

Philippine Economic Briefing
27 May 2024

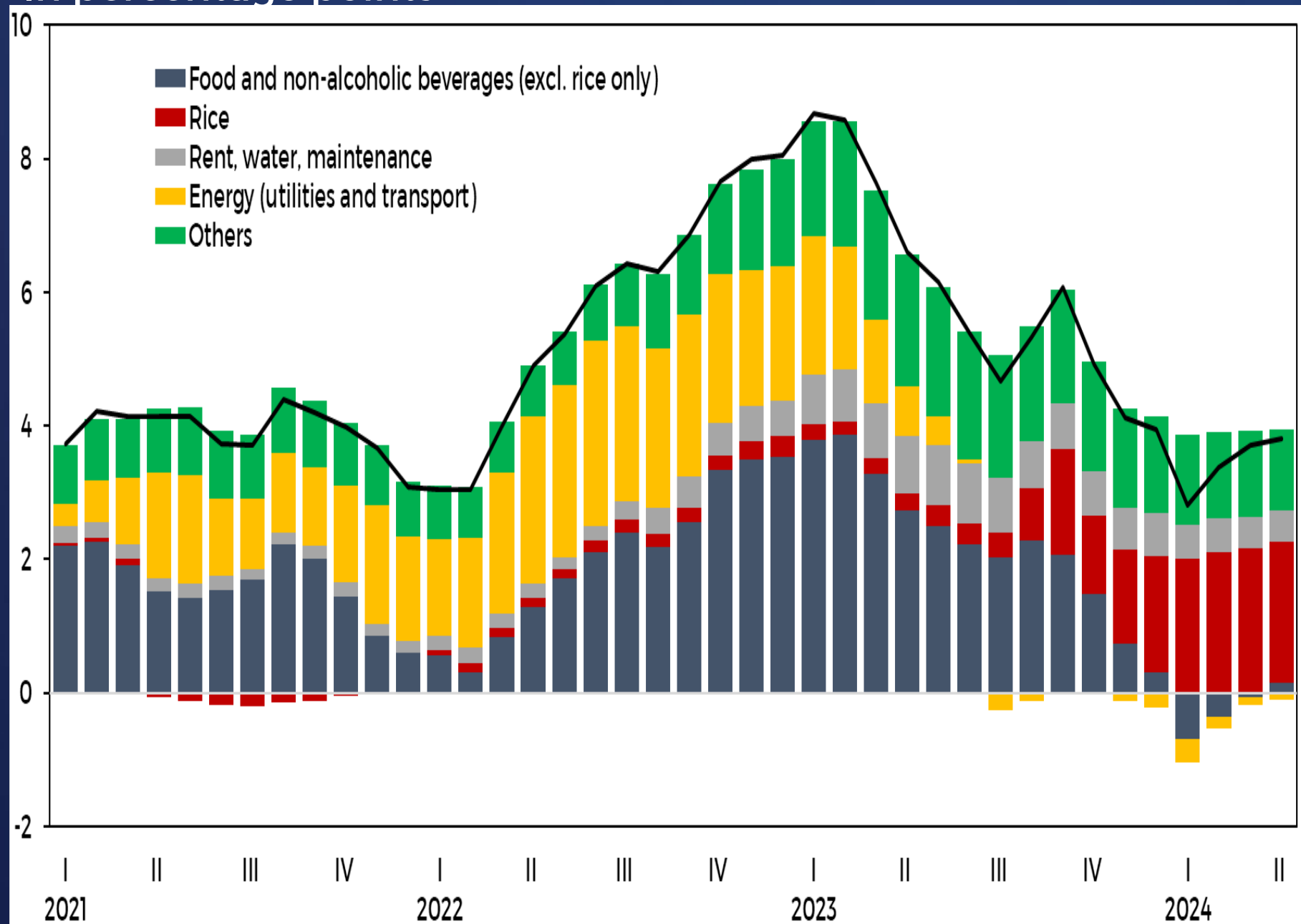
SHAPING A MACROECONOMIC LANDSCAPE CONDUCIVE FOR INVESTMENT



