

Philippine Economic Outlook

Opportunities, Challenges and the Future.



Tuesday, June 27, 2023

**Presented by:
Jonathan L. Ravelas
#TGBTG**

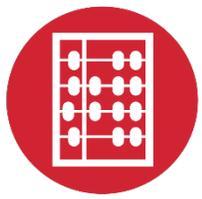
DISCLAIMER: This document is based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy, completeness or correctness. Opinions expressed in this presentation are those of the presenter and does not necessarily reflect the official position of Reyes Tacandong & Co. or any entity with which the presenter is affiliated are subject to change without prior notice. Any recommendation contained in this document does not have regard to specific investment objectives, financial situation and the particular needs of any addressee. This document is for the information of the addressees only and is not to be taken on substitution for the exercise of judgment by the addressees. Beyes Tacandong & Co. accepts no liability whatsoever for and direct or consequential loss arising from any use of this publication. This presentation is not be construed as an offer or solicitation of an offer to buy or sell securities. In the course of our regular business, we may have a position in the securities mentioned and may make purchases and/or sales of them from time to time in the open market.



REYES TACANDONG & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.



Cautious Optimism



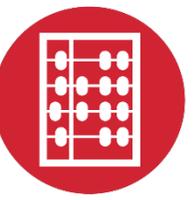
End of the pandemic. Peaking inflation and resilient consumption improving consumer and business confidence.



Fallout from the war in Ukraine keeping prices elevated. Risks of global recession arising from deteriorating financial conditions.

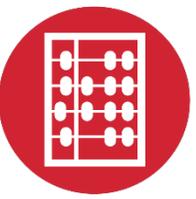


Balancing fiscal consolidation and sustaining infrastructure spending to accelerate growth and insulate the economy from global recession.



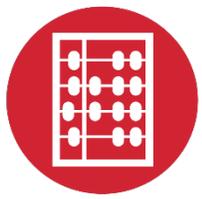
“Let imagination remind you how all the varied present does but repeat the past and rehearse the future.”

Marcus Aurelius (120 – 180 A. D.)



- ❑ Global Economic Developments**
- ❑ Philippines: Recent Developments**
 - ❑ Real Sector and Employment**
 - ❑ Prices, External, Monetary and Banking**
 - ❑ Fiscal Sector**
- ❑ Outlook (GDP, interest Rates, FX)**
- ❑ Summary**

Economic landscape What has changed?

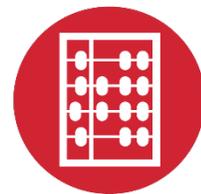


External

- **WHO declares the end of the Pandemic.**
- **Global growth outlook remains dim**
- **Fallout from deteriorating financial conditions**
- **Russia-Ukraine war continues and other geopolitical hotspots**

Domestic

- **PH inflation pressures have started to ease. BSP takes a pause.**
- **NG spending slowdown boosting fiscal consolidation**
- **Risk of El Niño weather event is rising.**
- **Fears of global recession**

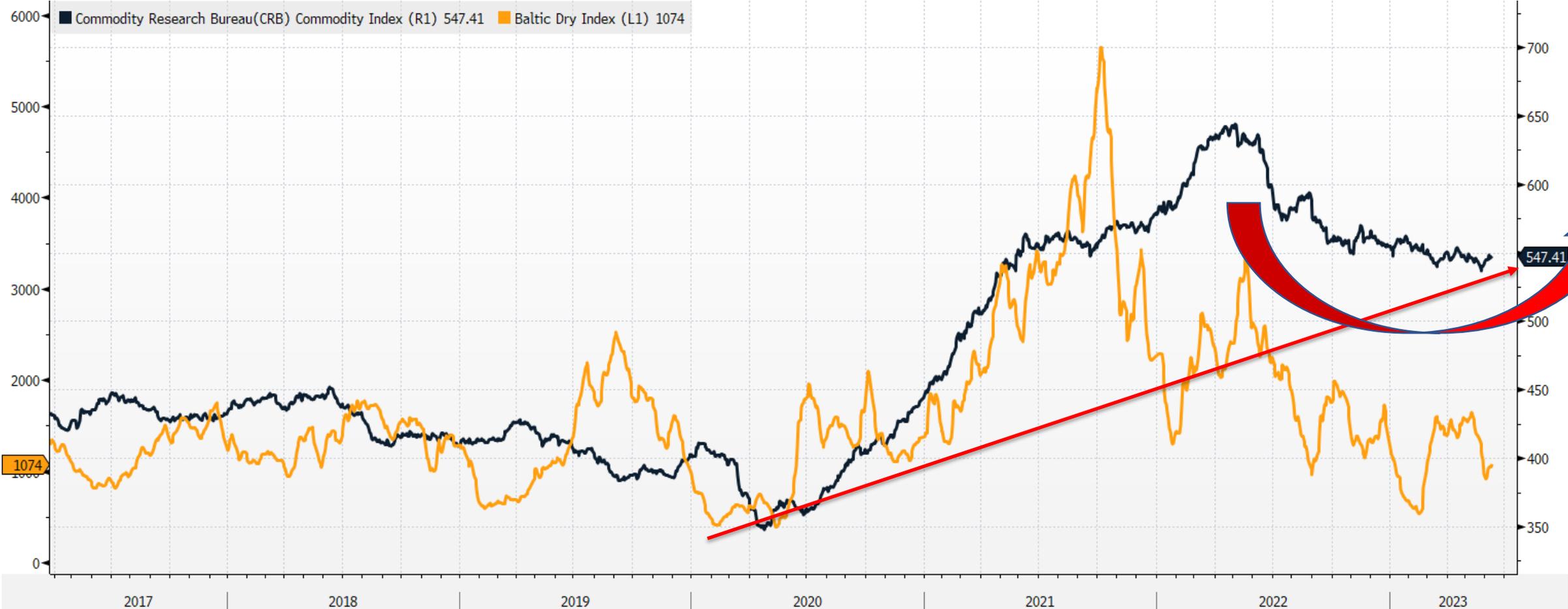
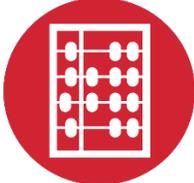


World Economy



Global inflation drivers

Geopolitical instability still keeping prices elevated despite off the highs.



Source: Bloomberg and ChartPoints

CRB CMTD Index (Commodity Research Bureau BLS/) CM- Global CPI drivers Daily 27MAR2017-14JUN2023

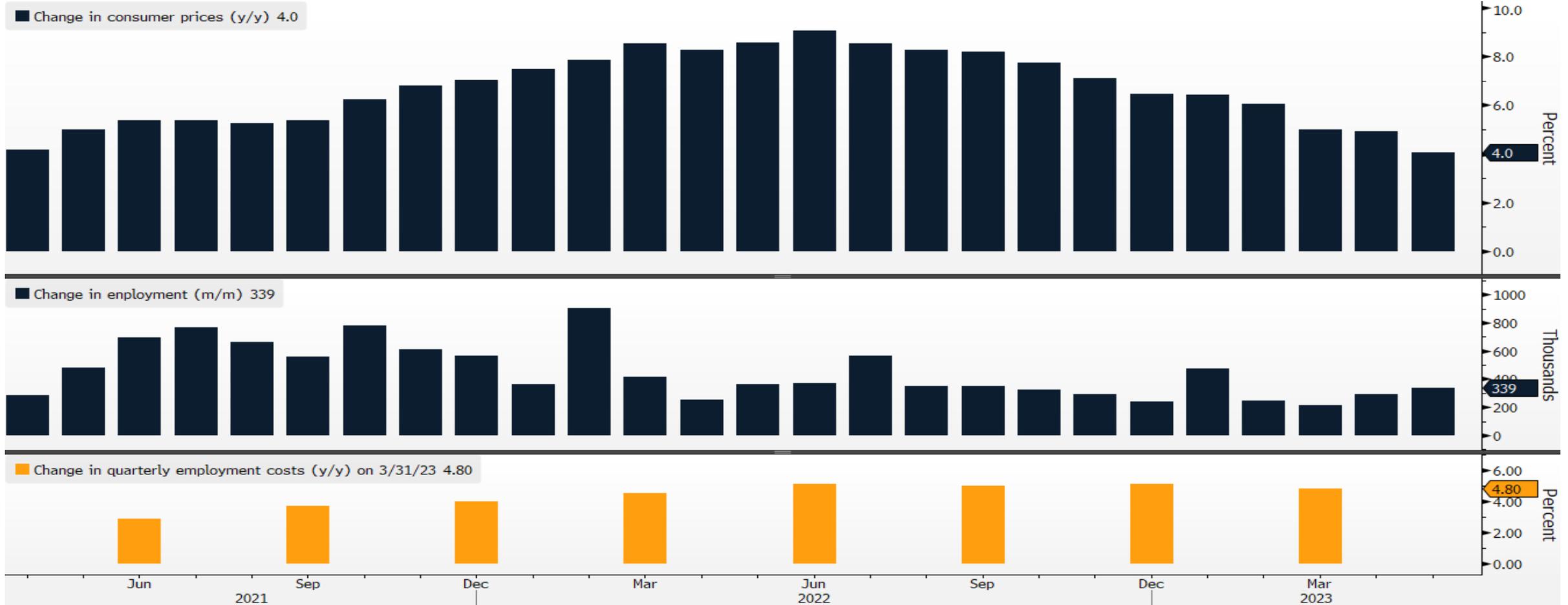
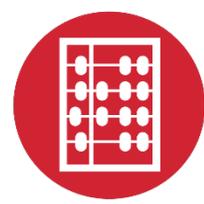
Copyright© 2023 Bloomberg Finance L.P.

14-Jun-2023 14:33:46



Peak inflation

But still far from the 2.0% long-term target. There could still be some hikes.



