

Macro Movements: Banks uphold positive GDP growth outlook, November Inflation print reaches 14-month low at 4.1%

IMF, ADB, and BSP upholds positive GDP growth outlook for PH amid downturn predictions in other SEA countries

- ▶ IMF and ADB reaffirm their bullish GDP growth forecasts for the PH of 5.3% and 5.7% for 2023 and 6% and 6.2% for 2024, respectively, outpacing ADB's forecasts for its South East Asian peers. ADB also maintained previous forecasts for Indonesia and Singapore but made cuts on Malaysia, Thailand, and Vietnam citing the region's weak demand for manufacturing.
- ▶ BSP anticipates a robust year-end GDP surge driven by a manufacturing resurgence along with increased government and consumer spending. This follows a Q3 GDP growth of 5.9%, narrowly missing BSP's target of 6%. In line with IMF and ADB, BSP is optimistic about sustaining the country's growth momentum and achieving higher GDP growth levels in H1 2024.

November Inflation print reaches 14-month low, BSP signals higher-for-longer monetary policy on interest rates

- ▶ Headline inflation slowed to 4.1% in November, slightly missing BSP's target band of 2-4%. Market expects December inflation to settle within 3.6-4.4% as the lower prices of vegetables, fruits, petroleum, and electricity offset the higher prices of rice and meat. With 2023 year-to-date inflation averaging 6.5%, BSP revised its full-year inflation forecast down to 6%.
- ▶ BSP expects inflation to settle within the target band during Q1 2024 but temporarily exceed during Q2 citing inflation risks from base effects and the impact of El Niño, the dry season, on food and energy prices. Thus, BSP signals a higher for longer interest rate environment, maintaining a hawkish stance with a 6.5% benchmark rate.

Investment Updates: BOI and PEZA reach 2023 investment targets

Board of Investments reached a record high on approved investments in 2024, driven by the Renewable Energy sector

- ▶ The Board of Investments approved 303 projects amounting to PHP 1.16T (USD 21B) worth of commitments for 2023, surpassing the PHP 1.151T target, growing 59% Y-o-Y, and expected to generate 47,195 jobs.
- ▶ Foreign investments comprised 66% of this, soaring to PHP 763B, predominantly from Germany and the Netherlands. The Renewable Energy sector dominated with PHP 968B in investments, significantly outpacing the ICT sector's PHP 97B.

Export-oriented Philippine Economic Zone Authority (PEZA) anticipates investment rebound to PHP 250B to 300B levels

- ▶ PEZA approved 233 projects in 2023 totaling PHP 175.7B (USD 3B) in investments, growing 25% Y-o-Y, surpassing the PHP 155B target, and expected to create 40,527 jobs. Most of the investments came from Japan, US, Singapore, and the Netherlands with significant increases from South Korea, Taiwan, China, Australia and the EU.
- ▶ PEZA targets to grow back to historical levels of PHP 250B by 2024 focusing on the Electronics, IT-BPM, Automotive, EV, Metals, Bioplastics, Agro-processing, Mineral Processing, and Renewable Energy sectors.

Deal Spotlight: Cosco Capital to enter RE sector, Dagupan Electric Co and Citicore Renewables to expand through IPO

Cosco Capital to acquire 60% stake in Catuiran Hydropower Corp, marks its entry in the RE sector

- ▶ Lucio Co-led Cosco Capital, which owns retail player Puregold Price Club and beverage distributor The Keepers Holdings, seeks to acquire a majority stake in Catuiran Hydropower Corp marking its entry in the renewable energy sector.
- ▶ Pending regulatory approval, Cosco will own 60% of the 8-MW hydroelectric plant in Naujan, Oriental Mindoro.

Dagupan Electric Corporation scheduled to IPO on January 2024

- ▶ Dagupan Electric Corp, an electricity distributor in Pangasinan, received SEC approval for a PHP 1.17B (USD 21 M) IPO with shares at PHP 533 each, to enhance its operations in Pangasinan and explore investment opportunities in renewable energy.

Citicore Renewable Energy Corporation, the second largest solar producer, gears up for a PHP 12.9B IPO in March 2024

- ▶ Citicore Renewable Energy Corporation, a pure-play renewable energy firm, is set for an IPO, seeking up to PHP 12.9B (USD 230M), with a post-listing valuation nearing PHP 39B.
- ▶ The capital raised will fuel the company's ambitious projects to enhance solar energy capabilities and pioneer battery energy storage system development.