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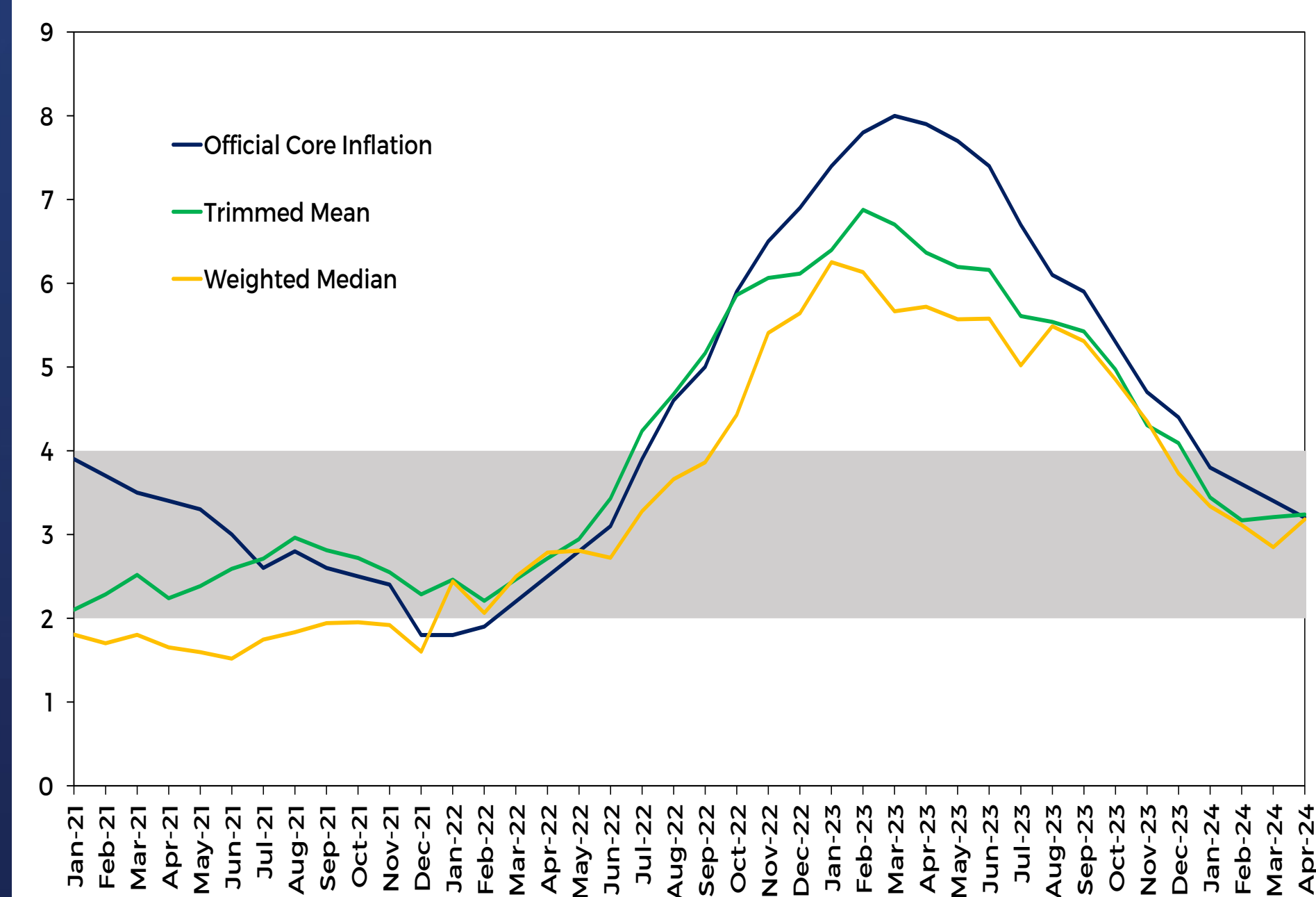
Supply-side factors continue to drive inflation