Source: Bloomberg and ChartPoints

CPI YOY Index (US CPI Urban Consumers YoY NSA) US- Prices and Wages Monthly 30APR2021-14JUN2023

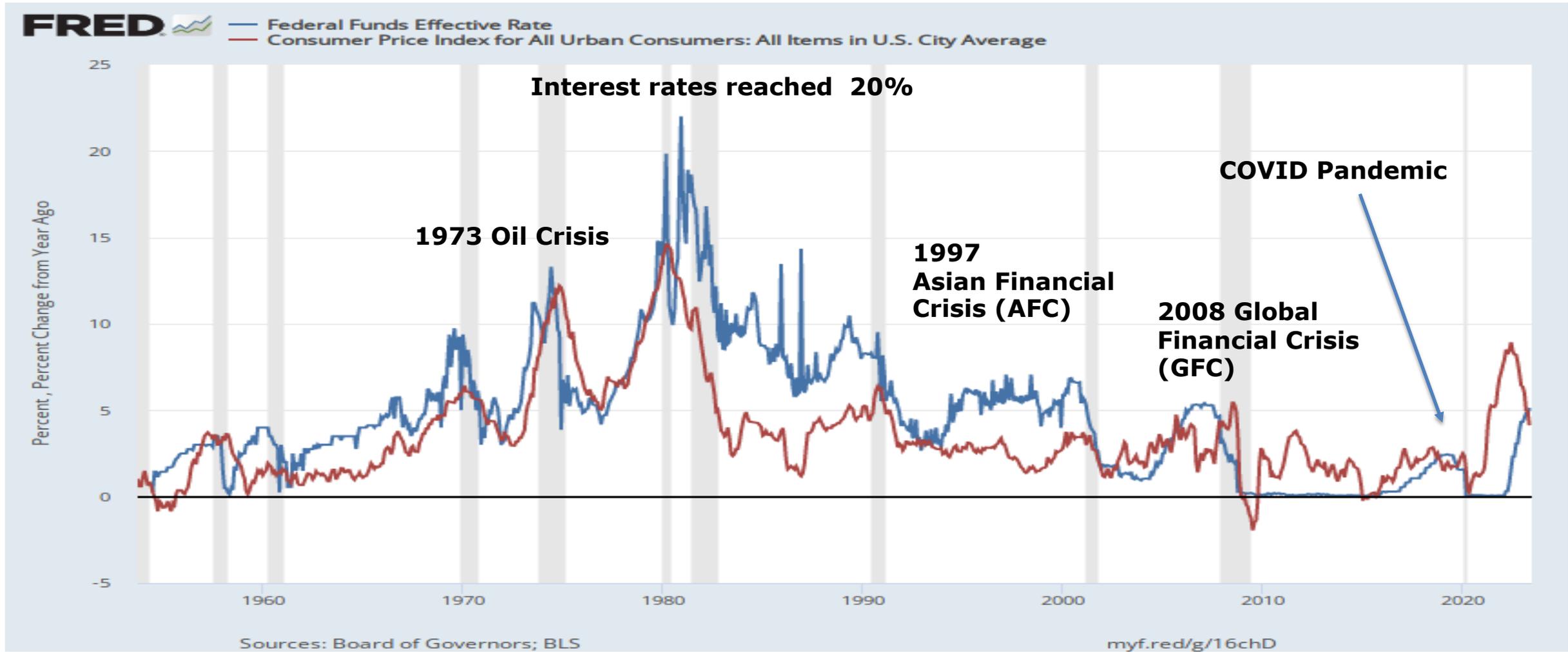
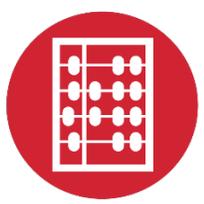
Copyright© 2023 Bloomberg Finance L.P.

14-Jun-2023 14:33:55

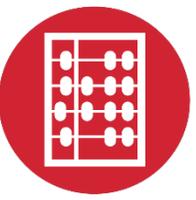


More Hikes

But still far from the 2.0% long-term target. There could still be more hikes.



High inflation does not come down easily unless interest rates are high.

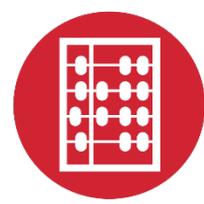


2
**ECONOMIC
PICTURE**



The Road Ahead

PH strategic location is an advantage that no other country has. It is time to leverage this and aspire to be a major logistic hub in the region.- PBBM



Ensure Food Security



Improve infrastructure



Promote Investments

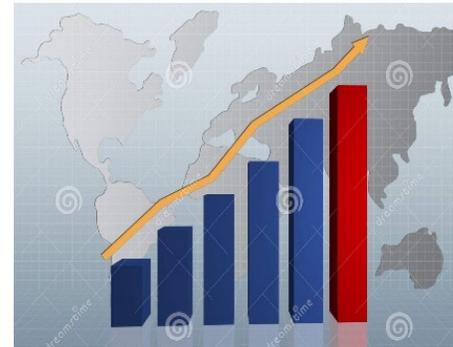


Reduce transport and logistics cost



Store System

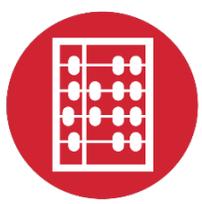
Ensure the availability of affordable and accessible food.



Attract Investments and Expand Exports

Dashboard

PH –Still Shining through..

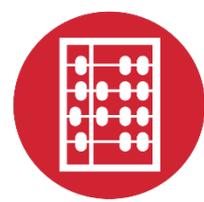


POPULATION 114 mn (as of 2021)	Underemployment Rate 12.90% (as of April)	GDP 6.40% (as of 1Q23)	GDP-SERVICES 8.40% (as of 1Q23)	Inflation Rate 6.10% (as of May)
Average Age 25.30 (as of 2020)	Unemployment Rate 4.50% (as of April)	GDP- 2022 FY Growth Rate 7.60% (as of 2022)	GDP- INDUSTRIAL 3.90% (as of 1Q23)	Policy Rate 6.25% (as of May)
Literacy Rate 96.50 (as of 2019)	Labor Force Participation 65.10% (as of April)	Per Capita \$3,623 (as of 2022)	GDP- AGRICULTURE 2.20% (as of 1Q23)	Forex 55.86 (as of 16 June)

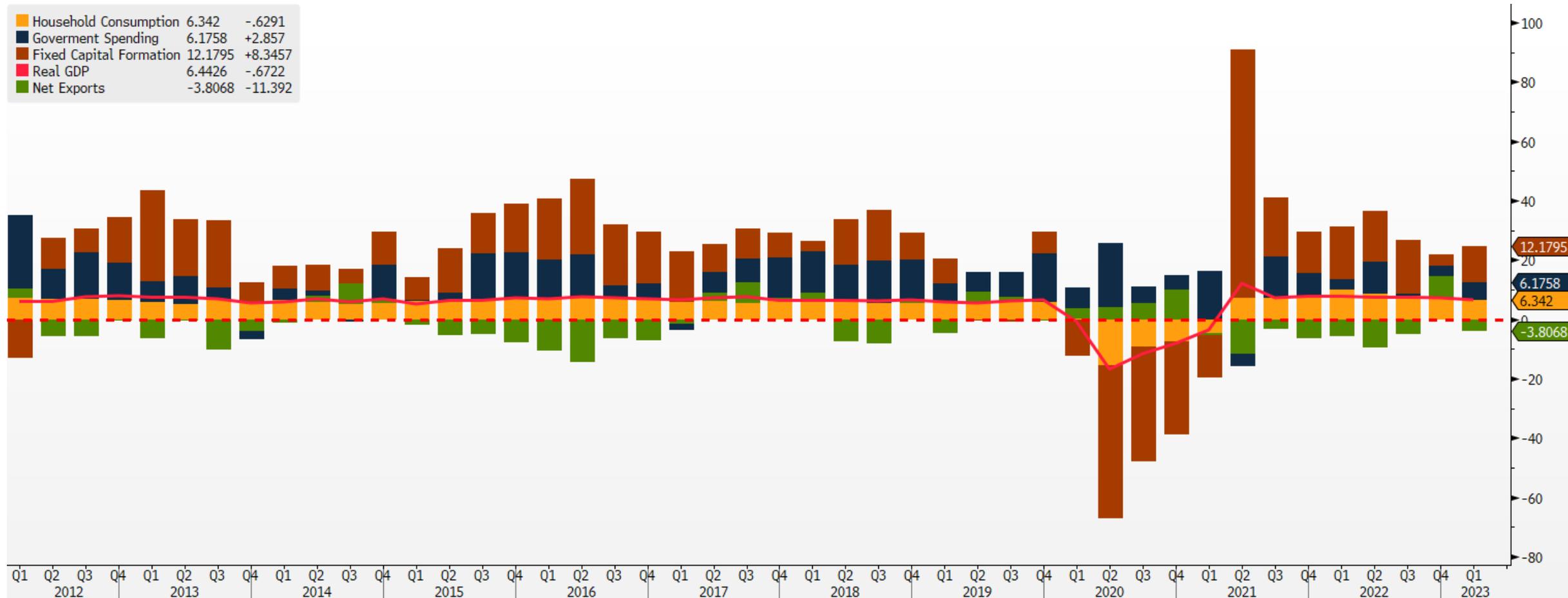
Source: BSP, PSA and ChartPoints

Growth Moderates

1Q23 6.4% y/y vs est. of 6.50%. Full year 2023 at 6.00%



Household Consumption	6.342	-.6291
Government Spending	6.1758	+2.857
Fixed Capital Formation	12.1795	+8.3457
Real GDP	6.4426	-.6722
Net Exports	-3.8068	-11.392



Source: Bloomberg, PSA and ChartPoints

PHPCEY Index (Philippines GDP Personal Consumption Expenditure Constant YoY) PH- GP by Component Quarterly 03FEB2012-14JUN2023

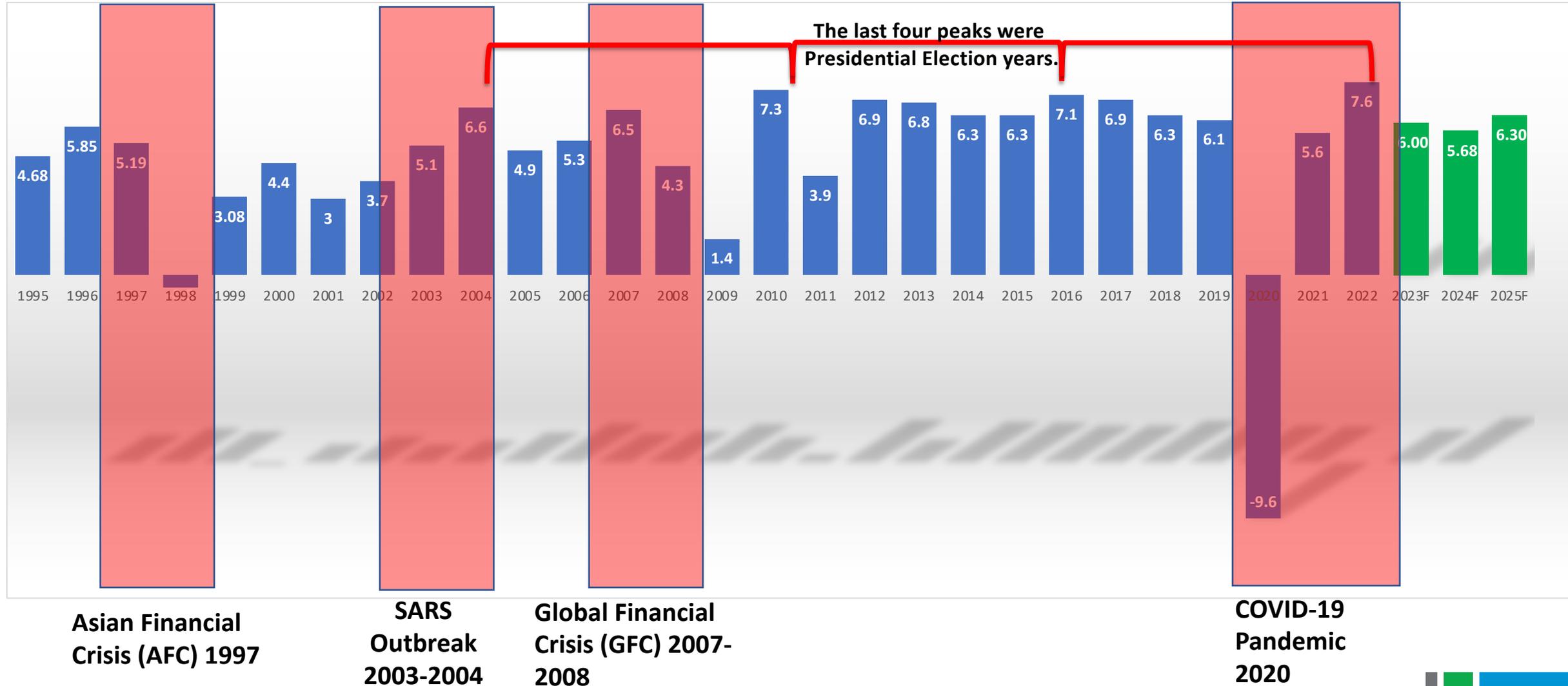
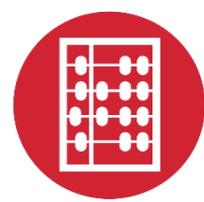
Copyright© 2023 Bloomberg Finance L.P.

