P25 IN METRO MANILA, PHILIPPINES

BusinessWorld

STOCK MARKET

PSEi

OPEN:	6,651.17
HIGH:	6,711.15
LOW:	6,597.14
CLOSE:	6,660.05
VOL.:	1.686 B
VAL(P):	8.008 B

ASIAN MARKETS

MAY 19, 2022

	CLOSE		NET	%
Japan (Nikkei 225)	26,402.84	▼	-508.36	-1.89
Hong Kong (Hang Seng)	20,120.68	▼	-523.60	-2.54
Taiwan (Weighted)	16,020.32	▼	-276.54	-1.70
Thailand (SET Index)	1,606.45	▼	-13.88	-0.86
S.Korea (Kse Composite)	2,592.34	▼	-33.64	-1.28
Singapore (Straits Times)	3,194.66	▼	-30.69	-0.95
Sydney (All Ordinaries)	7,064.50	▼	-118.20	-1.65
Malaysia (Klse Composite)	1,549.41	▼	-5.50	-0.35

WORLD MARKETS

MAY 18, 2022

	CLOSE		NET
Dow Jones	31,490.070	▼	-1,164.520
NASDAQ	11,418.154	▼	-566.369
S&P 500	3,923.680	▼	-165.170
FTSE 100	7,438.090	▼	-80.260
Euro Stoxx50	3,600.020	▼	-42.750

PESO-DOLLAR RATES

FX

OPEN	P52.410
HIGH	P52.300
LOW	P52.470
CLOSE	P52.450
W.AVE.	P52.390
VOL.	$1,119.00 M

SOURCE : BAP

ASIAN MONIES-US$ RATE

MAY 19, 2022

	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	127.770	▲	129.160
Hong Kong (HK dollar)	7.847	▲	7.849
Taiwan (NT dollar)	29.771	▼	29.698
Thailand (baht)	34.570	▲	34.580
S. Korea (won)	1,279.880	▼	1,266.650
Singapore (dollar)	1.387	▼	1.386
Indonesia (rupiah)	14,730	▼	14,685
Malaysia (ringgit)	4.403	▼	4.394

WORLD CURRENCIES

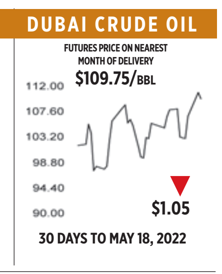
MAY 19, 2022

	CLOSE		PREVIOUS
US$/UK pound	1.2374	▼	1.2390
US$/Euro	1.0490	▼	1.0518
$/Aust dollar	0.6986	▼	0.7013
Canada dollar/US$	1.2835	▼	1.2841
Swiss Franc/US$	0.9772	▼	0.9961

DUBAI CRUDE OIL

FUTURES PRICE ON NEAREST MONTH OF DELIVERY

$109.75/bbl



VOL. XXXV • ISSUE 212

FRIDAY • MAY 20, 2022 • www.bworldonline.com

S1/1-12 • 2 SECTIONS, 18 PAGES

PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • MAY 19, 2022 (PSEi snapshot on *S1/4*; article on *S2/2*)

		Value			
CNVRG	P28.000	P910,519,585	P0.000	—	0.000%
SMPH	P36.250	P525,189,285	-P0.450	▼	-1.226%
MONDE	P15.700	P456,460,032	P0.760	▲	5.087%
BDO	P131.800	P450,653,673	P4.800	▲	3.780%
ICT	P211.400	P428,541,794	-P6.400	▼	-2.938%
SM	P839.000	P427,855,445	-P31.000	▼	-3.563%
ALI	P27.950	P415,208,520	-P0.850	▼	-2.951%
GLO	P2,498.000	P379,935,460	P40.000	▲	1.627%
AC	P680.000	P309,014,060	P2.000	▲	0.295%
TEL	P1,951.000	P281,716,275	-P20.000	▼	-1.015%

BSP hikes rates for 1st time since 2018

THE Bangko Sentral ng Pilipinas (BSP) raised its key interest rate for the first time since 2018 to tame rising inflation.

The Monetary Board on Thursday increased the benchmark rate by 25 basis points (bps) to 2.25%, as expected by eight out of 17 analysts in a *BusinessWorld* poll last week.

Interest rates on the overnight deposit and lending facilities were also hiked by 25 bps to 1.75% and 2.75%, respectively.

