P25 IN METRO MANILA, PHILIPPINES

BusinessWorld

STOCK MARKET	
PSEi	
OPEN:	6,255.57
HIGH:	6,287.03
LOW:	6,249.26
CLOSE:	6,286.24
VOL.:	1.067 B
VAL(P):	3.793 B

▲ 17.46 PTS. 0.27%

30 DAYS TO JULY 19, 2022

ASIAN MARKETS — JULY 19, 2022

	CLOSE		NET	%
Japan (Nikkei 225)	26,961.68	▲	173.21	0.65
Hong Kong (Hang Seng)	20,661.06	▼	-185.12	-0.89
Taiwan (Weighted)	14,694.08	▼	-25.56	-0.17
Thailand (SET Index)	1,533.43	▼	-11.38	-0.74
S.Korea (Kse Composite)	2,370.97	▼	-4.28	-0.18
Singapore (Straits Times)	3,117.79	▼	-3.97	-0.13
Sydney (All Ordinaries)	6,649.60	▼	-37.50	-0.56
Malaysia (Klse Composite)	1,428.76	▼	-0.78	-0.05

WORLD MARKETS — JULY 18, 2022

	CLOSE		NET
Dow Jones	31,072.610	▼	-215.650
NASDAQ	11,360.048	▼	-92.373
S&P 500	3,830.850	▼	-32.310
FTSE 100	7,223.240	▲	64.230
Euro Stoxx50	3,517.590	▲	21.780

PESO-DOLLAR RATES

FX	
OPEN	P56.350
HIGH	P56.250
LOW	P56.370
CLOSE	P56.255
W.AVE.	P56.335
VOL.	$663.05 M

▲ 9.50 CTVS

30 DAYS TO JULY 19, 2022

SOURCE : BAP

ASIAN MONIES-US$ RATE — JULY 19, 2022

	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	137.630	▲	138.230
Hong Kong (HK dollar)	7.850	—	7.850
Taiwan (NT dollar)	29.870	▲	29.884
Thailand (baht)	36.560	▲	36.610
S. Korea (won)	1,310.020	▲	1,314.610
Singapore (dollar)	1.392	▲	1.396
Indonesia (rupiah)	14,975	▲	14,982
Malaysia (ringgit)	4.448	▲	4.451

WORLD CURRENCIES — JULY 19, 2022

	CLOSE		PREVIOUS
US$/UK pound	1.2023	▲	1.1959
US$/Euro	1.0253	▲	1.0145
$/Aust dollar	0.6901	▲	0.6838
Canada dollar/US$	1.2933	▼	1.2969
Swiss Franc/US$	0.9686	▼	0.9750

DUBAI CRUDE OIL

FUTURES PRICE ON NEAREST MONTH OF DELIVERY

$102.60/BBL

▲ $4.30

30 DAYS TO JULY 18, 2022

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

		Value			
ICT	P186.000	P459,943,248	P8.000	▲	4.494%
ALI	P24.400	P327,163,005	-P0.450	▼	-1.811%
SCC	P39.250	P322,708,110	P1.300	▲	3.426%
TEL	P1,654.000	P243,079,095	-P32.000	▼	-1.898%
MBT	P45.700	P241,011,860	-P1.200	▼	-2.559%
BDO	P117.500	P226,042,635	-P3.500	▼	-2.893%
SMPH	P37.850	P129,483,500	P0.400	▲	1.068%
ACEN	P8.250	P113,259,643	P0.020	▲	0.243%
URC	P115.400	P101,442,993	P0.600	▲	0.523%
CNVRG	P20.250	P92,634,609	P0.000	—	0.000%

Infrastructure spending up in May

By Diego Gabriel C. Robles

INFRASTRUCTURE SPENDING picked up slightly in May as the Department of Transportation (DoTr) increased payments for railway and subway projects, offsetting the lower disbursements for public works projects due to the election ban.

In a report released on Tuesday, the Department of Budget and Management (DBM) said expenditures for infrastructure and other capital outlays rose by 2.1% to P80.5 billion in May, from P78.9 billion in the same month a year ago.

The May figure is also 26.2% higher than the P63.8 billion spent for infrastructure in April, when the election ban on public works was still in place.

