 2023) (based on 2018 prices)</p>	<p>4.3% (Full Year 2023)</p>	<p>7.0% (lending rate) 6.50% (borrowing rate) 6.00% (overnight deposit)</p>	<p>BBB+ (Standard and Poor's) BBB (Fitch Ratings) Baa2 (Moody's Investor)</p>

Macroeconomic Updates

Moody's Analytics hikes PHL growth forecast. Moody's Analytics raised its growth projection for the Philippines to 5.8% this year from 5.4% it gave in January, as strong demand for electronics could spur export growth in Asia-Pacific economies. The international agency expects the country to be the third-fastest performing economy in the region this year after India and Vietnam at 6.0%. Yet, the forecast is below the government's full-year gross domestic product (GDP) growth goal of 6.5-7.5% this year. Moody's cited the country as having "shown remarkable resilience thanks to electronics exports, relatively strong domestic demand, government spending and remittances".

BSP keeps rates unchanged amid easing inflation. The Bangko Sentral ng Pilipinas (BSP) decided to hold benchmark policy rates at 6.50% following its Monetary Board meeting last February 15 in spite of continued easing inflation. Despite being cautious, the central bank has been showing signals that it will start cutting rates this year as some view it may occur in the second half of the year.

Inflation upticks in February, settles within the gov't target. The country's Inflation picked up in February, recording a 3.4% increase amid faster growth in food and fuel prices. The latest data still hovered within the BSP's 2.0% to 4.0% medium-term inflation target and was widely expected along the El Niño phenomenon impacting agricultural commodities. Nevertheless, analysts still expect monetary policy easing later on the year as the core inflation settled to 3.6%.

PH unemployment rate drops to a 10 year low in December 2023. The unemployment rate dipped to 3.1% in December, coming off from a 3.6% recorded in November. The latest data translated to 1.60 million unemployed Filipinos in December, 230,000 less than November's figure of 1.83 million. It is also lower than the 2.22 million in December last year, reflecting a year-on-year drop of 620,000 unemployed individuals. The full-year 2023 unemployment rate records at 4.3%, down from 5.4% in 2022.

Money supply tames growth in December. Domestic liquidity grew by 5.9% in December last year to P17.4 trillion. The latest data was slower than the 7.0% increase in November. The BSP attributed this trend to domestic claims sluggishly growing by 9.0% in December from 9.7% in the previous month.

Philippines' foreign reserves down to \$103.4B in January. The Philippines' gross international reserves (GIR) saw a slight decline in January as it stood at \$103.4 billion, lower than the end-2023's \$103.8 billion. Furthermore, the decline in the value of the BSP's gold holdings was brought by some downward correction in world gold prices from record highs in December last year. The current reserves aid is adequate to buffer around 7.7 months' worth of imports of goods and payments of services and primary income.

Philippines opens 2024 with \$740-M BOP deficit. The Philippines opened the year with a balance of payments (BOP) deficit, the biggest in nearly a year to reflect outflows from the government's payments of its foreign currency debt. The BOP level records a \$740-million deficit in January, following the \$642-million surplus in December and the \$3.081-billion surplus in January 2023. The latest BOP deficit is also the widest since the \$895-million deficit recorded in February 2023, when the government withdrew from its foreign currency deposits to settle its debt obligations.

Remittances hit a record high in December. Remittances from overseas Filipinos surged to a record-high in December amid the holiday season. The BSP data showed that the latest data stood at \$3.28 billion in December, higher than the \$2.719 billion in November and up 3.8% from \$3.159 billion the same month in 2022. Year-to-date, remittances were recorded at \$33.491 billion, up 2.9% from \$32.539 billion in 2022.

2023 budget deficit narrows. The Philippine fiscal balance swung to a deficit of P1.51 trillion in 2023 compared to the P1.61 trillion seen full-year 2022. Despite being lower, the government noted that 2023's budget gap was slightly higher than the PHP1.50 trillion program approved by the Development Budget Coordination Committee (DBCC). Total revenues tallied to P3.82 trillion, higher by 7.86% from a year ago, driven by tax and non-tax revenue improvements. On the other hand, the full-year spending amounted to P5.34 trillion, 3.42% up from P5.15 trillion in 2022. The Treasury noted that the 2023 deficit went down to 6.2% of the gross domestic product (GDP), significantly lower than 2022's 7.3% deficit-to-GDP ratio.

November FDI net inflows highest in nearly two years. Foreign direct investment (FDI) inflows posted double-digit growth in November 2023 to mark the highest level in nearly two years, driven mainly by the expansion in debt instruments during the period. Net inflows were recorded at \$1.048 billion in November, up 27.8% from \$820 million the same month in 2022, and higher than the \$655 million in October. The latest showing is also the highest in nearly two years, since FDI net inflows came in at \$2.662 billion in December 2021.

Peso almost flat through February. The Philippine peso closed at P56.20 per dollar last February 29 up by 0.14% from its previous month's finish of P56.28/\$ last January 31. The local currency continued to strengthen after the US dollar weakened due to strong US data that tempered expectations of an early rate cut. The dollar was also generally weaker as the Fed minutes report was met with lukewarm sentiments. Markets have broadly pushed back expectations for a June US Fed rate relaxation. Despite this, the peso remained stale the currency was still down by 1.50% from its end-2023 level of P55.37/\$ alongside specks of uncertainty lurking in the global façade.

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.