

Macro Movements: August inflation eases to 6.1%; peso breaches ₱62 as BSP hikes to 5%

Inflation eases to 6.1% in August, extending four-month downtrend

- ▶ Headline inflation eased to 6.1% in August from 6.2% in July, marking a fourth consecutive monthly decline. The print was within the Bangko Sentral ng Pilipinas' (BSP) 5.5% to 6.5% forecast range and brought the year-to-date average to 5.2%.
- ▶ The Philippine Statistics Authority (PSA) attributed the slowdown mainly to softer inflation for food and non-alcoholic beverage and slower increases in housing and utility costs. Food inflation eased to 4.6% from 5.3%, while core inflation slowed to 4.1% from 4.2%.

Peso breaches ₱62 per dollar to hit new record low

- ▶ The Philippine peso weakened past the ₱62-per-dollar level, closing at a record ₱62.265 on August 28 after touching an intraday low of ₱62.27. The move came after the BSP raised its key policy rate by 25 bps to 5%, describing the increase as preemptive against emerging inflation risks.
- ▶ The weaker currency is adding to cost pressures for businesses reliant on imported raw materials, machinery and fuel, potentially weighing on margins and capital spending while adding to cost-push inflation.

Industry Insights: Investment momentum and stable credit ratings support investment outlook

Four economic zone proclamations expected to attract ₱9.7B in investments

- ▶ The government has proclaimed or expanded four economic zones in Cavite, Batangas and Negros Oriental, which are expected to attract approximately ₱9.7 billion in investments across industrial and information technology developments.
- ▶ The latest additions bring the number of economic zones created or expanded under the current administration to 46, with projected investments of ₱141.2 billion and nearly 189,000 jobs, supporting efforts to broaden investment and employment beyond Metro Manila.

Moody's and R&I affirm Philippines' investment-grade ratings with stable outlooks

- ▶ Moody's Ratings affirmed the Philippines' Baa2 investment-grade rating with a stable outlook, citing strong funding access, sufficient foreign exchange reserves and expectations for continued fiscal consolidation despite near-term external and domestic headwinds.
- ▶ Japan-based Rating and Investment Information, Inc. (R&I) separately maintained the country's A investment-grade rating and stable outlook, citing resilient medium-term growth prospects, an improving fiscal position and manageable external risks.

Deals Spotlight: Maynilad-K-Water advances ₱14.8B New Clark City PPP; ICTSI expands African footprint

Maynilad-K-Water consortium advances ₱14.8B New Clark City water PPP

- ▶ Maynilad Water Services, Inc.'s board approved an investment in the ₱14.8 billion New Clark City water and wastewater public-private partnership with Korea Water Resources Corp. (K-Water) and the Bases Conversion and Development Authority (BCDA). BCDA also granted the consortium original proponent status, with awarding targeted for December following a Swiss challenge.
- ▶ The planned integrated system is intended to provide reliable water supply and wastewater treatment as New Clark City expands, supporting the infrastructure requirements of businesses, communities, and future industrial developments in the area.

ICTSI expands African footprint with acquisition of TLG

- ▶ Philippine-based International Container Terminal Services, Inc. (ICTSI) has agreed to acquire 100% of TLG Acquisition Holdings, an African port and cargo-handling operator with operations across Mozambique, Namibia and South Africa. The transaction remains subject to regulatory approvals and other closing conditions.
- ▶ The acquisition expands ICTSI's presence in key African trade corridors following the start of its 25-year operating partnership at Durban Container Terminal Pier 2 earlier this year, further strengthening the Philippine port operator's global network across six continents.