

Macro Movements: Forecast-beating economic growth in 2022 and projections for 2023

The Philippines' GDP growth accelerated to 7.6% in 2022, the fastest growth in over four decades

- ▶ Fourth quarter GDP growth of 7.2% beat forecasts and brought full-year GDP expansion to 7.6%, above the government's target of 6.5 to 7.5% and faster than the 5.7% recorded in 2021. "The growth in domestic demand was met by expansion in the services and industry sectors, with production in most subsectors back to their pre-pandemic levels," according to the National Economic and Development Authority. Among countries in Asia that have reported GDP figures, the Philippines was second to Malaysia's 8.7% growth, and was ahead of Vietnam's 5.9% growth, Indonesia's 5.3%, and China's 2.9%.

Philippine 2023 GDP growth forecasted among the top range of Southeast Asian economies

- ▶ The World Bank is projecting 5.4% growth for the Philippines in 2023, which while slower than 2022's 7.6% print, is expected to be the second fastest growth in Southeast Asia next to Vietnam.
- ▶ The IMF maintains its 5% growth projection for the Philippines this year even as it slashed the forecast for the ASEAN-5 nations, which is seen to grow at 4.3%, amid an imminent global economic slowdown. IMF attributes the relative slowdown to a tighter policy stance and the confluence of global shocks. ING similarly forecasts Philippine GDP to grow at 5% this year due to the impact of elevated inflation, the relatively tight fiscal backdrop, and a projected global downturn.

Industry Insight: Strong office space demand and outsourcing industry growth

Office space net take-up is expected to double in 2023 from the 2022 level

- ▶ In 2023, net office space absorption is projected to reach 228,000 sqm on the back of demand from outsourcing firms in the healthcare, logistics, finance, and telco industries, along with take-up from government and shared service segments, according to real estate market research and advisory firm Colliers. Colliers projects 641,100 sqm of new office space to come online this year and expects flexible workspaces to continue to play a crucial role in tenants' post-Covid operations.

Outsourcing industry to see robust growth in local jobs and revenue generation

- ▶ The Philippine outsourcing industry employed 1.55 million Filipinos, contributed over USD 31 billion to the economy, and was the second largest source of foreign exchange earnings, according to the President and CEO of the IT Business Processing Association of the Philippines (IBPAP).
- ▶ In the next six years, IBPAP projects that the industry has the potential to add one million more new jobs, of which 56% are expected to be in the countryside, and generate over USD 59 billion in revenue, representing 8% of the Philippines' GDP. Over the pandemic in 2020-2022, the local outsourcing industry saw the addition of 225,000 new jobs.

Deal Spotlight: Philippine rum and grocery investments, and logistics startup and VC capital raising

Diageo to buy Don Papa Rum, a super-premium, dark rum from the Philippines

- ▶ British liquor company Diageo is buying Don Papa Rum, a Philippine brand, for USD 280 million upfront. The acquisition price could go up by an additional USD 192 million through to 2028, subject to the brand's performance, bringing the total price to USD 472 million. The acquisition is expected to close in the first half of 2023 and will be funded through existing cash reserves.

Creador and Navegar invest USD 55 million in DALI Stores, a chain of discount grocery stores in the Philippines

- ▶ Malaysia-headquartered private equity firm Creador and Philippine-based investment firm Navegar closed the investment in Switzerland-based DALI Stores in early January 2023. DALI, which operates 200 discount grocery stores across the country, focuses on private-label products in the food, personal care, and household categories. Creador's investment in DALI was made from its fifth fund, which closed above target with USD 700 million in commitments earlier last year.

Locad raises USD 11 million in Series A funding and Foxmont Capital secures USD 21.3 million for its second fund

- ▶ Locad, an e-commerce logistics startup, raised USD 11 million in Series A funding, which will go into developing its end-to-end fulfillment network in the Asia Pacific. Its recent funding round was led by Reefknot Investments and Kuehne & Nagel, together with Sequoia Capital India, Access Ventures, JG Digital Equity Ventures, Febe Ventures, and Foxmont Capital.
- ▶ Foxmont Capital Partners, a Philippines-based VC firm, secured USD 21.3 million for its second fund, bringing the firm's total net asset value to over USD 30 million across two funds. With its second fund, Foxmont, which has a portfolio of 31 startups, will continue to invest in early-stage startups founded by Filipinos and focused on the Philippines.