

Macro Developments: Upgrades in Philippine growth forecasts and further monetary policy tightening

IMF and ADB hike Philippine GDP growth projections for 2022

- ▶ The International Monetary Fund (IMF) raised its Philippine GDP growth forecast for 2022 to 6.7% from 6.5%, owing to the strong recovery momentum in the first half of the year, with the country's real GDP returning to its pre-pandemic level.
- ▶ The Asian Development Bank (ADB) also upgraded its growth forecast for the Philippines this year to at least 6.5% from 6% on the back of a stronger-than-expected growth in the first quarter, underpinned by a recovery in investment and household consumption. ADB's latest growth estimate ties the Philippines with Vietnam as the fastest growing among the Southeast Asian economies, which ADB expects to expand at an average growth rate of 5%.

Philippine central bank signals more policy tightening in August

- ▶ The Bangko Sentral ng Pilipinas (BSP) raised benchmark interest rates by 75 basis points (bps) to 3.25% in a surprise move on July 14 and has signaled another 25-bp to 50-bp hike at its next meeting on August 18. So far, the BSP has increased rates by 125 bps this year in an effort to temper inflationary pressures.

Industry Watch: Office take-up and retail occupancy approach pre-pandemic levels

Metro Manila office market registers highest net absorption since the pandemic

- ▶ According to Colliers Philippines, net absorption in the Metro Manila office market in the second quarter of the year improved to 45,100 square meters (sq.m.), driven by demand from traditional firms and business process outsourcing (BPO) firms. This marks two consecutive quarters of positive net absorption, following a net take-up of 26,400 sq.m. in the first quarter.
- ▶ With the sustained positive absorption, Colliers expects office space take-up to reach 350,000 sq.m. for the full year, an improvement from the -273,100 sq.m. in 2021, as traditional firms implement return-to-office (RTO) mandates and BPO firms pursue their expansion plans.

Retail vacancy rates seen to return to pre-pandemic levels by year-end

- ▶ According to Santos Knight Frank (SKF), brick-and-mortar retail, which is among the hardest hit during the pandemic, will post a strong recovery in 2022, as evidenced by the 4.6% vacancy rate in the second quarter of the year, which is close to the 3.6% rate recorded in the fourth quarter of 2019.
- ▶ While other commercial real estate sectors have seen a return of activity, SKF noted that the retail sector has shown the most significant recovery, owing to the easing of travel restrictions, pent-up demand for consumption, high vaccination rates, and RTO mandates.

Going Public: Cold storage firm eyes IPO for expansion

ORCA Cold Chain Solutions files for USD27M IPO

- ▶ ISOC Cold Chain Logistics, Inc., which operates under the business name ORCA Cold Chain Solutions (ORCA), has filed an application with the Securities and Exchange Commission to hold an initial public offering (IPO) worth nearly PHP1.5B (or USD27M). The target offer period is in October 2022.
- ▶ ORCA will use the net proceeds of around USD15M for land acquisition, expansion of existing facilities to accommodate additional value-added services, and development of new cold storage facilities across the country. The company, which is a pioneer in automating the local cold storage industry, seeks to double its cold storage capacity to around 70,000 pallets over the next five years and to establish a nationwide presence.

Startup Spotlight: Fast Logistics and CVC invest in local tech startup

Packworks successfully closes USD2M seed round

- ▶ Packworks, a local startup that launched a mobile Enterprise Resource Planning (ERP) platform for sari-sari stores (or small neighborhood convenience stores), raised USD2M in a seed round led by end-to-end logistics player Fast Group and global private equity firm CVC Capital Partners, with participation from ADB Ventures, Arise, Techstars, and IdeaSpace Foundation.
- ▶ New funding will be used to develop Packworks' super app, create a department that directly engages the sari-sari stores and provides additional services, and build an open platform for financial institutions and brands to directly connect with the store owners.