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
5.90% (3Q2023)	March 2024 P56.24/$ (0.18% stronger FTM) (1.57% weaker YTD)	3.4% (Feb 2023) (based on 2018 prices)	4.5% (January 2024)	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

Inflation fallout to limit PH growth. The continuing effect of increasing inflation is anticipated to weigh on the Philippine's economy this year as S&P Global Ratings estimated the country's growth to likely to again miss target. S&P sees the Philippines to do relatively well compared to the region, but kind of a little bit under where growth has been in the recent few years as inflation is expected to accelerate further in March with the impact of El Niño on food prices. Despite this, S&P still expected consumer price growth to settle within target this year at 3.4%, further declining to 3.2% in 2025.

BSP sees inflation hitting 3.9% in March. The Bangko Sentral ng Pilipinas (BSP) anticipates the country's inflation rate likely be hotter in March to as high as 3.9% mainly due to base effects. Nonetheless, the inflation rate is expected to stay within the BSP's target range for the fourth straight month. A potential uptick in inflation over the next few months could prompt the local central bank to delay its rate easing cycle as concerns arise from the higher transport charges and uptick in food prices brough by the dry season.

BSP is likely to keep rates unchanged. The market expects the BSP to likely keep its rates unchanged in its upcoming April Monetary Board meeting as inflation has remained elevated but is expected to fall within the 2.0-4.0% target given the present conditions. Despite this BSP's narrative to impose a rate cut before the year end still stands as prices is viewed to ease after the dry season.

Unemployment rates were up in January after the holiday seasons. According to the Philippine Statistics Authority (PSA), the country's unemployment rate jumped by 4.5% in January from the 3.1% in December. The latest data would translate to around 2.15 million Filipinos are jobless. Despite the labor data being lower that its previous year's figure, it showcased a sudden uptick for the jobless population largely due to the end of seasonal demand in the labor market.

Philippines' GIR settles at $102.7B in February. The Philippines' gross international reserves (GIR) continued to decline in February as government carries on with settlement of some of its obligations, mostly foreign currency-denominated debt. The country's external buffers in end-February amounted to $102.671 billion, this is lower than the end-January 2024 level of $103.269 billion.

Remittances down to $2.836B. Remittances from Filipinos abroad eased during the first month of 2024, from a record-high seen in December 2023, as holiday season-related spending at the onset of new year waned. Remittances zoomed in to $2.84 billion in January 2024, this is lower than the record-high $3.28 billion cash remittances posted in December 2023. Compared to the same month last year, cash remittances grew by 2.7% from $2.762 billion in January 2023.

February hot money persists inflow. Short-term foreign portfolio investments stood at a net inflow in February. BSP data showed foreign investments registered with the central bank yielded net inflows of $689 million in February, a turnaround from $76-million net outflows recorded in January. The net hot money inflows last month resulted from gross inflows of $1.5 billion and gross outflows of $859 million. The $1.5-billion gross inflow of investments in February was higher by 25.3% than the $1.2-billion inflows seen in January.

Philippine gov't fiscal balance posts P88B surplus in January. The Philippine government's fiscal balance stood at a surplus in the first month of 2024, amid higher state collections which exceeded the growth in expenditures. January records a budget surplus of P88 billion, up 92.25% from a surplus of P45.7 billion in the same month in 2023. The fiscal outturn was brought about by a faster 21.15% year-over-year increase in revenue collection driven by higher tax collections, which accounted for the bulk, or 91.31%, representing P385.2 billion of the total collections.

PH net external liability remains higher in December. The country's net external liability position went up at the end of 2023. The net external liability position posted a $51.3 billion, this was 8.1% higher than the $47.5 billion posted in the 3rd quarter of the same year and up 25.2% from $41.0 billion in December 2022. This is mainly due to the 4.9% expansion in external liabilities having outpacing 4.3% growth in external assets. Outstanding external financial assets totaled $241.4 billion, while external financial liabilities reached $292.8 billion. External financial assets surged as reserves rose to $103.8 billion, up from $98.1 billion as of end-September.

Peso continues to be flat for the third month. The Philippine peso closed at P56.25 per dollar last March 27 up by 0.08% from the P56.20 per dollar close last February 29. The peso traded sideways through the month with mixed views on US rate cut timing. More so, the continued rhetorics of some BSP officials to