14-Jun-2023 14:34:05



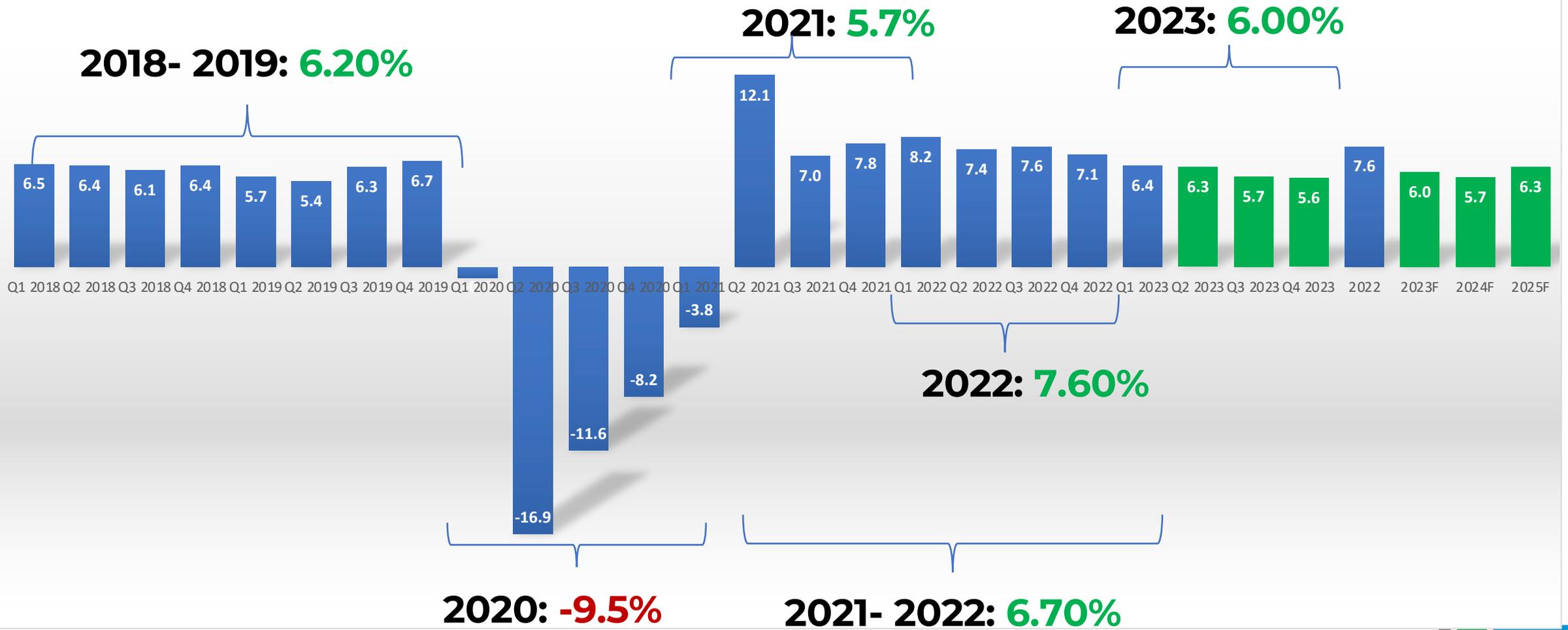
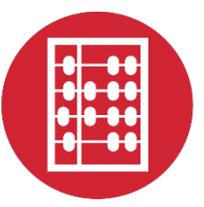
PH GDP Growth Rate

From 1997 – 2022 (Annual)

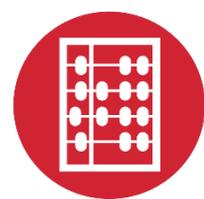


Slower pace

Likely to continue until 2024



Source: PSA



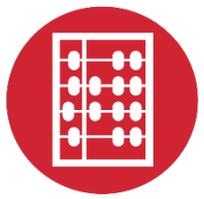
ASEAN Peers GDP Growth and Outlook

	2022 Actual	Q1 2023 Actual	FY 2023 Outlook (Median Economists' Forecast)
ASEAN	5.50	5.50	4.30
Philippines (Baa2/BBB+/BBB)	7.60	6.40	5.70
Malaysia (A3/A-/BBB+)	8.70	5.60	4.00
Indonesia (Baa2/BBB/BBB)	5.30	5.00	4.70
Singapore (Aaa/AAA/AAA)	3.60	0.10	1.70
Thailand (Baa1/BBB+/BBB+)	2.60	N/A	3.36
Vietnam (Ba2/BB+/BB)	8.00	3.30	5.70

Source: Bloomberg

Long Term Trends

Three years average

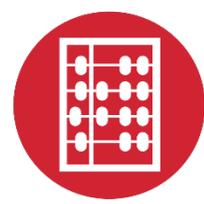


	2019-2021	2022-2024	2025-2027
Population(million)	109	113	117
GDP (US\$ bn)	378	443	581
GDP per Capita (US\$)	3,471	3,925	4,975
GDP growth (%)	0.50	6.30	6.30
Fiscal Balance (% of GDP)	-6.50	-6.20	-3.90
Public Debt (% of GDP)	51.50	61.50	59.10
Inflation (%)	2.90	5.00	3.10
Current Account (% of GDP)	0.30	-3.60	-2.50
External Debt (% of GDP)	25.50	25.70	22.50

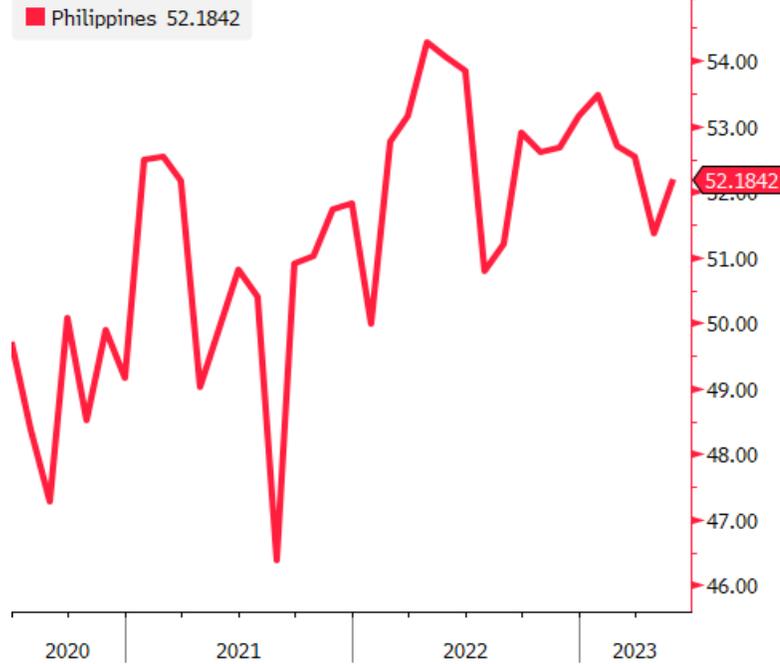
Source: Bloomberg, FocusEconomics and ChartPoints

Business Cycle Backdrop

slowing global demand and elevated prices hitting the bottomline.