Contribution to Headline Inflation
In percentage points



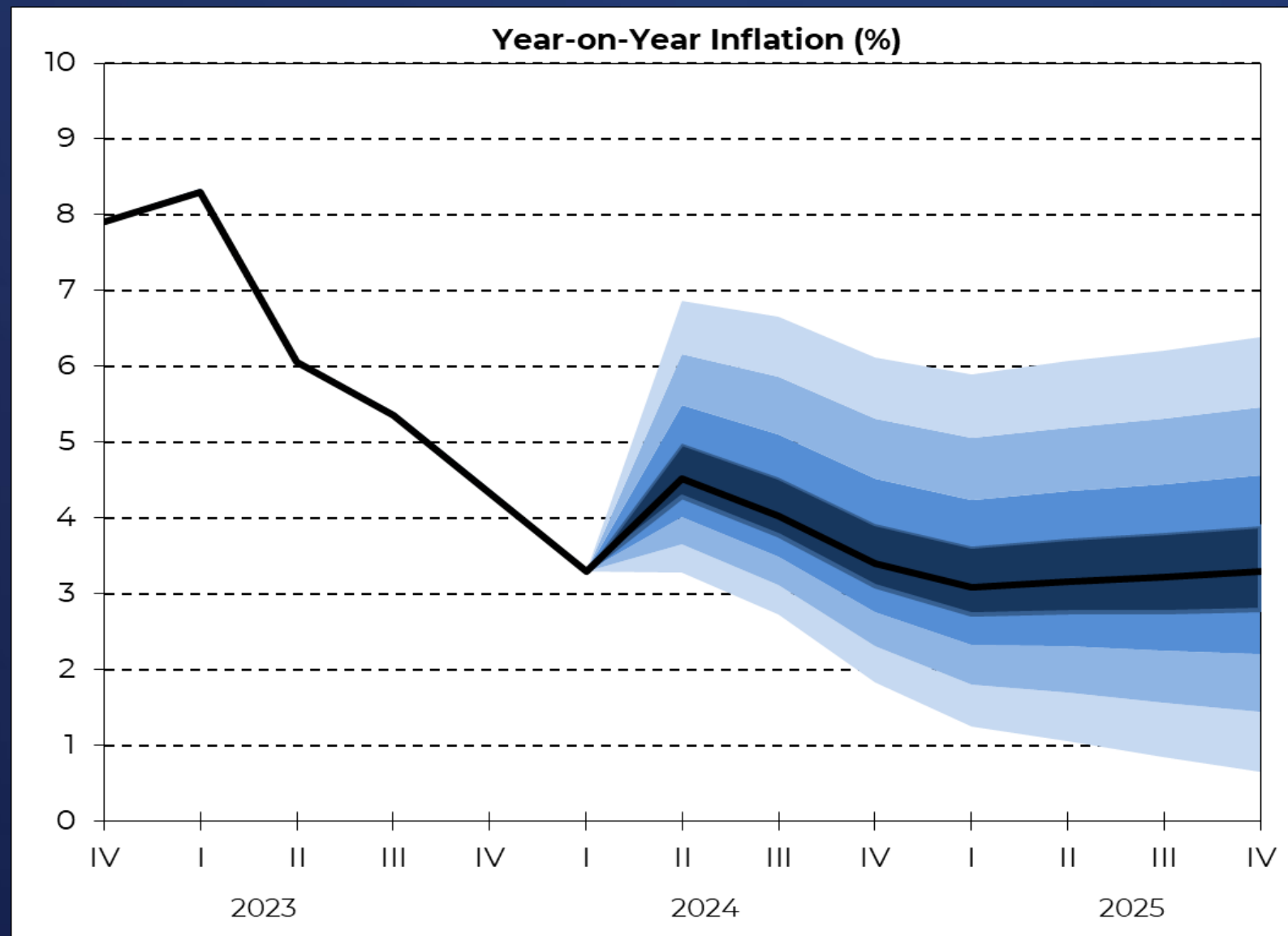
Sources: PSA and BSP staff calculations

Core Inflation Measures
In percent



Inflation is seen to settle at the upper end of the target range in 2024

BSP Year-on-Year Baseline Inflation Forecast
Q1 2023 - Q4 2025
As of 16 May 2024, Monetary Board Policy Meeting



Year	Baseline		BSP Risk-Adjusted Inflation Projections	
	Apr 2024 Meeting	May 2024 Meeting	Apr 2024 Meeting	May 2024 Meeting
2024	3.8	3.5	4.0	3.8
2025	3.2	3.3	3.5	3.7

Upside risks

- Higher transport charges
- Higher domestic food prices
- Higher electricity rates
- Higher global oil prices



Non-monetary measures remain crucial for sustained disinflation

SHORT-TERM STRATEGIES

- Alleviating impact of El Niño
- Timely and sufficient importing of key commodities
- Augmenting and pursuing programs related to energy conservation and efficiency, as well as food security
- Implementation of targeted cash transfers and subsidies towards vulnerable stakeholders
- Continuous monitoring of relevant developments and coordination with the private sector