"The Monetary Board believes that a timely increase in the BSP's policy interest rate will help arrest further second-round effects and temper the buildup in inflation expectations," BSP Governor Benjamin E. Diokno said at a media briefing.

"Persistent inflationary pressures point to the need for prompt monetary action to anchor inflation expectations."

Inflation climbed to 4.9% in April, the highest in more than three years, as oil and commodity prices soared amid the Russia-Ukraine war and supply chain disruptions.

"The Monetary Board also observed the emergence of second-round effects, including the higher-than-expected adjustment in minimum wages in some regions. Inflation expectations have likewise risen, highlighting the risk posed by sustained pressures on future wage and price outcomes," he said.

Mr. Diokno said the strong rebound in economic activity and jobs market in the first quarter "provide scope for the BSP to continue rolling back its pandemic-induced interventions."

He said the National Government will fully settle on Friday the P300-billion zero-interest loan it secured from the BSP, ahead of the original maturity date on June 11.

The Monetary Board will also reset the BSP's bond-buying window into a regular liquidity facility that will also ensure the sustainability of its balance sheet. Mr. Diokno said the BSP held around 40% of government bonds at the height of the pandemic, but has been significantly reduced to around 2-3%.

"As the economic recovery continues to gain traction, the BSP shall proceed with its plans for the continued gradual withdrawal of its extraordinary liquidity interventions and the start of the normalization of its monetary policy settings," he said.

The BSP chief said the pace and timing of further monetary policy action will be "guided by data outcomes."

The start of the BSP's tightening cycle came a week after the release of data showing gross domestic product (GDP) expanded by a better-than-expected 8.3% in the first quarter.

RISING INFLATION

At the same time, the BSP upwardly revised its average inflation forecast for 2022 to 4.6% from the previous forecast of 4.3%, exceeding the 2%-4% target band. For 2023, the BSP's inflation forecast was hiked to 3.9% from 3.6% previously.

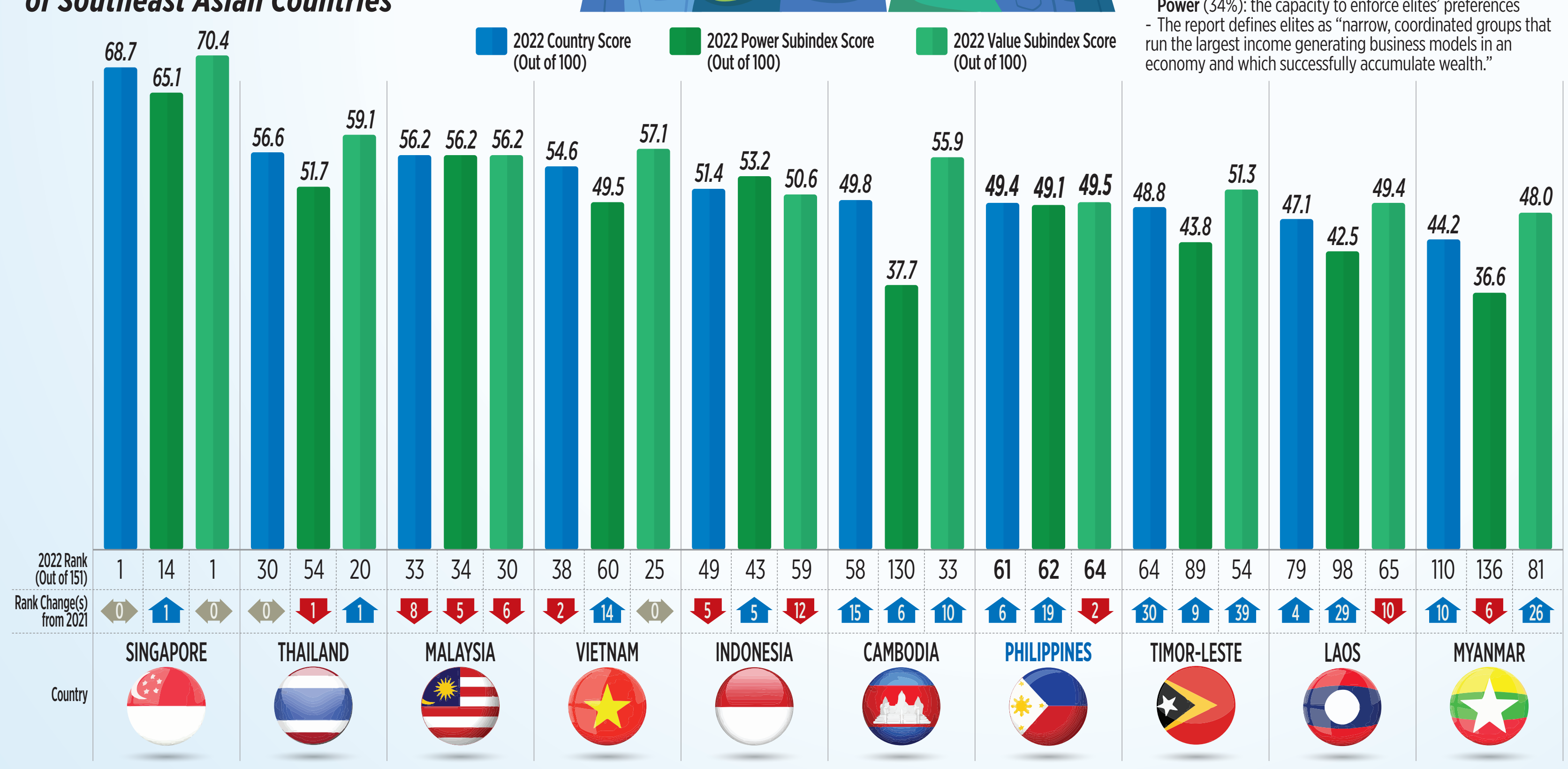
BSP Department of Economic Research Managing Director Zeno Ronald R. Abenoja said the central bank's new inflation projections factored in higher oil and non-oil prices caused by the Russia-Ukraine war.