"This is mostly accounted by the increase in CRC (constructive receipts of cash) payments of the DoTr for the Malolos-Clark Railway Project and the Metro Manila Subway Project," the DBM said.

It also attributed the higher spending to capital outlay projects under the Armed Forces of the Philippines' modernization program.

This helped partly offset the lower disbursements by the Department of Public Works and Highways (DPWH) due to the election ban, as well as other one-off capital expenditures, such as the construction of the Senate building, the DBM said.

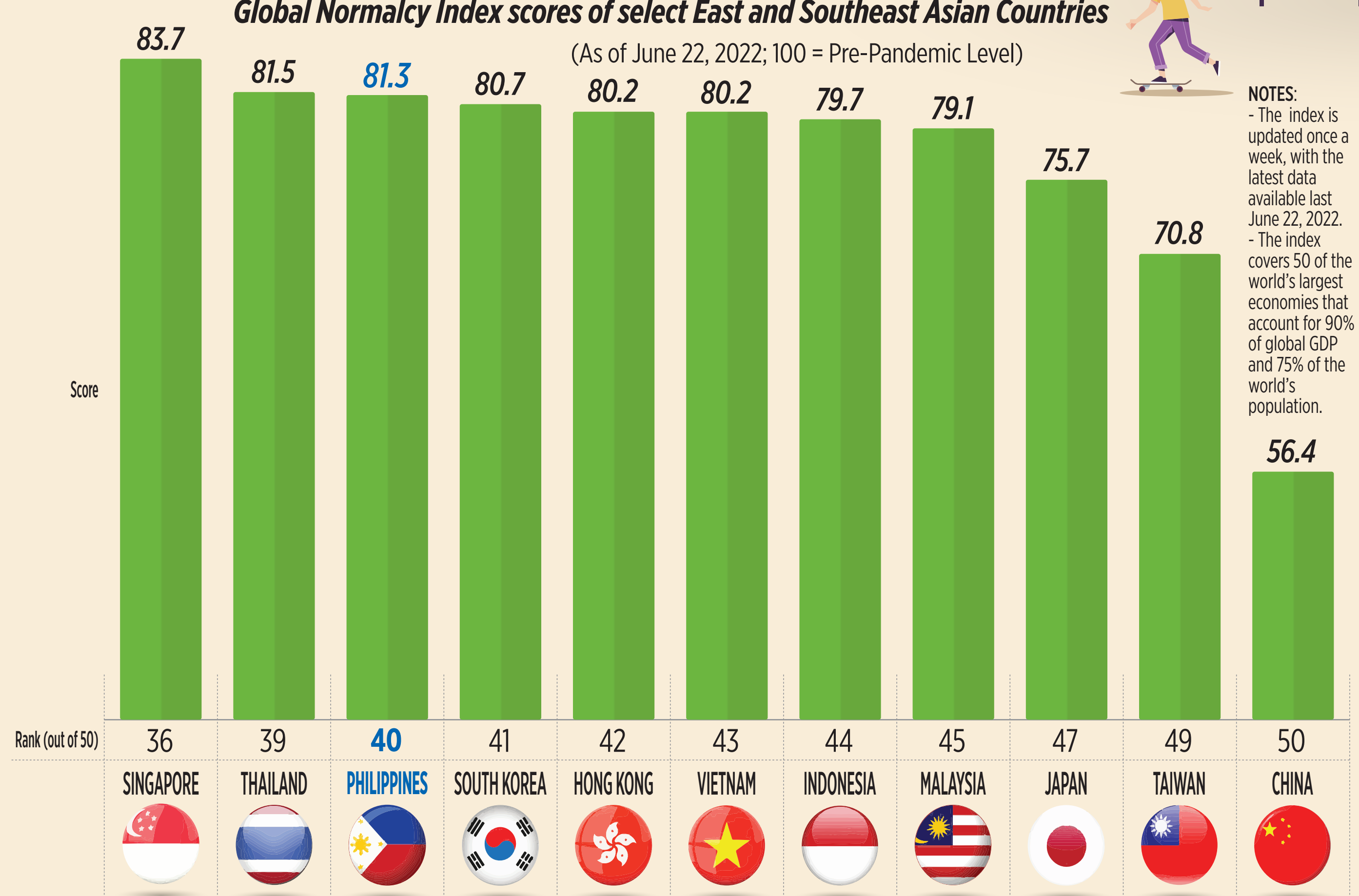
Infrastructure, S1/8

HOW PHILIPPINES COMPARE WITH ITS REGIONAL PEERS IN RETURNING TO 'NORMAL' LIFE

The Philippines ranked 40th out of 50 countries in *The Economist's* June 22 update of the Global Normalcy Index, which tracked how behaviors changed due to the pandemic based on eight indicators, divided into three domains: transport and travel; recreation and entertainment; and retailing and work. The Philippines got an overall index score of 81.3, stll far from the pre-pandemic score of 100. Despite this, it was the third highest compared with its peers in the East and Southeast Asia region, behind Singapore (36th overall) and Thailand (39th).

Global Normalcy Index scores of select East and Southeast Asian Countries

(As of June 22, 2022; 100 = Pre-Pandemic Level)



NOTES:
- The index is updated once a week, with the latest data available last June 22, 2022.
- The index covers 50 of the world's largest economies that account for 90% of global GDP and 75% of the world's population.

Philippines' Indicator Scores
(As of June 22 Update)

Indicator	Score (100 = Pre-Pandemic level)
Cinema	41.4
Flights	35.7
Office occupancy	95.8
Public transport	93.6
Retail footfall	113.6
Time outside	84.1
Sports attendance	-
Traffic	103.4

Top 5

Rank (out of 50)	Country	Score
1	Egypt	121.5
2	Colombia	118.5
3	India	116.3
4	Turkey	109.5
5	Mexico	108.5

Bottom 5

Rank (out of 50)	Country	Score
50	China	56.4
49	Taiwan	70.8
48	New Zealand	73.3
47	Japan	75.7
46	Israel	78.4

SOURCE: *THE ECONOMIST'S* THE GLOBAL NORMALCY INDEX JUNE 22, 2022 UPDATE
BUSINESSWORLD RESEARCH: BERNADETTE THERESE M. GADON
BUSINESSWORLD GRAPHICS: BONG R. FORTIN

Marcos eyes fertilizer deals with China, Russia

By Kyle Aristophere T. Atienza
Reporter