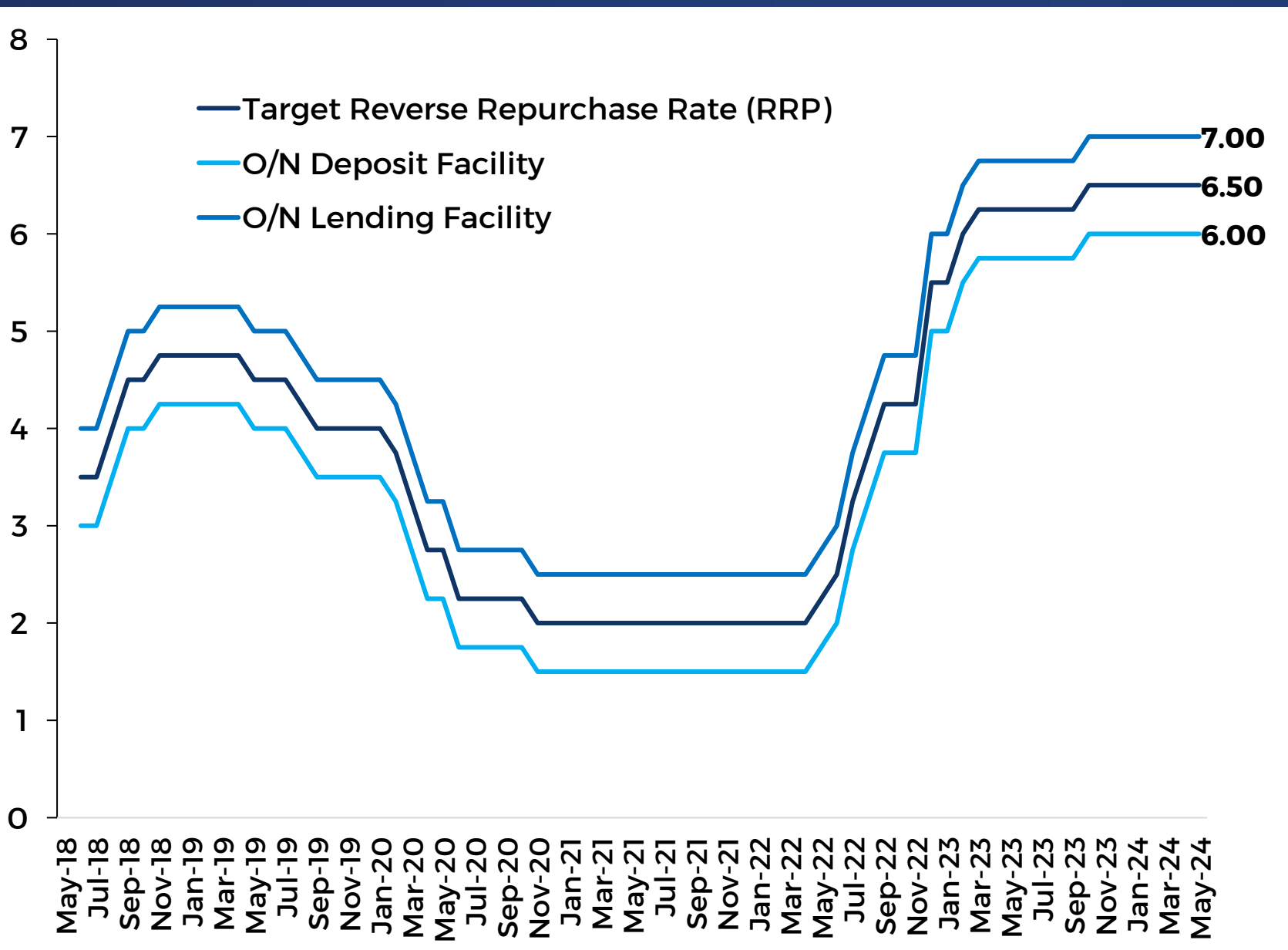
MEDIUM- TO LONG-TERM STRATEGIES

- Strengthening of local food systems
- Improving digital and physical infrastructure
- Enabling regulatory system conducive to investments and ease in doing business
- Creating and facilitating adoption of improved technology
- Safeguarding energy, food, and water security

