Pacific Basin Economic Council

Managing Uncertainty:

Sustaining Economic Growth at the Age of Complexity

The Philippines

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The Philippines is Recovering Nicely

- Casino traffic is picking up
- GDP growth - 7.6% (3Q2022)
- Bank lending activity grew rapidly.
- Airline traffic and capacity factor are increasing
- Expected Next
  - Mall traffic
  - Tourism

The New Government is Pleasantly Surprising Many

- Capable, experience people appointed
- Plans to work with the private sector to develop infrastructure
- Private Sector Advisory Council (PSAC) formed
  - To Educate the President about each industry
  - Provide advice and support from private sector leaders
- Next – Support, organize and manage the ministers to ensure their departments get things done by the end of the government term

Strong Economic Foundation

- GDP - 7.76% YTD
- Inflation - 5.4% YTD
- Responsive central bank reactions to US increases in interest rates
- Banko Sentral (BSP) overnight borrowing rate- 5%
- BSP reserves are at USD94B (7.5x imports; 6.7x short term external debt)
- Reliable dollar earners
  - Overseas Foreign Workers (providing remittances)
  - Business Process Outsourcing (such as call centers)

Dynamic Energy Sector

- Malampaya gas field volume is declining
- The new owner is expected to drill more wells to extend the life of the resource
- LNG transition- At least two players are building LNG regasification facilities. The first shipment will be in 2023
- No new coal plants under construction. Several new gas plants are being built.
- Many solar plants are being built.
- Offshore wind plants are planned
- Multiple battery energy storage facilities are under construction

Adding New Telecom Competitors

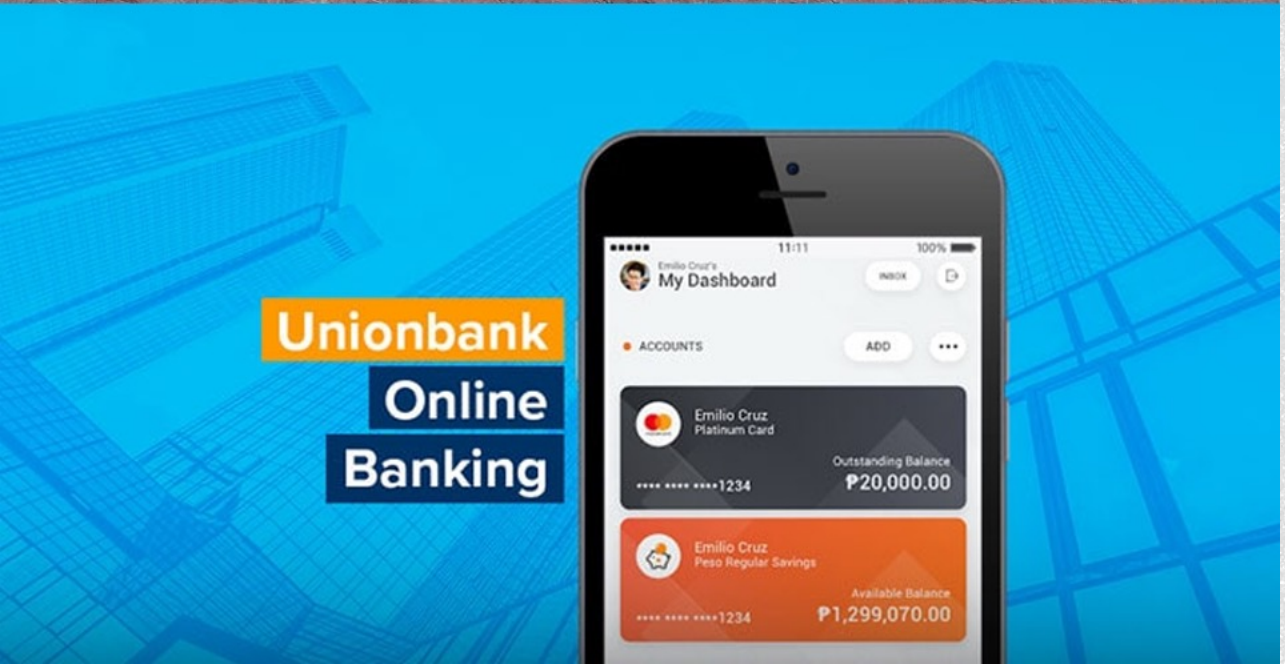
- From two major internet providers the industry has expanded with new entrants (at least 7 independent providers)
- A third mobile provider (DITO) has added to the competition
- Telecom towers being sold to operators. This should solve the current lack of towers in the next few years

Big Infrastructure Projects are Being Awarded

- Airports are being privatized
- Subway contracts have been awarded
- Train contract has been awarded

Recovering Real Estate

- Several REITs have listed on the stock exchange
- Real Estate profits are increasing - driven by economic recovery
- Mall traffic picking up
- Substantial pressure to stop or reduce Philippine Online Gambling Operations (POGO)



Banking is Recovering Rapidly

- Bank profits are up from the recovery
- Digital banking licenses awarded
- Banks are well capitalized
- Traditional banks are becoming more digital

The Philippines is Recovering Fast and Well