Philippine Manufacturing PMI

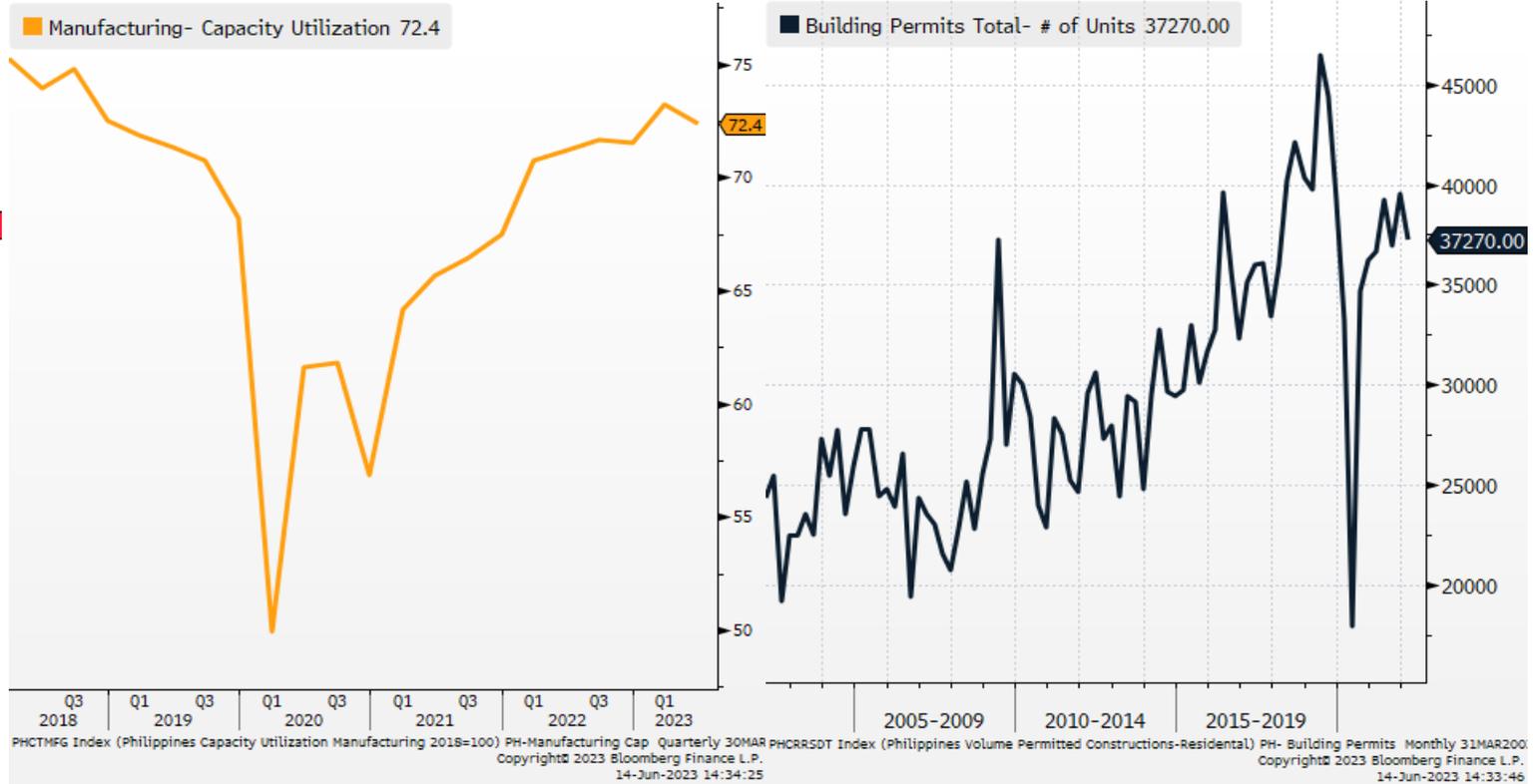


Source: Bloomberg and ChartPoints

MPMIPMA Index (Philippines Manufacturing PMI SA) PH-PMI Monthly 31MAY2019-14JUN2023
Copyright© 2023 Bloomberg Finance L.P. 14-Jun-2023 14:34:15

Purchasing Manager's Index Manufacturing

Source: Bloomberg LP, PSA, ChartPoints



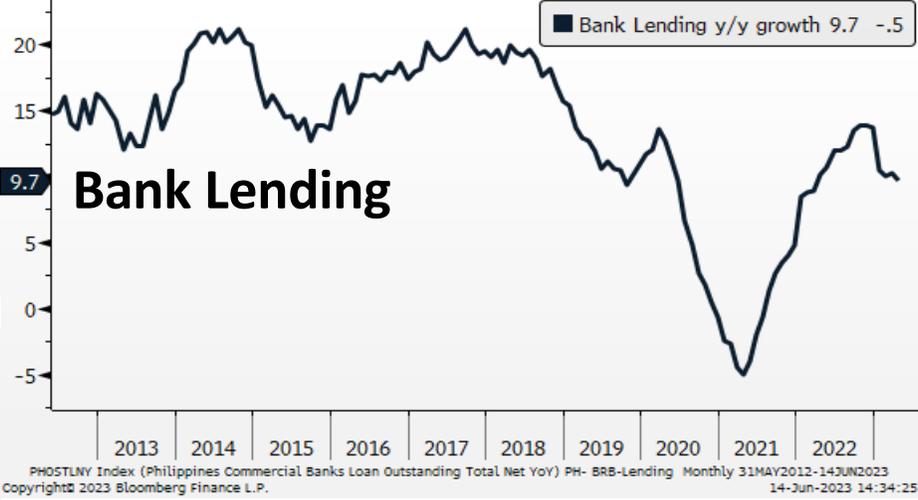
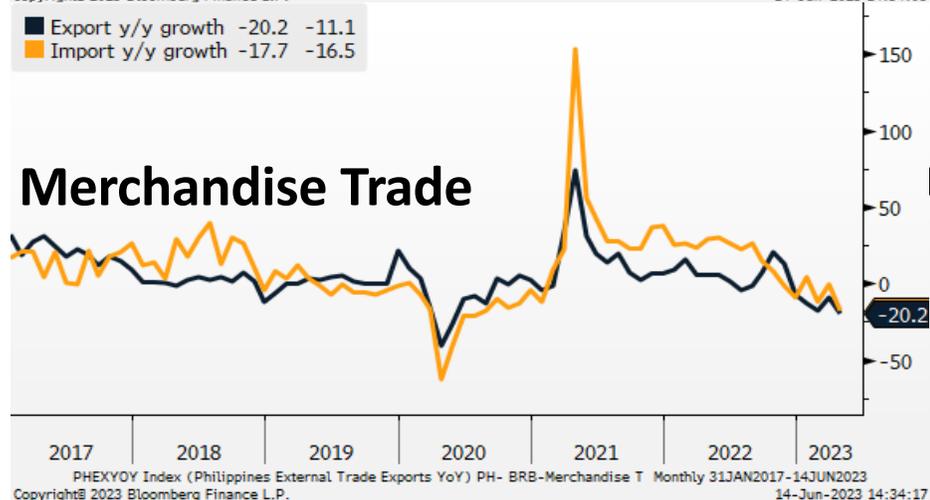
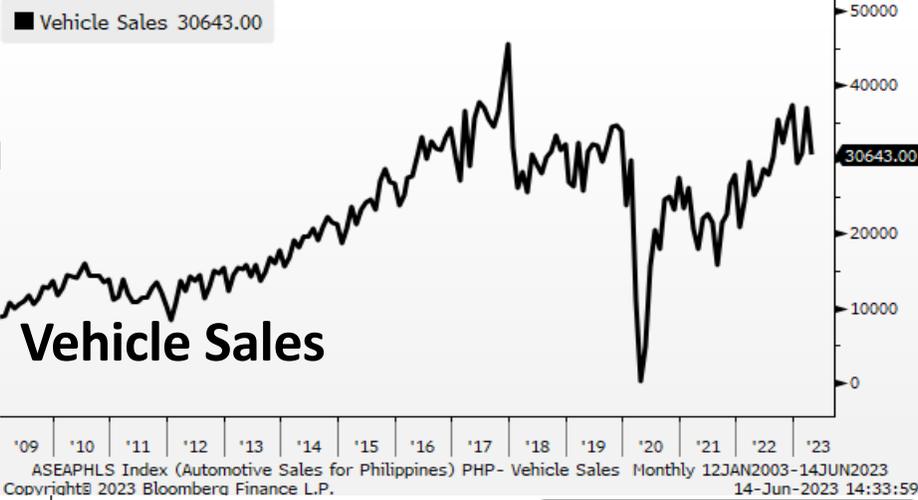
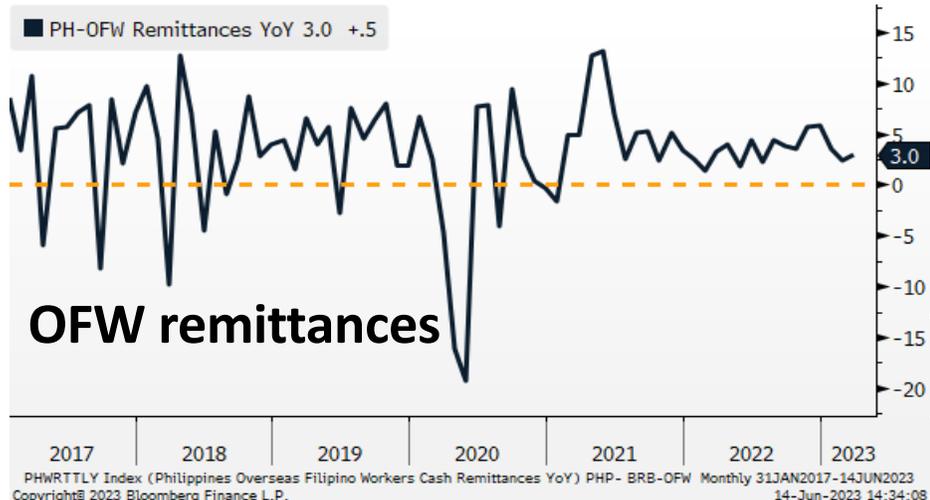
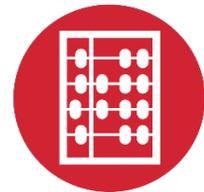
PHCTMFG Index (Philippines Capacity Utilization Manufacturing 2018=100) PH-Manufacturing Cap Quarterly 30MAR PHCRRSOT Index (Philippines Volume Permitted Constructions-Residential) PH- Building Permits Monthly 31MAR200
Copyright© 2023 Bloomberg Finance L.P. 14-Jun-2023 14:34:25

Manufacturing Capacity Utilization Rate

Private Building Construction Permits

Business Cycle Backdrop

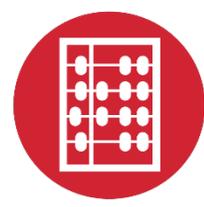
Recovery on a more stable path.



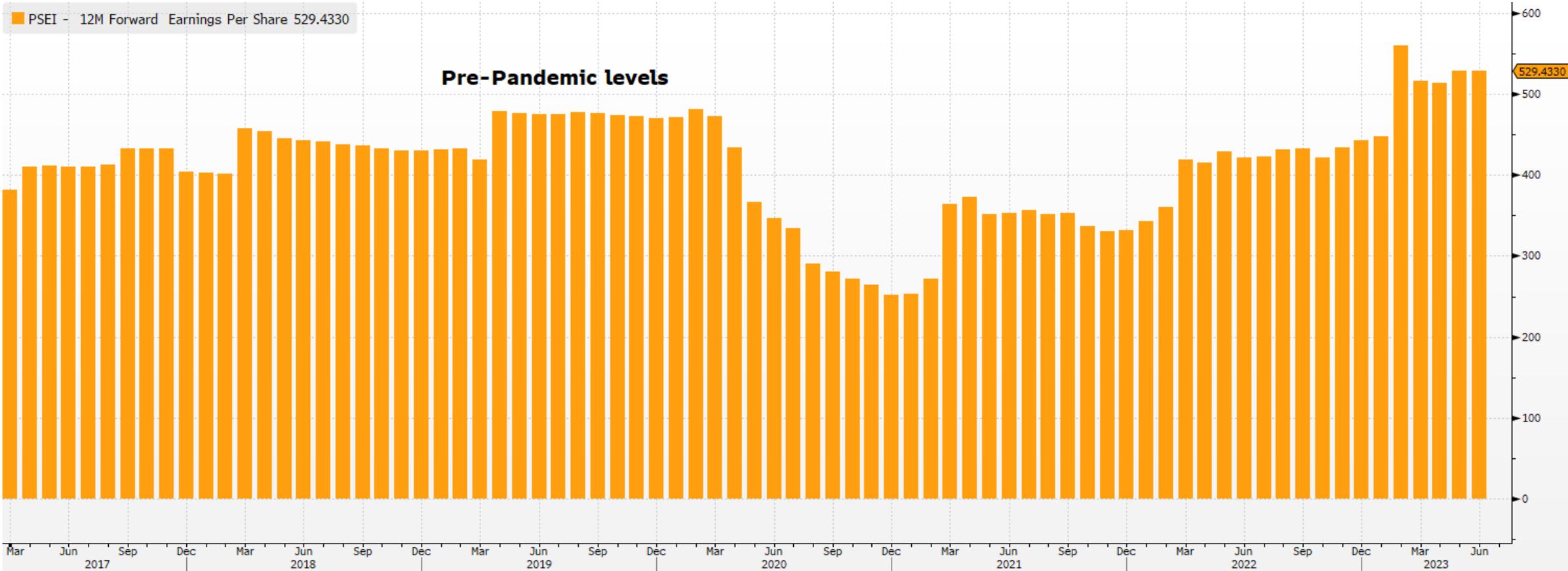
Source: Bloomberg LP, ChartPoints

Earnings Backdrop

Corporate profits likely to be pressured.



