

Macro Movements: Philippines seen to lead regional growth, signals pause in monetary tightening

International Monetary Fund (IMF) expects the Philippine economy to outperform regional peers

- ▶ The IMF expects Philippine economic growth to remain the strongest in Southeast Asia (SEA) this year amid expectations of slower global growth. The multilateral lender forecasts the country's gross domestic product (GDP) to grow by 5.3% in 2023, outpacing the 4.2% average growth rate of the five Association of Southeast Asian Nations member countries (ASEAN-5). IMF's 2023 growth outlook for the Philippines places it as the second-fastest growing economy in emerging and developing Asia, next to India, which is seen to grow at a rate of 6.3% this year.
- ▶ For 2024, the IMF expects Philippine GDP to expand by 6%, maintaining its position as the fastest growing among the ASEAN-5 and second-fastest growing in emerging and developing Asia.

Philippine central bank likely to keep rates unchanged in November meeting

- ▶ According to Bangko Sentral ng Pilipinas (BSP) Governor Eli M. Remolona Jr., the central bank's Monetary Board is likely to keep interest rates unchanged at its upcoming meeting on November 16. This comes after the Monetary Board delivered an off-cycle 25-basis-point rate hike on October 26, bringing the key policy rate to a 16-year high of 6.5%.
- ▶ The BSP sees average inflation at 5.8% this year, before easing to 3.5% in 2024 and 3.4% in 2025. However, monetary officials have said that the central bank could revise its inflation projections on November 16.

Industry Insight: Growing local office market activity to be driven by the outsourcing sector

Colliers sees continued growth in Philippine office market transactions in 2024

- ▶ Real estate consulting firm Colliers has reported that transactions in the local office market during the third quarter of 2023 totaled 197,000 square meters, representing a 17% increase from the same quarter last year. Colliers anticipates the strong momentum to continue into 2024, with an expected quarterly transaction growth of 10% to 15%, which will be driven by the sustained demand from business process outsourcing (BPO) firms seeking to increase their headcount.

Deal Spotlight: Warburg Pincus to acquire stake in healthcare BPO firm Everise

Warburg Pincus set to acquire stake in Everise, plans expansion through mergers and acquisitions (M&As)

- ▶ Global private equity (PE) firm Warburg Pincus is poised to acquire a stake in US-headquartered healthcare services outsourcing company Everise, facilitating the exit of Singapore-based PE firm Everstone Group. Subject to regulatory approvals, the transaction values Everise at approximately USD1B and is expected to close by the end of 2023.
- ▶ Warburg Pincus, with support from existing investor Brookfield Asset Management, plans to accelerate Everise's expansion through M&As. Currently, Everise is a leading player in the healthcare services outsourcing space, boasting over 19,000 employees across eight markets, including the Philippines.

Startup Scene: Local startups eye USD1B in funding this year; local digital economy seen to reach USD150B by 2030

Philippine startups expect to raise over USD1B in fresh capital for third straight year

- ▶ According to Foxmont Capital Partners' Philippine Venture Capital Report 2023, Philippine startups raised over USD2.1B in funding in 2021 and 2022, up 27 times from the USD40M raised in 2010. The local startups expect to sustain the growth this year, with new funding deals seen to be secured at the Geeks On A Beach (GOAB) international conference. The conference, which will be held in Bohol on November 22 to 24, gathers startup founders, venture capitalists, software engineers, and corporate and government executives.
- ▶ GOAB founder Tina Amper says the Philippines is gaining traction as a startup hub in the region, with its share in SEA dealmaking activity rising from 2% in 2020 to 9% in 2022. The growth has been attributed in part to the rapid adoption of digital wallets and e-commerce in the country.

Philippine digital economy projected to reach up to USD150B by 2030 amid continued e-commerce boom

- ▶ According to the e-Conomy SEA 2023 report by Google, Temasek Holdings, and Bain & Company, the local digital economy will likely reach between USD80B to USD150B in gross merchandise value (GMV) by 2030 on the back of a sustained e-commerce boom. For 2023 alone, the local digital economy is seen to grow by 13% to USD24B in GMV.
- ▶ The report indicates that while internet users in the Philippines are among the most active globally, digital participation across various sectors remains limited, signaling significant potential for further digital economic expansion as incomes increase over the medium to long term.