

Macro Developments: Inflation hits 4-year high and interest rate hikes expected

Philippine inflation rose to 6.9% in September from 6.3% in August

- ▶ The September inflation rate, which fell within the 6.6%-7.4% target range of the Bangko Sentral ng Pilipinas (BSP), was driven mainly by high food and utility prices. Year-to-date inflation now sits at 5.1%, above the central bank's 2%-4% band for 2022. Core inflation, which excludes food and energy items, eased slightly to 4.5% in September from August's 4.6%.

Central bank expected to raise interest rates

- ▶ The latest inflation figures reinforced expectations that the BSP, which so far raised rates by a total of 225 basis points (bps) this year, would deliver more rate hikes at its November and December meetings. Earlier, the BSP said it was prepared to take further policy actions to bring inflation toward a target-consistent path over the medium term. ING Bank economist Nicholas Mapa expects the BSP to lift its key policy rate, currently at 4.25%, by 50 bps at each of its two meetings.

Acquisition Activity: Ayala and Gokongwei groups to merge banks; San Miguel to acquire major cement maker

Bank of the Philippine Islands (BPI) and Robinsons Bank Corp. (RBC) announce merger

- ▶ BPI, owned by the Ayala group, and RBC, owned by the Gokongwei group, announced plans to complete a merger process before the end of 2023, with BPI as the surviving entity. The deal is subject to shareholder and regulatory approvals from the BSP, the Philippine Competition Commission (PCC), and the Securities and Exchange Commission.
- ▶ According to Fitch Ratings, the planned merger may enhance BPI's market share by approximately 0.9%. Based on BSP data as of end-June 2022, BPI is the country's 2nd largest private bank with USD 41B in total assets, second to Sy-led BDO Unibank with USD 62B. Meanwhile, RBC ranked 16th with total assets of USD 3B.

San Miguel Corp. to acquire Eagle Cement for USD 1.6B

- ▶ Philippine conglomerate San Miguel is set to acquire Eagle Cement for USD 1.6B in a move aimed at strengthening the former's infrastructure business. In recent years, San Miguel expanded into infrastructure pursuits, including the construction of expressways and the development of an international airport north of Manila.
- ▶ The proposed transaction is subject to clearance with the PCC and will trigger a tender offer of the shares held by the minority shareholders of Eagle Cement. San Miguel's president, Ramon Ang, is also the chairman of Eagle Cement and heads a company that is Eagle Cement's biggest shareholder.

Startup Scene: Cloud kitchen CloudEats and online shipping platform Shipmates raise capital

Startups CloudEats and Shipmates raise USD 7M and USD 2.2M, respectively

- ▶ CloudEats, a cloud kitchen operator in Southeast Asia, raised a USD 7M Series A extension led by Nordstar to develop its brands, grow its team, and invest in shared kitchen technology. The startup currently operates 25 ghost kitchens across the Philippines and Vietnam, up from 7 Philippine kitchens when it raised its Series A in October 2021.
- ▶ Shipmates, a Y-Combinator backed shipping platform, raised USD 2.2M in its seed funding round, which was participated by Wavemaker Partners, Cathexis Ventures, Taurus Ventures, and other investors. Founded in July 2021, the startup is a courier aggregator that connects online channels, including Shopify and WooCommerce, to both standard and on-demand couriers.

Industry Spotlight: Blockchain and cryptocurrency in the Philippines

Binance looks to secure Philippine regulatory licenses through a company acquisition

- ▶ Global cryptocurrency exchange Binance announced that they are in late stage talks to buy a company that has virtual asset services provider and electronic money issuer licenses, which would allow Binance to facilitate the exchange of virtual assets in the country. Kenneth Stern, Binance general manager for the Philippines, is upbeat about the prospects of cryptocurrency adoption in the Philippines, citing the country's young demographics that form the target market for crypto usage.

First PH Blockchain Week to be held from 28 November to 4 December 2022 in Newport World Resorts in Pasay City

- ▶ The event aims to educate Filipinos about blockchain technology and the opportunities it can offer various industries. Donald Lim, lead convenor of the event, said that the "Philippines has the numbers to become a blockchain hub. Our population is at 110 million, with a median age of 25. We also have the highest internet penetration and the highest NFT penetration rate of a digital population." Industry partners for the event include Fintech Alliance and the Management Association of the Philippines.