

Macro Movements: BSP to hold policy rates steady; Philippine credit given investment-grade rating

BSP retains hawkish stance as rice inflation and El Nino risks drag CPI

- ▶ Headline CPI rose by 3.4% YoY in February from 2.8% in January, coming in at the higher end of the forecast range of 2.8%-3.6% by the Bangko Sentral ng Pilipinas (BSP). Subsequently, BSP Governor Eli Remolona Jr. discounted the possibility of a rate cut within the first half of the year, citing that such a move would be too soon. The next policy meeting is set for April 4 with the BSP expecting March inflation to accelerate to 3.9%
- ▶ Rice inflation was a major drag to February's Consumer Price Index (CPI) print, climbing 23.7% YoY, the highest level in 15 years. Moreover, the Agriculture department stated the damage caused by El Nino had already reached P1.75 billion, covering 32,231 hectares in eight regions.

Japan Credit Rating Authority maintains stable outlook on Philippine Economy

- ▶ The Japanese Credit Rating Agency (JCR) gave the Philippines an investment-grade credit rating of A minus, signaling stable economic outlook. JCR also projects Philippine GDP to increase to 6% in 2024, from 5.6% in 2023. Notably, the Philippine economy was among the fastest growing in Southeast Asia, outpacing Vietnam, Indonesia, Malaysia, and Thailand.
- ▶ Department of Finance Secretary Ralph Recto notes that this could drive foreign investment into the Philippines while providing the country with access to cheaper financing.

Region in Focus: President urged to declare a state of calamity in Metro Manila

Traffic within the Metro costing the Philippine economy as much as P3.5 billion daily

- ▶ The Management Association of the Philippines (MAP), through its Transportation and Infrastructure Committee, has called on the national government to declare a "state of traffic calamity" as traffic conditions worsen in the National Capital Region.
- ▶ Transportation and Infrastructure Committee Chairman Eduardo Yap cited that the traffic congestion has cost the Philippine economy as much as P3.5 billion daily, which more than merits a declaration of a state of calamity in Metro Manila.

Industry Insights: IT-BPM industry expected to deliver strong growth in the coming years

IT-BPM revenues outperformed IBPAP expectations in 2023, expected to grow to a \$59 billion industry by 2028

- ▶ The IT and Business Process Association of the Philippines (IBPAP) announced that Information Technology and Business Process Management (IT-BPM) revenues climbed by more than 9% YoY to \$35.5 billion in 2023. In 2024, IBPAP is expecting IT-BPM revenues to hit \$40 billion, an upgrade from their initial \$38.2 billion forecast.
- ▶ In terms of headcount, the IT-BPM industry's full-time employees (FTEs) increased by over 8% to 1.7 million Filipinos. Under the IBPAP's industry roadmap, they expect revenues to reach \$59 billion with 2.5 million FTEs by 2028.

Deal Spotlight: Power generation incumbents form a joint venture; Ayala Corporation looking to divest from LRT-1

Power Incumbents jointly invest in San Miguel Global Power's Batangas assets

- ▶ Meralco (through subsidiary MGEN), Aboitiz Power, and San Miguel Global Power (SMGP), signed a deal to jointly control 2,500MW of power generation capacity along with an LNG terminal. The deal was valued at \$3.3 billion, which constitutes MGEN and Aboitiz Power jointly investing in two of SMGP's gas-fired power plants: the 1,278MW Ilijan plant and a new 1,320MW combined cycle power facility set to commence operations by the end of 2024.
- ▶ The group will also be investing in almost 100% of the LNG import and regasification terminal owned by Linseed Field Corporation. This will be used to receive, store, and process LNG fuel for the two power plants.

Ayala Corporation looking to close a deal for the sale of their stake in LRT-1

- ▶ Ayala Corporation's (AC) CFO, Alberto de Larrazabal, announced that AC is closing in on the sale of its 35% stake in Light Rail Manila Corporation, the concession holder for LRT-1, as part of its plans to concentrate its investments.
- ▶ Metro Pacific Investments Corporation (MPI), appears to be one of the bidders as they announced the possibility of acquiring AC's stake. Should this deal push through, MPI would own 70.8% of the assets, with the balance belonging to Sumitomo and Macquarie Infrastructure.