COCOLIFE

April 2024

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)	April 2024 P57.54/$ (2.29% stronger FTM) (3.23% weaker YTD)	3.8% (Apr 2024) (based on 2018 prices)	3.5% (February 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

DOF: PH GDP may record a higher rate in 1Q2024. The Department of Finance (DOF) said it expects the Philippine economy to expand faster in the first quarter within 5.8% and 6.3%, brought by increased manufacturing activities and boosted local demand.

Inflation settles at 3.8% April. The Philippine Statistics Authority reported that the country's inflation rate climbed to 3.8% in April, which was a tad higher than March's 3.7%, attributed to the onslaught of higher food prices, transport costs, and depreciating Philippine peso. Year-to-date, the inflation print averaged to 3.4% in the first four months of the year. With the current facade, the expectations of an interest rate cut would remain out of the table for the local central bank.

Unemployment eases in February. The country's unemployment rate fell to 3.5% in February on the back of increased demand for labor due to the opening of classes and the beginning of the harvest season. Unemployment may continue within the level in March as demand for manufactured goods rose in the first quarter of 2024.

OFW remittances up to $2.65B in February. The Philippines' remittances increased by 3.0% to $2.65 billion in February from $2.57 billion in the same month last year. Markedly, this was the lowest since the $2.49 billion recorded in May 2023, although the annual growth rate was the fastest since the 3.8% booked last December 2023. In the first two months of the year, the BSP reported a 2.8% rise in cash remittances to $5.48 billion compared to $5.33 billion in the same period in 2023.

March posts $1.2B BOP surplus. The Philippines posted a $1.2-billion balance of payments (BOP) surplus in March. The BOP surplus was slightly lower than the $1.3 billion surplus recorded in March last year. The surfeit reflected inflows arising mainly from the government's net foreign currency deposits with BSP and net income from the BSP's investments abroad. For the first quarter of the year, the BOP level was at $238-million surplus, significantly lower than the $3.5-billion surplus recorded in January to March 2023.

Debt drops slightly to P14.93T in March 2024. The Philippines' sovereign debt declined in March on the back of the redemption of domestic government securities during the month. The national government's total outstanding debt was P14.93 trillion as of end-March, reflecting a P252.98 billion or 1.67% decline from P15.18 trillion as of end-February. This is also 7.71% higher than the P13.856 trillion as of end-March 2023. The decline resulted from the P299.4 billion net redemption of government securities offsetting the P0.24-billion effect of peso depreciation on foreign currency domestic debt.

PH budget deficit hits three-month high in March. The government's budget deficit widened further to the biggest in three months in March but still narrower than that recorded in the same month last year. The budget deficit stood at P195.9 billion, 6.82% narrower than the P210.3 billion in March 2023, but the widest since December 2023. Government revenues for the month stood at P287.9 billion, while expenditures increased by 3.18% to P483.8 billion, including P70.9 billion worth of interest payments.

FDI net inflows grow by 89.9%. Foreign direct investment (FDI) that flowed into the Philippines grew year-on-year by 89.9% in January to 907 million US dollars. The increase in FDI was supported mainly by the 173.2% expansion in nonresidents' net investments in debt instruments to $820 million from $300 million in January 2023.

Foreign reserves rose to $104B in March. The Philippines' gross international reserves (GIR) rose as of end-March at $104 billion coming from $102 billion end-February. The month-on-month increase in the external buffers reflected the government's net foreign currency deposits with the BSP, upward valuation adjustments in the value of the BSP's gold holdings due to the increase in the price of gold in the global market, and net income from the BSP's investments abroad.

PH hot money returns to net outflow. The Philippines posted net hot money outflows in March as more flows exited the country while inflows declined during the month. Short-term foreign portfolio investments registered a net outflow of $236.02 million in March, reversing the $689.27 million net inflow recorded the previous month. This compares with the $70.26 million net outflow in March 2023, and the widest outflow in five months since the $328.19 million net outflow in October 2023.

Philippine peso cascades to new-lows. The Philippine peso closed at P57.54 per dollar last April 30, a 2.29% depreciation from March's close. Sentiment went sour on elevated inflation in March resulting to hot money outflows keeping the exchange rates to hover above the P57 per dollar throughout the month.