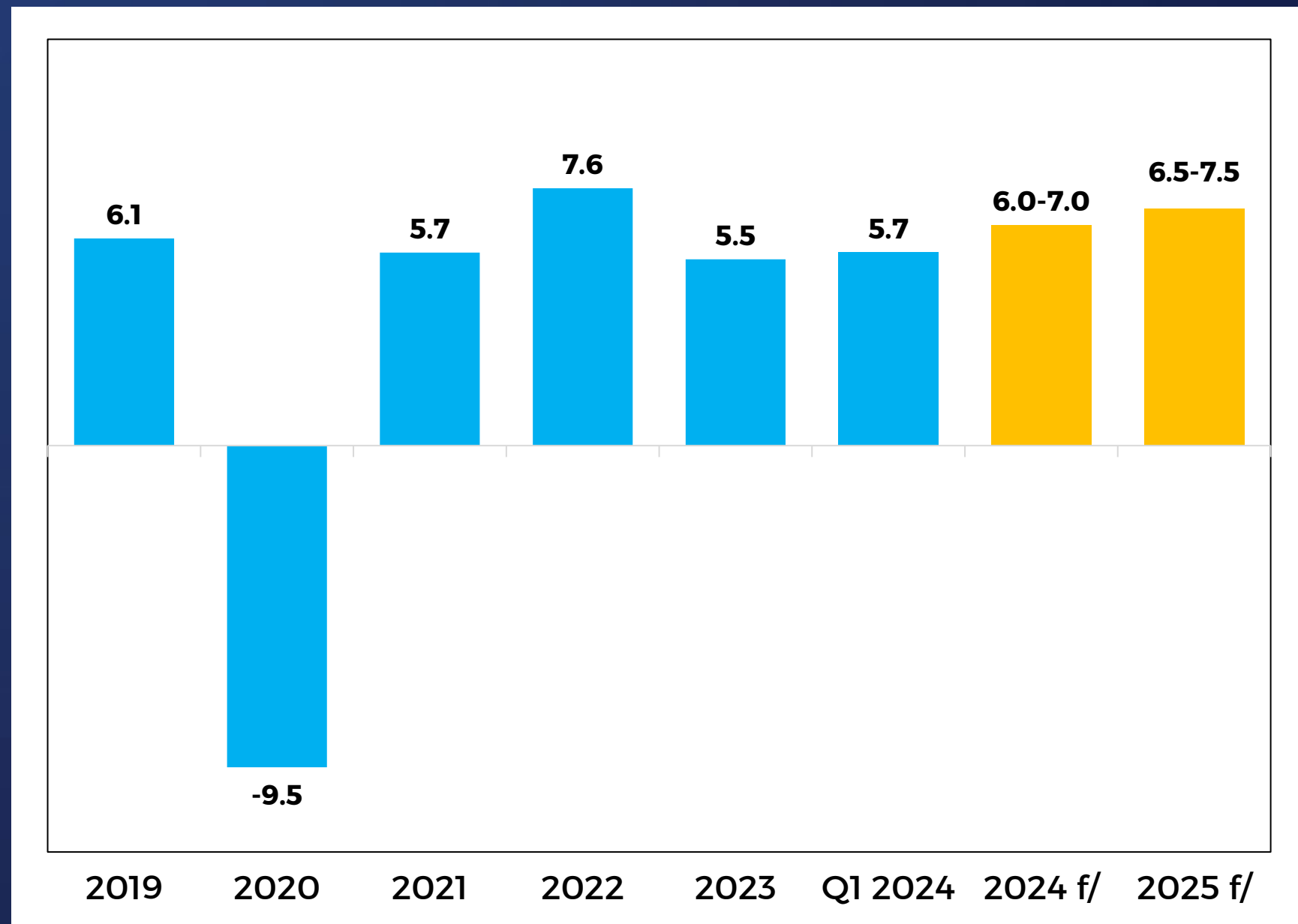


Growth momentum remains intact over the medium term

BSP Policy Rates (%)



Real GDP growth (%)