■ PSEI - 12M Forward Earnings Per Share 529.4330



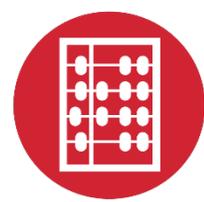
Source: Bloomberg and ChartPoints

PCOMP Index (Philippines Stock Exchange PSEi Index) PH- Forward Earnings Monthly 29MAR2017-14JUN2023

Copyright© 2023 Bloomberg Finance L.P.

14-Jun-2023 14:34:31

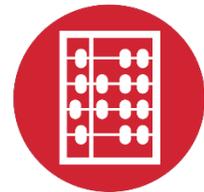
The storm has passed but the stormy seas remain. Uneven recovery.



MAJOR BUSINESS GROUPS	2022 PROFIT (IN BILLIONS OF PESOS)	2021 PROFIT (IN BILLIONS OF PESOS)	2022 VS 2021 % CHANGE	2019 PROFIT (IN BILLIONS OF PESOS)	2022 VS 2019 %CHANGE
Aboitiz Equity Ventures	24.83	27.31	-9.08%	22.04	12.66%
Alliance Global Group	16.12	16.94	-4.84%	17.72	-9.03%
Ayala Corp.	27.4	27.77	-1.33%	35.28	-22.34%
Cosco Capital	12.28	10.5	16.95%	15.39	-20.21%
DMCI Holdings	31.09	18.39	69.06%	10.53	195.25%
Filinvest Development Corp.	5.65	6.07	-6.92%	11.97	-52.80%
First Philippine Holdings	12.68	10.02	26.55%	12.58	0.79%
GT Capital Holdings	18.36	10.98	67.21%	16.59	10.67%
JG Summit Holdings	0.65	5.12	-87.30%	31.28	-97.92%
LT Group Inc.	25.14	20.25	24.15%	23.12	8.74%
Metro Pacific Investments Corp.	10.49	10.12	3.66%	23.86	-56.04%
San Miguel Corp.	26.76	48.16	-44.44%	48.57	-44.90%
SM Investments Corp.	61.65	40.41	52.56%	44.56	38.35%

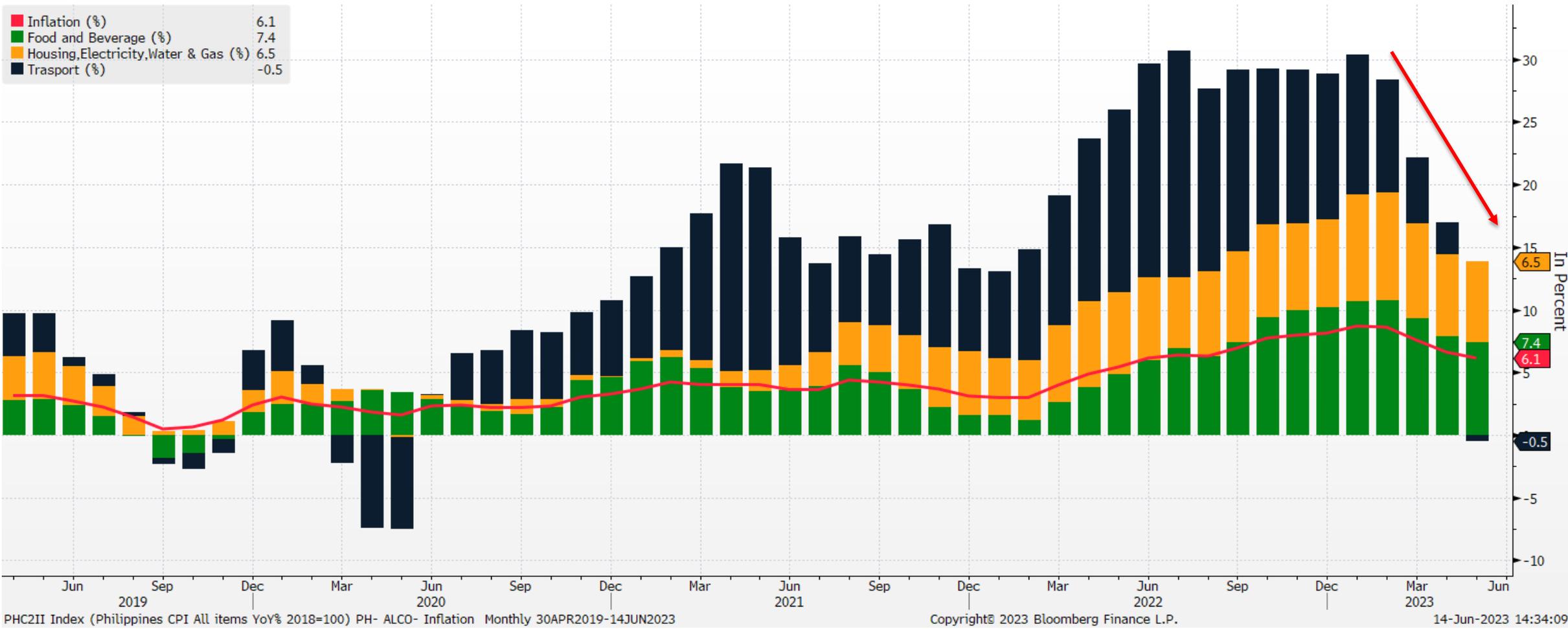
SOURCE: PHILIPPINE STOCK EXCHANGE FILINGS

INQ GRAPHICS

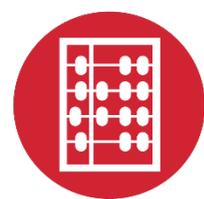


May CPI slowed to 6.1% y/y

Driven by slower increases in prices of food and transportation



Source: Bloomberg LP and ChartPoints



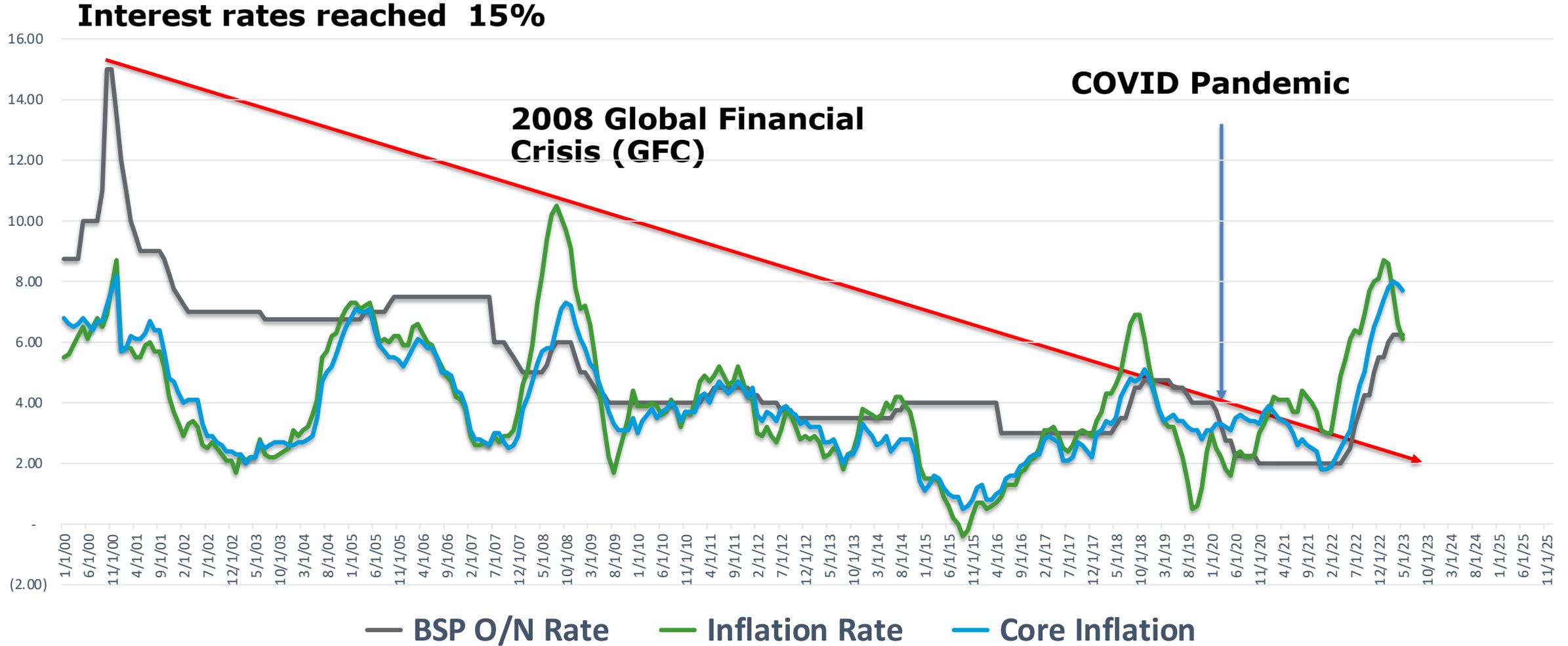
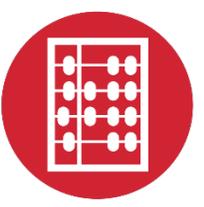
ASEAN Peers Inflation and Outlook

	2022 Inflation Actual	Latest Inflation May 2023 *April	FY 2023 Outlook (Median Economists' Forecast)
ASEAN	5.00	NA	4.20
Philippines (Baa2/BBB+/BBB)	5.80	6.1	5.90
Malaysia (A3/A-/BBB+)	3.40	3.30*	2.90
Indonesia (Baa2/BBB/BBB)	4.20	4.00	4.10
Singapore (Aaa/AAA/AAA)	2.30	5.7*	4.80
Thailand (Baa1/BBB+/BBB+)	1.20	0.53	2.70
Vietnam (Ba2/BB+/BB)	3.20	2.43	3.90