PHILIPPINE President Ferdinand R. Marcos, Jr. is looking to pursue government-to-government deals with some of the world's top suppliers of fertilizer such as Russia and China, as he aims to boost the country's agriculture production.

However, experts said Mr. Marcos should thoroughly study the move as it may force him to offer concessions that will not be beneficial to the country.

Mr. Marcos is considering communicating with the governments of China, Indonesia, United Arab Emirates, Malaysia, and Russia to purchase cheaper fertilizer through bilateral deals, the Palace said in a press release.

"They want to help and approach us, so let's take advantage of that. Give us fertilizers that are affordable. That's the whole point of government-to-government deals," Mr. Marcos told Agriculture officials at a meeting on Monday, according to a media release.

Mr. Marcos, who heads the Agriculture department, said they could send letters to those governments and "say that we are in the market to buy this volume of fertilizer."

The President also asked Agriculture officials to provide data on the sources and prices of fertilizer.

The Philippines imports much of its fertilizer supply, which has been disrupted by the ongoing Russia-Ukraine war. Higher fertilizer prices are expected to drive up costs of agricultural commodities in the next few months.

It is already expected that Mr. Marcos would gravitate to Russia and China, among others, "since other countries probably have major issues either supporting him or being seen trading with his government," said Hansley A. Juliano, a political economy researcher studying at Nagoya University's Graduate School of International Development in Japan.

Mr. Juliano said the move signals that the Philippine leader does not care about how his foreign policy is perceived, "considering that just a few days ago, reportage on infrastructure projects under his predecessor were left hanging due to Chinese funding not forthcoming or properly allocated for."

Fertilizer, S1/8

Fitch lowers PHL GDP forecast

FITCH RATINGS lowered its gross domestic product (GDP) growth forecast for the Philippines to 6.5% this year, from 6.9% previously, citing continued inflationary pressures due to high prices of food and other commodities.

The revised forecast is within the Philippine government's GDP growth target band of 6.5-7.5% this year.