Source: BSP

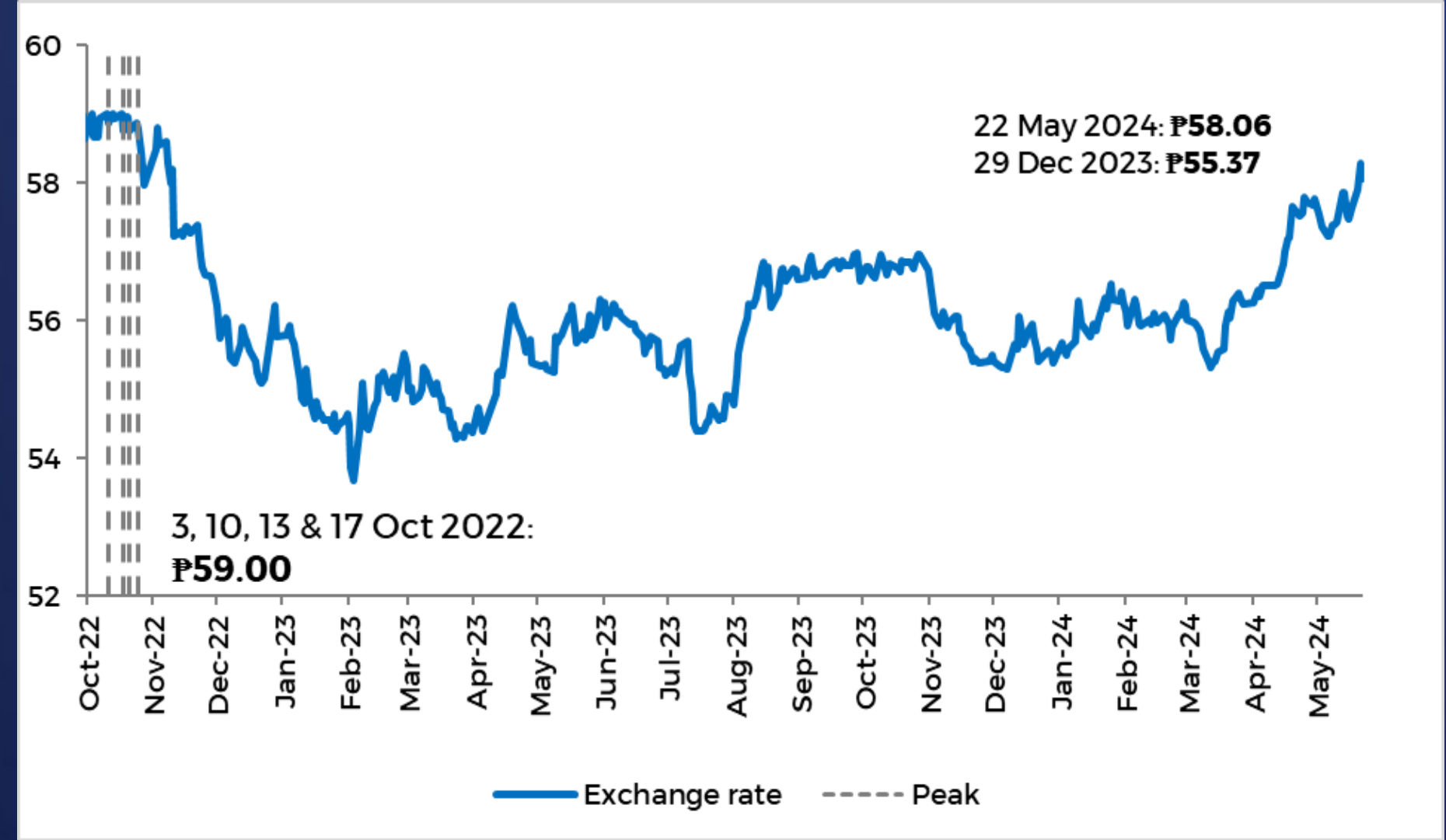
f- GDP growth targets by the Development Budget Coordination Committee (DBCC)