BSP, S1/9

PHILIPPINES RISES IN ELITE QUALITY RANKINGS

The Philippines climbed six places to rank 61st out of 151 countries in the latest edition of the Elite Quality Index that assesses the elites' contribution in wealth creation and society development. It placed seventh out of 10 Southeast Asian countries included in the index, ahead of Timor-Leste (64th overall), Laos (79th), and Myanmar (110th).

2022 Elite Quality Index Scores of Southeast Asian Countries



PHILIPPINES

Top Indicators	Rank (/151)
Social Mobility (Downward)	1
Military Expense as % of GDP	3
Collective Bargaining Coverage	5
Suicide Rate Per 100,000 People	5
Social Mobility (Upward)	7
Construction as % of GDP	7

Bottom Indicators	Rank (/151)
% of Imports Targeted by Protectionist Measures (Flow)	139
Criminal Actors	138
Criminal Markets	133
No. of Journalists Killed Per 1 Million People (2 yrs. ave.)	136
Battle-Related Deaths Per 100,000 People	131
Religion - Social Hostilities Index	130

NOTES:
- The index covered 120 indicators divided into two main subindices. Each of the two subindices contained political and economic dimensions.
  Value (66%): the outcome of the elites' productive activities
  Power (34%): the capacity to enforce elites' preferences
- The report defines elites as "narrow, coordinated groups that run the largest income generating business models in an economy and which successfully accumulate wealth."

Top 10

2022 Rank (Out of 151)	Country	Rank Change(s) from 2021	2022 Country Score (Out of 100)
1	Singapore	0	68.7
2	Switzerland	0	67.4
3	Australia	▲6	65.2
4	Israel	▲3	65.0
5	Netherlands	▼1	64.4
6	Sweden	0	64.0
7	Canada	▲4	63.7
8	United Kingdom	▼5	63.4
9	Norway	▼1	63.4
10	Estonia	▲2	63.1

Bottom 10

2022 Rank (Out of 151)	Country	Rank Change(s) from 2021	2022 Country Score (Out of 100)
151	Sudan	▼1	28.3
150	Libya	▲1	33.6
149	Iraq	▼3	34.4
148	Syria	0	34.4
147	Yemen	▲2	34.8
146	Haiti	▼2	35.0
145	Iran	▲2	36.0
144	Lesotho	▼9	37.2
143	Mauritania	▲2	37.9
142	Afghanistan	▼5	38.2

SOURCE: FOUNDATION FOR VALUE CREATION'S ELITE QUALITY REPORT 2022: COUNTRY SCORES AND GLOBAL RANKINGS
BUSINESSWORLD RESEARCH: BERNADETTE THERESE M. GADON
BUSINESSWORLD GRAPHICS: BONG R. FORTIN

Credit raters awaiting incoming administration's fiscal consolidation plan

By Luz Wendy T. Noble
Reporter
and **Tobias Jared Tomas**

CREDIT RATING agencies will keep a close eye on how the incoming Marcos administration will manage the country's mounting debt in assessing the Philippines' sovereign rating.