"We expect economic activity to remain strong over the next few quarters in those sectors and from infrastructure development. We forecast growth of 6.5% in 2022 and 6.3% in 2023, which would support the credit outlook," Fitch Ratings analyst for the Philippines Sagarika Chandra said in a research note.

Fitch Ratings' 6.3% GDP forecast for 2023 is lower than the Development Budget Coordination Committee's (DBCC) 6.5-8% target for 2023 to 2028.

"Inflationary pressures from high commodity and food prices and the ongoing economic recovery, are a risk to growth. Inflation is high relative to some regional peers, at 6.1% in June. The Philippines is a net oil importer and does not have any significant fuel subsidies," Ms. Chandra said.

June inflation was the fastest in nearly four years, and exceeded the Bangko Sentral ng Pilipinas' (BSP) 2-4% target band for a third straight month. This brought the six-month average inflation to 4.4%, still below the BSP's 5% full-year projection.

Fitch Ratings said it expects further monetary policy tightening by the BSP through 2023.

The BSP has raised its key policy rate by 125 basis points (bps) so far this year, bringing it to 3.25%, in order to tame inflation.

BSP Governor Felipe M. Medalla said he would not rule out another interest rate increase in August.

CREDIT RATING

Meanwhile, Fitch Ratings said the impact of the Marcos administration on the Philippines' "BBB" credit rating will depend on its policy agenda and its implementation.

"Our view on the 'negative' outlook will be determined by the extent to which the policy agenda will reduce uncertainty, in particular about the medium-term prospects for growth and public debt," Ms. Chandra said.

In February, the debt watcher affirmed the Philippines' "BBB" rating — a notch above minimum investment grade — with a "negative" outlook.

Fitch lowered the Philippines' credit rating outlook to "negative" from "stable" in July last year due to the impact of the pandemic.

Ms. Chandra said the Marcos administration's economic policy is assumed to be broadly in line with existing policies.

"In particular, we foresee the government maintaining a focus on infrastructure investment, a key driver of the country's favorable medium-term growth prospects, which support the sovereign rating," she said.

President Ferdinand R. Marcos, Jr. is widely expected to continue the previous administration's "Build Build Build" initiative.

"A sustained broadening of the government's revenue base that enhances fiscal finances and places the government debt-to-GDP ratio on a durable downward trajectory would be positive for the credit profile," Ms. Chandra said.

Finance Secretary Benjamin E. Diokno earlier said he will strengthen tax administration to generate additional government revenues.

"Under our baseline, the Philippines' government debt-to-GDP ratio peaked in 2021 at 54.1% and will decline over the next few years, with the general government deficit narrowing to 3.9% by 2024. These forecasts are based on growth averaging 6.4% in 2022-2024," Ms. Chandra said. — **Keisha B. Ta-asan**

Retail sector nears pre-pandemic vacancy rate

THE PHILIPPINE commercial real estate sectors, particularly retail, is making a strong comeback, thanks to pent-up consumer demand, looser travel restrictions and return-to-office mandates, according to real estate services firm Santos Knight Frank.

Jan D. Custodio, Santos Knight Frank Research & Consultancy senior director, projected that the vacancy rate in the retail sector can reach pre-pandemic levels by the end of 2022.

"For the retail, we're seeing that it is slowly picking up to near pre-pandemic levels. Probably towards the end of the year (it can reach pre-pandemic levels), barring new variants coming in and stymying the people's drive to go out," Mr. Custodio said during a virtual briefing on Tuesday.

As mobility restrictions eased, more Filipinos are now flocking to malls and eating in restaurants more regularly.

However, Mr. Custodio said improving public transportation is key to the retail sector's sustained recovery.

Kash B. Salvador, Santos Knight Frank Investment & Capital Markets director, said the second-quarter vacancy rate in the retail sector is now approaching the pre-pandemic level.

"As of Q2 2022, in comparison to Q4 2019, the vacancy rate is now at 4.6%, with the pre-pandemic levels at 3.6%. More and more stores are opening with the continuous lowering of restrictions and we're seeing a lot of strong activity in this sector," he said.

Santos Knight Frank data showed food and beverage outlets and clothing stores account for two in every three upcoming stores in malls in Metro Manila.

Average retail lease rates in the second quarter have recovered, and are now just 4.4% lower than the rates in the fourth quarter of 2019.

Retail, S1/9

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