Sources of Basic Data: PSA and DBCC

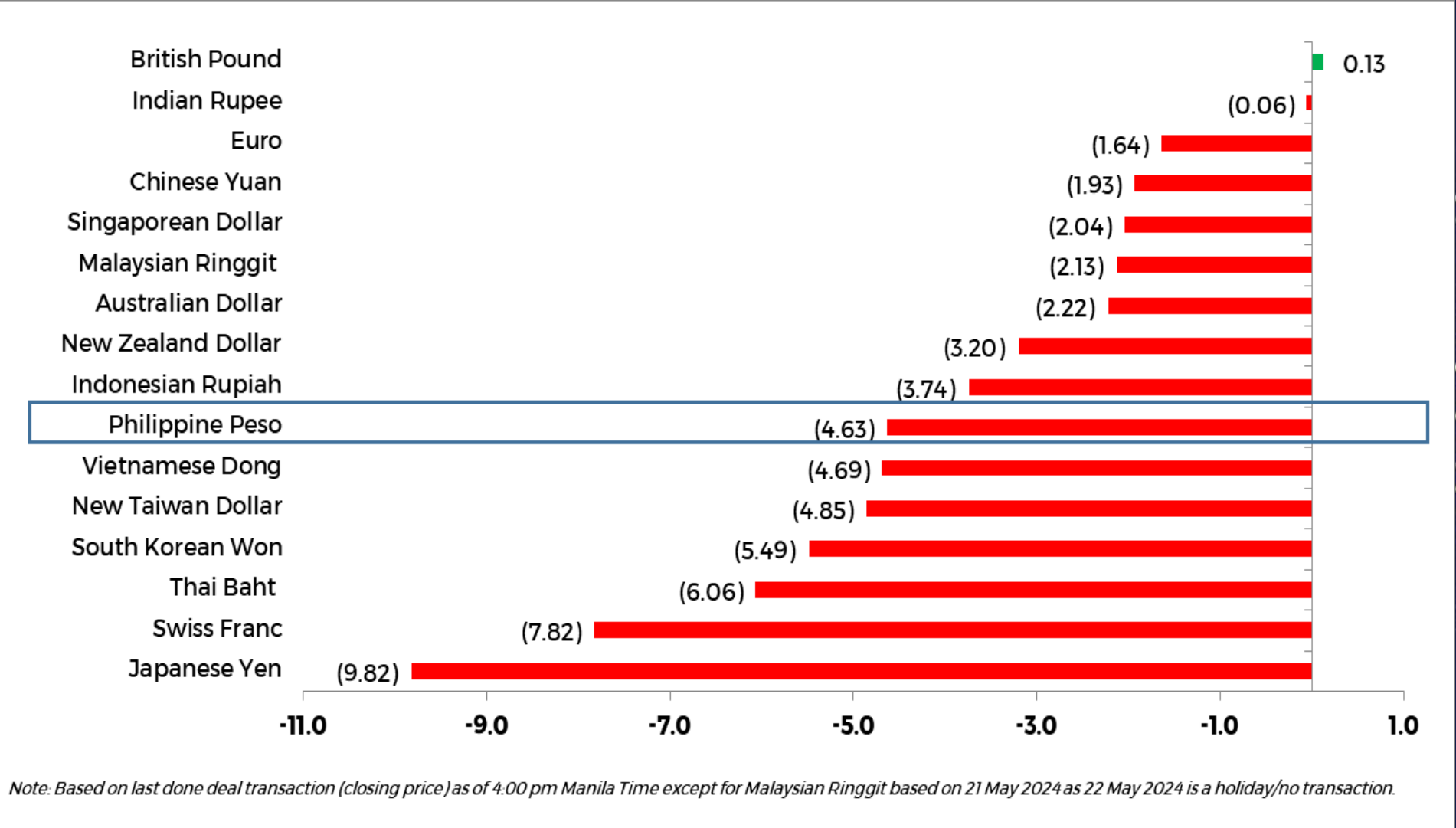


Peso and other regional currencies continue to be influenced by broad US dollar strength

Peso per US dollar Exchange Rate
Closing prices as of 22 May 2024



YTD movement against the USD
as of 22 May 2024



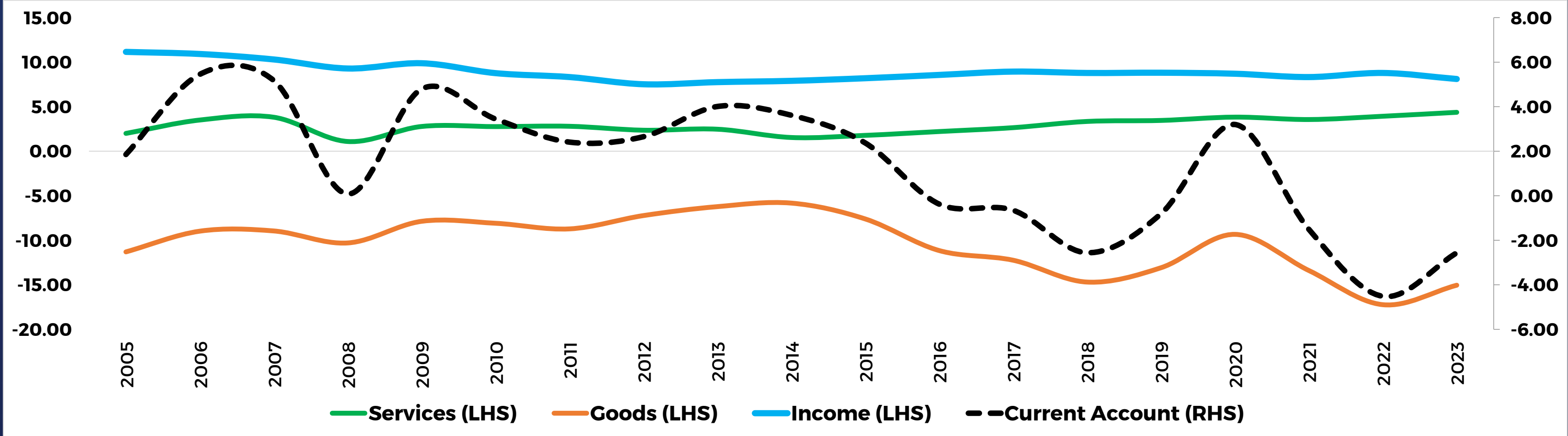
Note: Based on last done deal transaction (closing price) as of 4:00 pm Manila Time except for Malaysian Ringgit based on 21 May 2024 as 22 May 2024 is a holiday/no transaction.