Source: Bloomberg

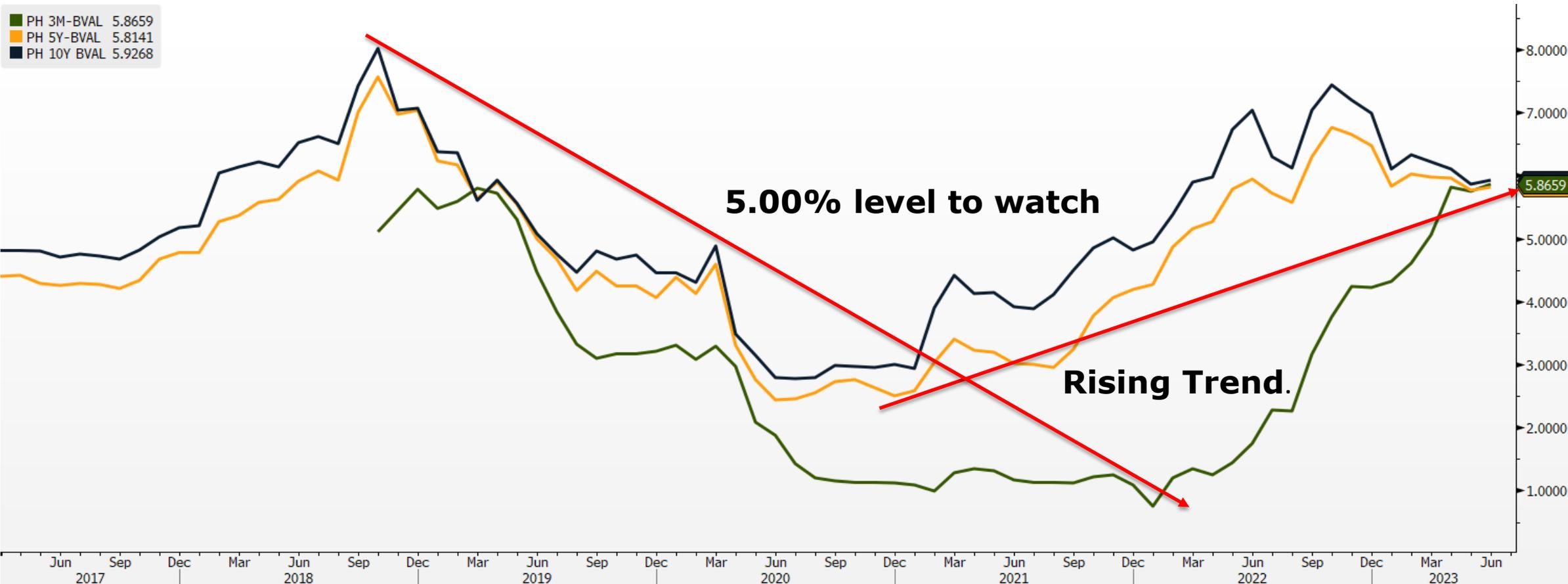
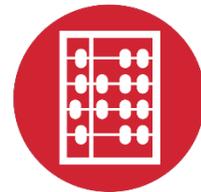
More Pain

High inflation does not come down easily unless interest rates are high.



PHP Interest Rates Outlook

Higher yields remain on sticky inflation.



Source: Bloomberg

BV3MRPTB BVLI Index (PHP RPT 3M) PH: Tech BVAL Rates Monthly 31MAR2017-14JUN2023

Copyright© 2023 Bloomberg Finance L.P.

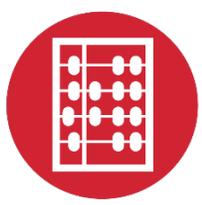
14-Jun-2023 14:33:47

Source: BSP, Bloomberg LP and ChartPoints



Show me the money

Challenging environment for investors (market heavily discounted)

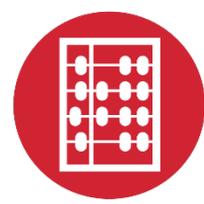


May 23, 12013 - June 15, 2023			
Rank	Bank	Fund Name	ROI
1	Asia United Bank	Equity Investment Trust Fund	3.22%
2	Philippine National Bank	PNB HIGH DIVIDEND FUND	1.88%
3	Philippine Bank of Communications BPI Asset Management and Trust	PBCOM VALUE EQUITY FUND	-7.88%
4	Corporation	BPI INVEST EQUITY VALUE FUND	-7.98%
5	BDO Unibank, Inc.	BDO INSTITUTIONAL EQUITY FUND	-8.33%
6	Rizal Commercial Banking Corporation	RIZAL EQUITY FUND	-11.20%
7	Security Bank Corporation	SB PESO EQUITY FUND	-12.35%
8	BDO Unibank, Inc.	BDO EQUITY FUND	-14.84%
9	Philippine National Bank	PNB EQUITY FUND	-17.62%
10	AB Capital Asset Management	AB CAPITAL EQUITY FUND	-18.58%
11	LandBank of the Philippines BPI Asset Management and Trust	LANDBANK Alpha Equity Fund	-19.12%
12	Corporation	ODYSSEY PHILIPPINE EQUITY FUND	-25.19%
13	Union Bank BPI Asset Management and Trust	UnionBank-†PHP Equity Fund	-34.56%
14	Corporation	ODYSSEY PHILIPPINE HIGH CONVICTION EQUITY FUND	-38.07%

Source: UITF.com.ph

Direction

Do you know where you're going to?



