

Macro Movements: PH GDP expected to grow over 7%; BBB+ rating affirmed by S&P Global

National Economic Development Authority (NEDA) announces forecast of over 7% for PH 2022 GDP

- ▶ NEDA announced that the local economy is on track to grow within the government's target of 6.5-7.5% as it expects growth to be over 7% in 2022. GDP grew by 7.7% during the period of January to September 2022 and needs to grow by 3.3-6.9% in 4Q 2022 to meet the target. S&P Global hiked its Philippine GDP forecast from 6.3% to 7.1%.

S&P Global affirms BBB+ PH investment grade rating

- ▶ S&P Global affirmed the Philippines' BBB+ investment grade rating as a reflection of its above-average economic growth potential and its ability to maintain its growth rates. It stated that the ongoing economic recovery from the pandemic should facilitate a reduction in the general government deficit and stabilize the debt burden.

Trade Relations: Philippines could sign RCEP trade agreement by early 2023

Department of Trade and Industry (DTI) optimistic of Senate's concurrence to RCEP

- ▶ During the Philippines' National Export Congress 2022, DTI announced that it has been in close coordination with the country's senators regarding the Regional Comprehensive Economic Partnership (RCEP) and other free trade agreements (FTA). In October 2022, the President's Cabinet requested for the Senate's concurrence to the RCEP.
- ▶ DTI is optimistic of the Senate's consideration of the RCEP given its urgency and importance as the world's largest FTA. The Philippines and Myanmar are the only remaining countries that haven't finalize their participation in the RCEP, while other jurisdictions started participating from the beginning of 2022.

Deal Spotlight: MUFG acquires Home Credit PH; Tonik aims to enter new market through TendoPay acquisition

Japanese holding company MUFG acquires Home Credit Philippines for USD 473M

- ▶ Mitsubishi UFJ Financial Group (MUFG) announced its full acquisition of HC Consumer Finance Philippines, a subsidiary of consumer finance company Home Credit (HC) based in the Netherlands, for USD 473M through MUFG Bank and its consolidated subsidiaries. The deal also involved the acquisition of 85% shares of HC Indonesia. Both HC subsidiaries have a total of 13 million loan customers and boast 20 million in collective app downloads.
- ▶ HC Philippines holds brand recognition and dominant market share for local point-of-sale loans. This transaction is expected to strengthen MUFG's business in Southeast Asia through collaboration with partner banks.

Tonik Financial acquires TendoPay

- ▶ Tonik Financial, the parent company of the country's first neobank Tonik Digital Bank, has agreed to acquire the Philippine business of Tendo Payment Solutions for an undisclosed amount. The deal involves TendoPay, a one-stop shop for financial wellness needs of employees with services that include obtaining loans with no interest, emergency cash loans, personal finance management tools, virtual cards, prepaid health insurance cards, and rewards programs.
- ▶ Through this acquisition, Tonik can enter the local employee benefits market and will be able to integrate payroll-enabled financial services into its operations.

Industry Watch: E-Commerce drives growth of digital economy

PH digital economy expected to reach a GMV of USD 35B by 2025

- ▶ According to the 2022 e-Conomy Southeast Asia Report 2022 by Google, Temasek and Bain & Co, the Philippines' digital economy is expected to grow at a 20% compound annual growth rate (CAGR) from USD 20B today, reaching a gross merchandise value (GMV) of USD 35B by 2025. E-commerce is projected to be the main driver of growth and is estimated to hit a USD 22B GMV by 2025 at 17% CAGR. The country's overall digital economy is projected to reach a GMV of USD 100-150B by 2030.
- ▶ Other sectors that contribute to the Philippine digital economy are online travel, transport and food, and online media. The report also noted that the country, along with Indonesia and Vietnam, have a "right to win" level 3 for digital banks due to the 75% unbanked or underbanked population.