The Philippine economic miracle continues.

The country is on its 8th year of expansion, with average annual GDP growth of 6.3%.

GDP is forecast to grow at 6.5% to 7.5% in 2017, the 5th fastest-growing economy in the world.

The present administration has embarked on a medium-term fiscal and tax-reform program and targeting 7% to 8% GDP growth from 2018 to 2022.

The Philippine Central Bank continues to pursue an accommodative monetary stance. YTD inflation of 3.2% remains well-within the BSP's target range of 2% to 4%, despite quadrupling from 0.9% in February 2016 to 3.5% in September 2017.

The government has also adopted an expansionary fiscal policy, which is gaining traction on its second year. The $170-b Build! Build! Build! infrastructure program will increase public infrastructure spending from 3.0% of GDP in 2010–2016 to 5.4% of GDP in 2017, and 7.3% of GDP by 2022. The National Economic and Development Authority has approved 30 priority infrastructure projects worth $57b.

A proposed Comprehensive Tax Reform Program will help finance the fiscal expansion. In 2018, the programmed fiscal expansion is P309b or 1.8% of GDP, of which P175b or 1% of GDP will be funded by the budget deficit and P134b or 0.8% will be sourced from tax-reform revenues.

Last May 31, 2017, the first package of the government's tax reform program with an estimated revenue intake of P119b or 0.7% of GDP hurdled its third and final approval in the House of Representatives.

Last September 21, 2017, the Senate of the Philippines filed its own version. Differences between the Senate version and the House of Representatives will then be settled in a bicameral conference, which the government hopes to conclude in November.

Based on the fiscal spending and tax-reform program, the budget deficit will be capped at 3% and debt-to-GDP will further improve from 40.6% in 2017 to 37.7% in 2022.

The current account dipped into a deficit of $1b or 0.3% of GDP in 2016, the first in 13 years, caused by rising imports of capital goods. The trade account has been in deficit in the past five years, averaging 8% of GDP.

Over the same period, the share of capital goods to the total import bill has increased from 25% to 33%, as the 12% growth of capital goods imports has outpaced the 5.7% growth of total merchandise imports.

BPO revenues will continue to grow at 11% from $25b in 2017 to $39b in 2022, Overseas Filipino remittances are able to sustain a 5% growth to $28b and tourism is contributing $5b with 11% growth in tourist arrivals.

The Peso real effective exchange rate has gradually appreciated by 8% or 1% per year since the start of the expansion in 2010. YTD, The Peso real effective exchange rate has depreciated by 7%, weighed down mainly by the current account deficit.

The Peso is well supported by $82b of FX reserves, equivalent to an import cover of 8.6 months and external debt of $72.5b or 23.5% of GDP. The National Economic and Development Authority is projecting a Peso-Dollar exchange rate of P48 to P51 in 2018.

The Philippine stock market is on a nine-year bull run. It has gained 343% or 40% per year since March 2009, the second strongest bull market in the world.

This year, the PSEi reached a high of 8605 (+26%) on November 3, supported by net foreign buying of P55b.

Domestic market capitalization has grown by 19.7% to P17.3 trillion. Equity capital raisings has reached P148b, from P176b last year.

The Philippine Stock Exchange introduced a new product: Dollar-denominated securities (DDS), which are securities traded and settled in US dollars. The first offering in April 2017 was by Del Monte Pacific, which raised $200m. The second offering by Cirtek Holdings is ongoing, which will raise as much as $140m. There are currently 14 approved Eligible DDS Brokers.

The PSE will introduce more new products: short-selling and structured warrants. PSE is also reviving the REIT program, promoting SME listings and expanding the local small investors program.

In addition, the Philippines Stock Exchange is finalizing the acquisition of the Philippine Fixed Income Exchange which will effectively merge the equities and the fixed income exchanges in the country.

In closing, a testament to foreign investor confidence in the long-term growth of the Philippine economy are the recent big-ticket M&A transactions:

- P65b acquisition by Macquarie and Government Of Singapore Investment Corp. of 47.5% in Energy Development Corp., the second largest geothermal facility in the world

- P46.8b acquisition by Japan Tobacco Inc. of Mighty Corp., the second-largest cigarette maker in the Philippines; and

- P36.9b acquisition of Bank of Tokyo Mitsubishi of 20% in Security Bank, the fifth-largest bank in the country