Source: BSP staff computation



Foreign exchange inflows come from structural sources

Current Account and Components, as % of GDP



TRAVEL SERVICES RECEIPTS

US\$9.1 Billion 2023
↑ 118.5% YoY



BUSINESS PROCESS OUTSOURCING REVENUES

US\$29.7 Billion 2023
↑ 8.1% YoY



OVERSEAS FILIPINO CASH REMITTANCES

US\$33.5 Billion 2023
↑ 2.9% YoY

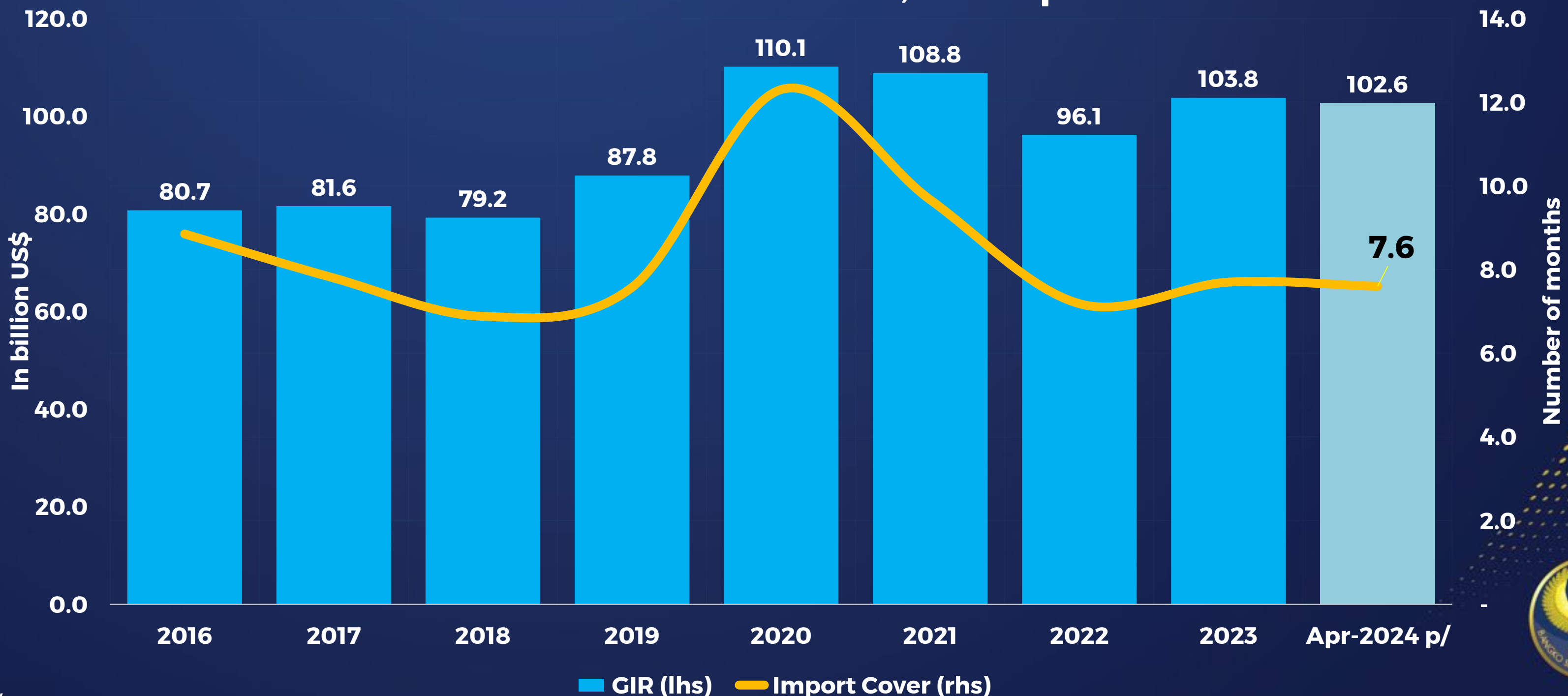


Source: BSP

Classification: GENERAL

Gross International Reserves provide ample liquidity against external headwinds

Gross International Reserves, end-of-period



p/ preliminary
Source: BSP
Classification: GENERAL

Current account supported by robust services exports and steady OF remittances

	Actual		Projections	
	2022	2023	2024	2025
Overall BOP Position (% of GDP)^{1/}	-1.8	0.8	0.1	-0.1
Current Account Balance (% of GDP)	-4.5	-2.6	-1.3	-1.1
Good Exports, growth rate (%), BPM6 concept	6.4	-4.1	3.0	6.0
Goods Imports, growth rate (%), BPM6 concept	19.0	-5.0	4.0	7.0
OF Cash Remittances, growth rate (%)	3.6	2.9	3.0	3.0
BPO revenues, growth rate (%)	9.1	8.1	7.0	7.0
Travel receipts, growth rate (%)	595.4	118.5	50.0	10.0
Net Foreign Direct Investments (US\$ billion)	9.5	8.9	9.0	9.0

1/The BOP surplus in January-March 2024 amounted to US\$238 million, lower than the US\$3.5 billion surplus recorded in January-March 2023.

Key Takeaways

THE BSP MAINTAINS ITS TIGHT MONETARY POLICY SETTINGS AMID PREVAILING INFLATION CONDITIONS

While inflation remains within the target range, keeping monetary policy settings tight remains appropriate given upside risks to inflation outlook. Continued progress in non-monetary measures will remain crucial in addressing supply-side pressures on inflation.

DOMESTIC ECONOMIC GROWTH PROSPECTS REMAIN INTACT OVER THE MEDIUM-TERM

Recent indicators suggest that domestic growth prospects remain largely intact over the medium term, even as overall activity continues to respond to tighter financial conditions

RESILIENT EXTERNAL ACCOUNTS CUSHION AGAINST GLOBAL SPILLOVERS

Robust external account, alongside ample policy space, will continue to cushion against potential global spillovers in domestic inflation and growth outlook.

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