Moody's Investors Service is also concerned over debt affordability as it reflects a sovereign's fiscal flexibility, said Christian de Guzman, senior vice-president at Moody's sovereign risk group.

Debt affordability is the ratio of annual interest payments required to maintain a government's debt to its annual tax revenues.

"Indeed, while there has been a large increase in government debt that has in essence reversed the progress in debt reduction that was made in the decade prior to the pandemic, we have not seen a similarly large deterioration in debt affordability for the Philippines," Mr. De Guzman said in an e-mail.

The National Government's outstanding debt rose to a record-high P12.68 trillion as of end-March, according to the Bureau of the Treasury (BTr).

"For comparison, the last time the Philippine government had seen debt levels similar to that today, which was in the early to mid-2000s, the interest payments to revenue ratio was several magnitudes worse than what we are seeing today," Mr. De Guzman said.

The relatively stable interest rates as well as continued tax reforms have helped improved debt affordability for the Philippines, he said.

Moody's last affirmed its "Baa2" credit rating with a "stable" outlook for the Philippines in July 2020.

Credit raters, S1/9

NPL ratio eases to three-month low

SOURED LOANS held by Philippine banks declined in March, bringing the nonperforming loan (NPL) ratio to its lowest in three months amid the further reopening of the economy.

Data released by the Bangko Sentral ng Pilipinas (BSP) on Thursday showed the banking industry's gross NPL ratio slipped to 4.08% in March from 4.21% a year ago. It is also lower than the 4.24% NPL ratio seen in February.

The March NPL ratio is the lowest since the 4.1% logged in December.

Bad loans rose 2.7% to P460.458 billion in March from P448.44 billion a year ago. However, it declined 2.6% from the P472.664 billion in February.

The asset quality of Philippine banks improved amid the expansion in banks' outstanding loans, Asian Institute of Management economist John Paolo R. Rivera said.

"This [decline in NPL ratio] is due to increased economic and business activities that allow for more demand for loans coupled by a relatively more stable income flows given a more sustained economic reopening," Mr. Rivera said in a Viber message.

The government placed Metro Manila and some provinces under the most lenient alert level in March as the number of coronavirus disease 2019 (COVID-19) infections plunged.

In March, outstanding loans by big banks expanded by 8.9%, the quickest rise since the 9.6% in June 2020.

As NPLs declined, the lenders' gross loan portfolio continued to expand by 5.8% to P11.28 trillion in March from P10.66 trillion a year ago. It also edged up 1.2% from the P11.15 trillion in February.

Meanwhile, past due loans fell 4.4% to P544.593 billion in March from P569.639 billion a year ago. This brought the ratio to 4.83% from 5.34% a year ago.

On the other hand, restructured loans climbed 46.7% to P341.771 billion from P232.925 billion a year ago. These borrowings accounted for 3.03% of banks' loan portfolio from 2.18% previously.

Even as asset quality improved, the loan loss reserves grew 9% to P406.975 billion from P373.281 billion last year. This is equivalent to 3.61% of lenders' loan portfolio, inching up from 3.5% a year ago.

The industry's NPL coverage ratio improved to 88.38% from 83.24% a year ago.

Mr. Rivera said the incoming administration should make sure there are no disruptions to economic activity to allow borrowers to recover.

"[The] new administration must ensure that the economy remains to be uninterrupted so that jobs are generated and secured," he said.

The jobless rate slowed to 5.8% in March from 6.4% in February, based on data from the Philippine Statistics Authority. This is equivalent to 2.875 million Filipinos from 3.126 million a month earlier.

However, the underemployment rate worsened to 15.8% from 14% in February. This translated to 7.422 million Filipinos that are still looking for an additional job or longer hours, up from the 6.382 million in February. — **Luz Wendy T. Noble**