Goldilocks **Strong GDP Growth** **Overheating**

**Buy
EQUITIES**

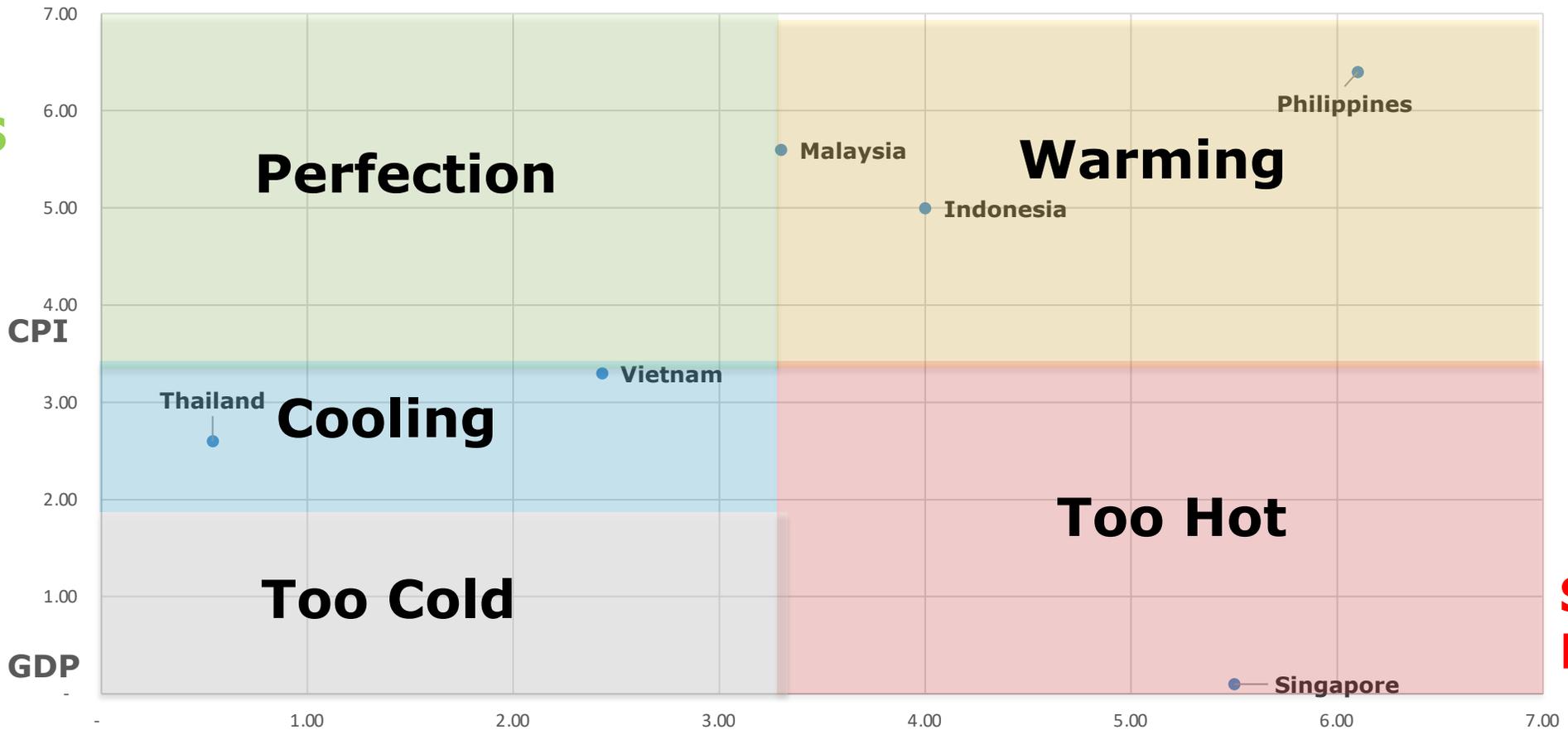
**Sell
BONDS**

**Low
Inflation**

**High
Inflation**

**Buy
BONDS**

**Sell
EQUITIES**



Deflation

Low GDP Growth

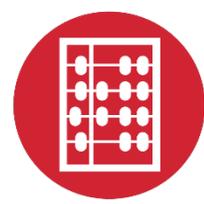
Stagflation



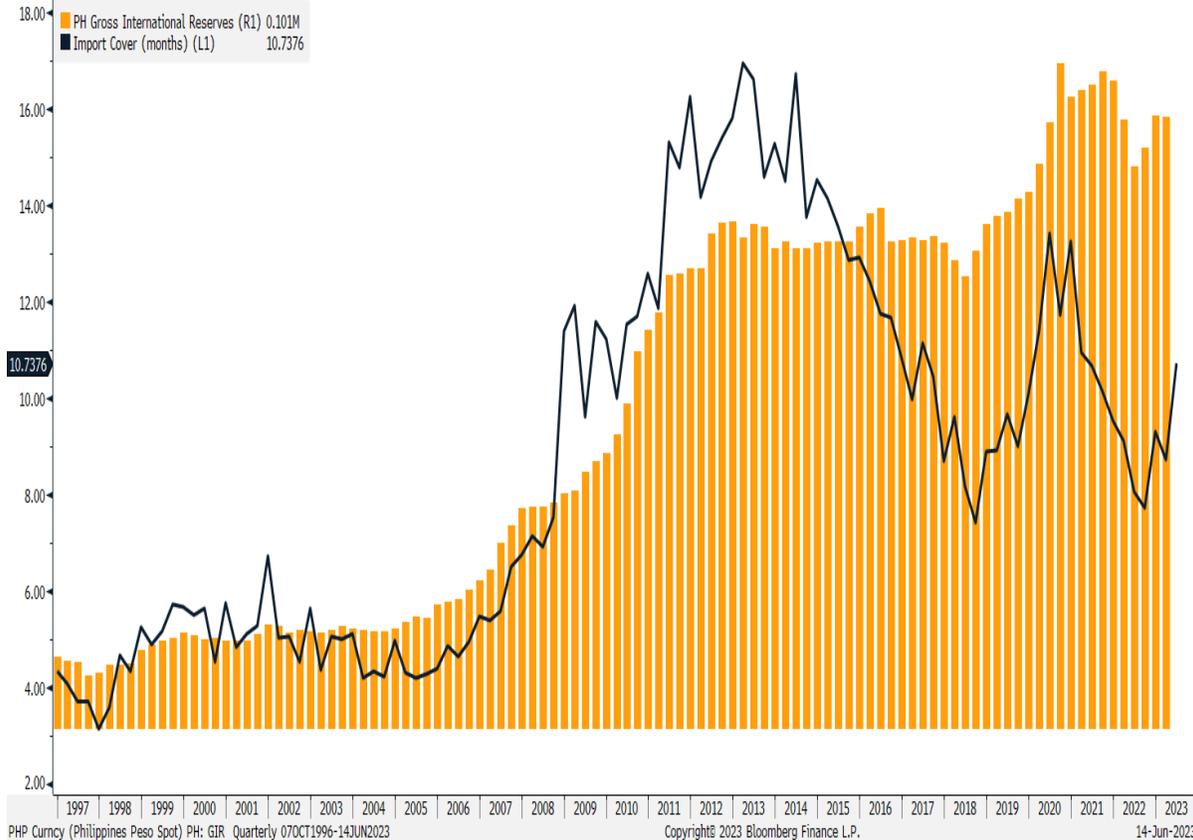
Adapted from: « Great Expectations: Regime-Based Asset Allocation seeks Higher Return – Lower Drawdowns - BNY Mellon Asset Management, October 2011

Comfortable buffers

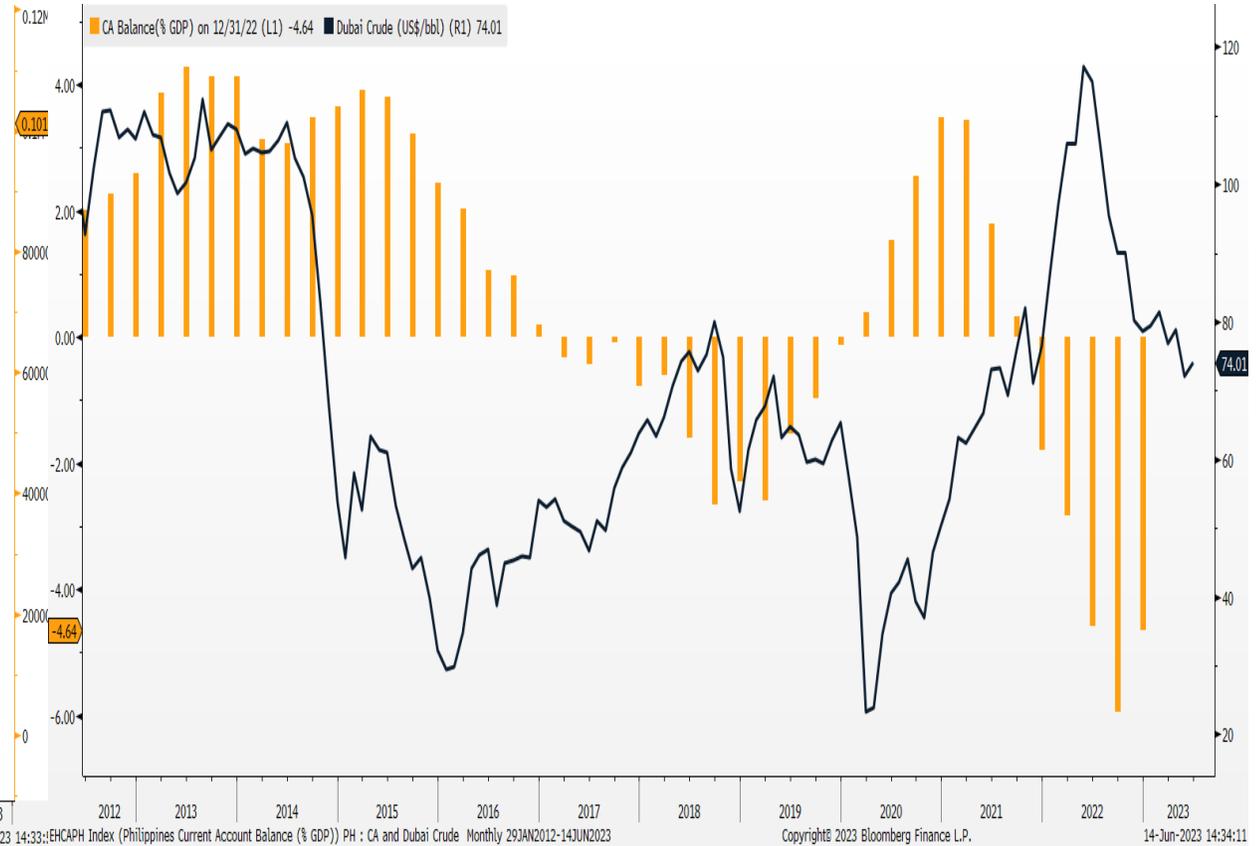
Wider deficits due to elevated prices.



External buffers (GIR & Import Cover)



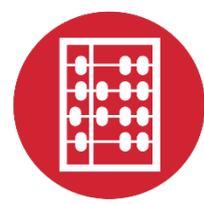
CA Balance and Oil Prices



Source: BSP, Bloomberg LP and ChartPoints

PH-Currency Outlook

to weaken on widening deficits.



■ USD/PHP (Daily) 55.970
┆ High on 09/30/22 59.000
┆ Average 48.099
┆ Low on 01/18/13 40.550



Source: Bloomberg LP and ChartPoints

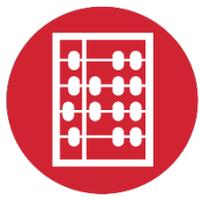
Copyright © 2023 Bloomberg Finance L.P.

14-Jun-2023 14:34:22



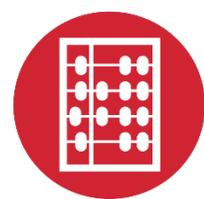
Financial Market Outlook

Quarterly Outlook

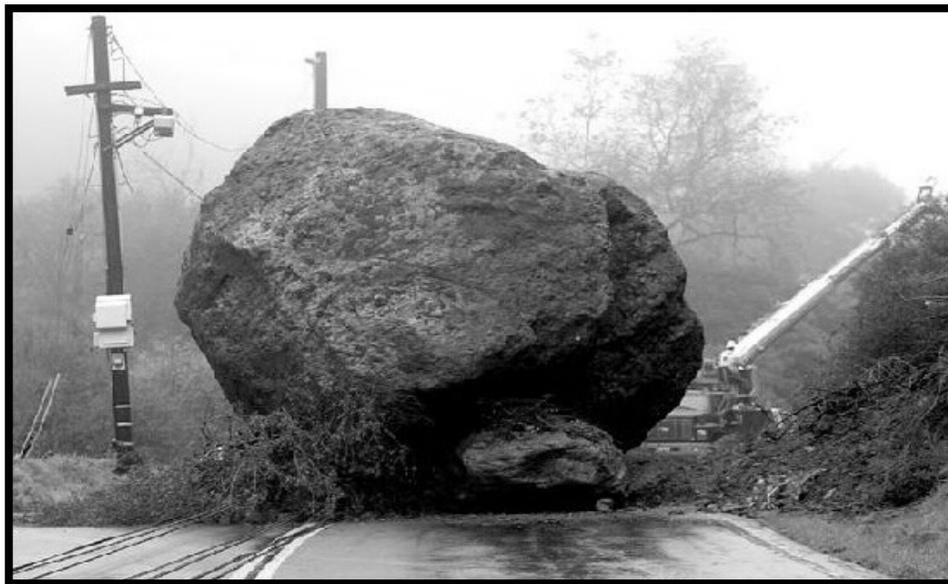


	2022	1Q23	2Q23F	3Q23F	4Q23F	2023F	2024F	2025F
GDP Growth (%)	7.60	6.40	6.30	5.80	6.00	6.00	5.70	6.30
Inflation (%)	5.80	7.70	7.30	6.70	6.10	6.10	4.10	3.50
BSP O/N Rate (%)	5.50	6.25	6.25	6.50	6.50	6.50	5.50	5.00
USD/PHP (EOP)	55.755	54.360	56.700	57.30	58.00	58.00	57.00	56.00
PSEi (EOP)	6,566.39	6,499.68	6,300.00	6,300.00	6,700.00	6,700.00	7,500.00	8,700.00

Source: ChartPoints

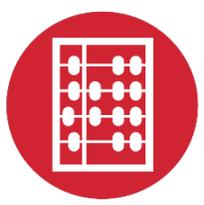


3
RISKS AND CHALLENGES



Cause for Concern

Companies and countries still face supply chain challenges, managing risk, control the cost side of the business and improve the value they provide.



**Inflation and
looming
recession**



**Demand
Volatility**



**Supply
Disruptions**



**Fraud &
Corruption**



**Geopolitical
Tensions**



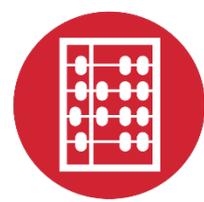
**Talent Availability
& Leadership
issues**



**Sustainability &
climate hazards**



**Reverse
globalization &
wars**



This is our quest

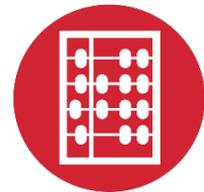
Our Present Challenges

1. Persistent poverty
2. High underemployment
3. Inadequate infrastructure
4. Cost of living crisis (high inflation)
5. A neglected agricultural sector
6. Educational crisis
7. Fiscal crisis
8. Energy crisis (Malampaya depletion)
9. Vulnerability to natural disasters

How to achieve inclusive growth?

1. Stable macro conditions
2. Productivity enhancing infrastructure
3. Increase agriculture productivity
4. Broadening the manufacturing base
5. Support to MSME's
6. Optimizing social investments
7. Improving the regulatory and policy environment

Marcos Administration's 8-Point Socio-economic agenda.



