

Macro Movements: Sustained Philippine economic growth and potential interest rate reduction in 2024

World Bank and S&P forecast accelerated growth for the Philippines, surpassing regional peers

- ▶ The World Bank expects Philippine economic growth to accelerate in 2024 and 2025 to 5.8% from its 5.6% estimate for 2023. If the forecasts are realized, the Philippines would be the fastest-growing economy in the East Asia and Pacific region which, on average, is expected to grow by 4.5% in 2024 and 4.4% in 2025.
- ▶ Meanwhile, S&P projects a 5.6% expansion of the Philippine economy this year, underpinned by robust private consumption, infrastructure spending, and remittance inflows. In addition, S&P expects the rapid growth in exports from the information technology and business process outsourcing sectors, as well as a continued recovery in tourism, to support the country's economic growth in 2024.

Philippine central bank maintains its hawkish stance but indicates the possibility of a rate cut

- ▶ Bangko Sentral ng Pilipinas (BSP) Governor Eli Remolona said the central bank could implement rate cuts in the second half of 2024. The BSP's benchmark policy rate currently stands at a 17-year high of 6.5% following a total of 450 basis points of hikes since May 2022 to combat inflation.
- ▶ However, as upside risks to inflation remain, with the El Niño weather pattern seen to impact food prices, the BSP noted that strong economic growth in the fourth quarter of 2023 would give the central bank more room to hike interest rates.

Region in Focus: Clark as an emerging hub in Asia for global logistics companies

Three global logistics firms to invest USD 1 billion and set up regional hub in Clark

- ▶ The Bases Conversion and Development Authority (BCDA) is finalizing agreements with three global logistics companies who are looking to build their facilities at the Clark Freeport Zone and position the Philippines as their central hub in Asia.
- ▶ These firms plan to invest over PHP 56 billion (or USD 1 billion) within the year to commence their Philippine operations and to develop around 20 hectares out of the 70 hectares earmarked for airside facilities. The BCDA expects that these new businesses will generate up to 4,000 jobs in Clark.

Industry Insight: Growing attractiveness of the Philippines for renewable energy investments

Philippines named as a top destination for renewable energy investments

- ▶ According to a report by international think tank Global Energy Monitor, the Philippines holds the top position in Southeast Asia and the eighth globally for solar and wind power development potential. The country has 99 gigawatts of prospective capacity, representing 45% of the prospective capacity in Southeast Asia, and hosts a streamlined project bidding system, which facilitates a seamless development of project pipelines.
- ▶ Further, BloombergNEF's Climatescope report ranks the Philippines as the fourth most attractive developing economy in the world for renewable energy investments, owing to strong government targets for the country's transition to renewable energy and the lifting of foreign ownership restrictions on renewable energy projects.

Citicore gets the green light for its PHP 12.9 billion initial public offering (IPO)

- ▶ Citicore Renewable Energy Corp. (CREC) has secured the approval of the Securities and Exchange Commission for its PHP 12.9 billion (USD 230 million) IPO. CREC is the sponsor of Philippine Stock Exchange (PSE)-listed Citicore Energy REIT Corp. (CREIT) and is a pure-play renewable energy platform, which has ten operating solar assets with a combined installed capacity of 285 megawatts (MW), accounting for 19% of the country's renewable energy capacity.
- ▶ The share sale will be conducted from March 4 to 8, with a target listing date of March 15. The fresh capital raised from the IPO, amounting to PHP 11.2 billion (USD 200 million), will be used for the development of CREC's project pipeline, which comprises 6,446 MW in solar power generation and 812 MW in onshore wind.

Deal Spotlight: Six IPOs seen in the PSE for 2024

PSE expects to double the number of IPOs in 2024

- ▶ Following a year marked by more delistings than new listings, the local bourse expects a doubling of IPOs to six in 2024. The PSE projects a 24% year-on-year increase in funds raised through the exchange, totaling PHP 175 billion (USD 3.1 billion), with about PHP 40 billion (USD 714 million) anticipated from the IPOs.
- ▶ To boost trading activity, the PSE will lobby for regulatory reforms such as the reduction of the stock transaction tax to 0.1% from 0.6% and the dividend tax on non-residents to 10% from 25%.