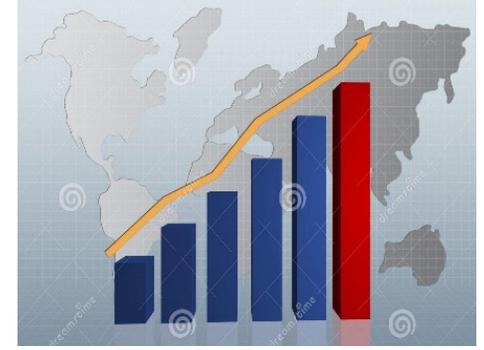
Food Security



Improved Transportation



Affordable/Clean Energy



Sound Fiscal Management



Bureaucratic Efficiency



Fiscal Consolidation/Responsibility



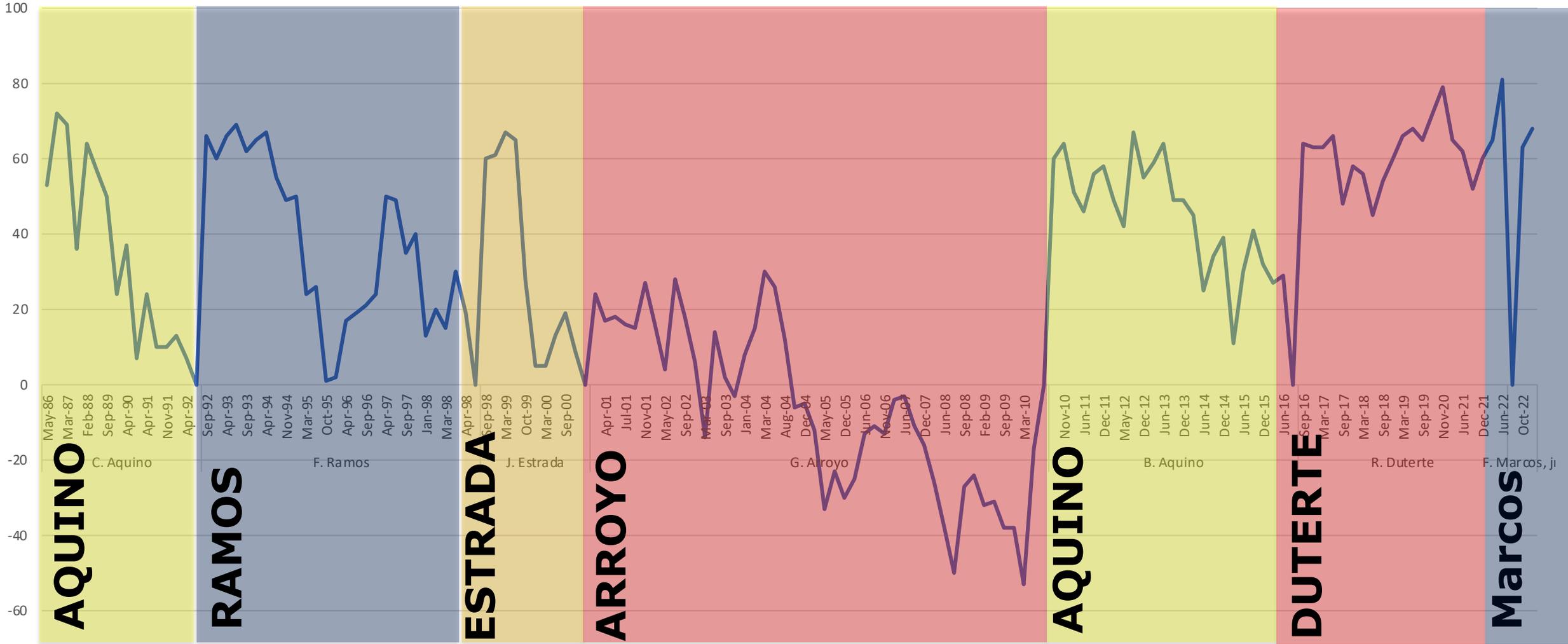
Social Services



Healthcare

Net satisfaction ratings of the president

Philippines, May 1986 to Present (Social Weather Stations)

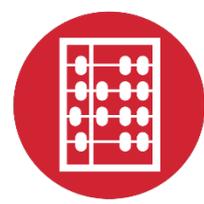


Source: Bloomberg, SWS ChartPoints



Reasons for optimism

Government initiatives aimed to reduce the impact of external factors.



Passage of the 2023 budget



Fiscal Consolidation/ Responsibility



Favorable demographics



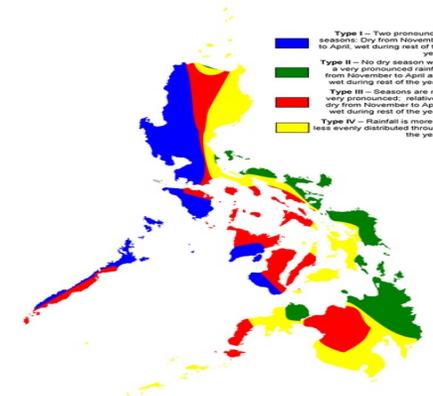
Ample Buffers favorable economic environment



Build, Build, More Improve infrastructure

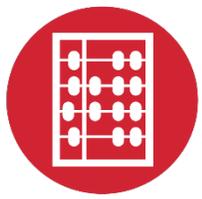


Strong credit rating and sound financial system



**Philippine Development Plan
Accelerate economic/social recovery and resilient prosperity**

The First Year: The good, the bad and the ugly



The Good

- 1.) The Economic Team
- 2.) The Fiscal Consolidation program
- 3.) A shift to a more neutral approach to foreign policy
- 4.) Inflation Retreating from January (headline) / March (Core) Peak

The Bad

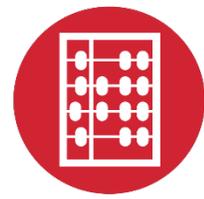
- 1.) Too much attention of Maharlika Investment Fund
- 2.) Philippines' Solid Growth yet to Turn Foreign Investors' Heads

The Ugly

- 1.) The slow progress in the developments in the agriculture sector.

Public-Private Partnership (PPP) Center

Summary of PPP Projects (as of May 29, 2023)



National PPP Projects

- (22) Under Conceptualization
 - (16) Projects Under Development
 - (26) Unsolicited Proposal Under Initial Evaluation by Implementing Agency
 - (13) For Approval of Relevant Government Bodies
 - (1) Under Procurement
 - Awarded
 - (3) Ongoing Pre-Construction
 - (11) Under construction
 - (27) Operational

Local PPP Projects

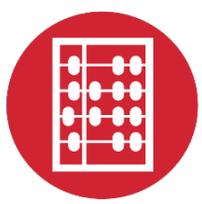
- (4) Under Conceptualization
- (7) Projects Under Development
- (3) Unsolicited Proposal Under Initial Evaluation by Implementing Agency
 - (2) For Approval of Relevant Government Bodies
 - (2) Unsolicited Projects Under Competitive Challenge
 - (1) Projects under Procurement
 - (116) Awarded
 - (1) For Verification
 - (17) Ongoing Pre-Construction
 - (8) Under construction
 - (92) Operational

TOTAL PROJECTS: 256

Execution is Key!

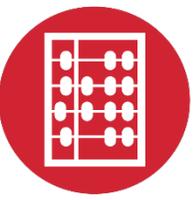
Dashboard

PH –Still Shining through..



POPULATION 114 mn (as of 2021)	Underemployment Rate 12.90% (as of April)	GDP 6.40% (as of 1Q23)	GDP-SERVICES 8.40% (as of 1Q23)	Inflation Rate 6.10% (as of May)
Average Age 25.30 (as of 2020)	Unemployment Rate 4.50% (as of April)	GDP- 2022 FY Growth Rate 7.60% (as of 2022)	GDP- INDUSTRIAL 3.90% (as of 1Q23)	Policy Rate 6.25% (as of May)
Literacy Rate 96.50 (as of 2019)	Labor Force Participation 65.10% (as of April)	Per Capita \$3,623 (as of 2022)	GDP- AGRICULTURE 2.20% (as of 1Q23)	Forex 55.86 (as of 16 June)

Source: BSP, PSA and ChartPoints



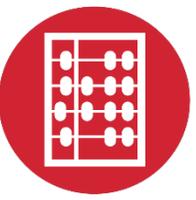
Global growth challenged by elevated prices.

Philippines is in better shape to face the difficulties ahead but not immune to global risk.

These “speed bumps” are opportunities to position in the Philippines.

What now?

How to ride the next wave of disruption.



- ❑ **Appreciate our resources...**
- ❑ **Know the Risks Ahead...(Bumpy ride)**
- ❑ **Keep Investing (look for bargains)**
- ❑ **Pay the **R**ight **T**axes**
- ❑ **Spend More (But wisely)**
- ❑ **Pray... Harder**

Questions and Answers?



REYES TACANDONG & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.



Jonathan "Jonas" L. Ravelas, CTA
Senior Advisor, Reyes Tacandong & Co.



is one of the country's leading analyst. He is in high demand as a speaker and commentator in the Philippine media for his vast knowledge of the country's economic landscape. His long career spans roles in various capacity in the financial services industry.

Mr. Ravelas was FVP-Chief Market Strategist at BDO Unibank from June 2002- June 2022. He provided analysis on financial markets and macroeconomic developments in local and foreign markets. He held the same position at Equitable PCI Bank's Treasury Department from 1998 to 2002. His prior experience includes working as strategist, analyst, equities dealer and portfolio manager in both money management and institutional equity brokerage with DBS Securities and ACE Securities.

Jonas has been educating investors in trading strategies & corporate governance, having worked in financial markets for more than 25 years. He has delivered numerous lectures in the field of forecasting, investments and corporate governance here and abroad and regularly provides economic commentaries in the Asian Wall Street Journal and is a regular commentator on economic and financial markets on ANC, Bloomberg, and CNN Philippines.

Recently, FocusEconomics ranked him as the #2 overall forecaster for the Philippines for 2021. In 2018, the same institution ranked him as the #1 Forex Forecaster for the Philippines. Same 2016, FocusEconomics ranked him as the #1 Current Account forecaster for the Philippines for 2015. He is also a lecturer of Ateneo BAP's treasury certification program. Recently, he obtained his certification as Certified Technical Analyst from the Society of Technical Analysts, an international organization.

He holds a bachelor's degree in Management of Financial Institutions from the De La Salle University (1992). In 1996, he finished the Asian Securities Executive Program at the Asian Institute of Management (Manila)

*Age:51 / Success Mantra: **Fortune favors the brave.***



#1 CURRENT ACCOUNT FORECASTER - PHILIPPINES



#1 FOREX FORECASTER - PHILIPPINES



REYES TACANDONG & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.

