P25 IN METRO MANILA, PHILIPPINES

BusinessWorld

STOCK MARKET

PSEi

OPEN:	6,852.17
HIGH:	6,884.20
LOW:	6,848.71
CLOSE:	6,876.79
VOL.:	0.825 B
VAL(P):	5.917 B

ASIAN MARKETS

FEBRUARY 10, 2023

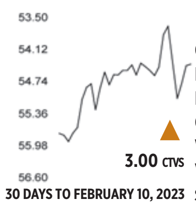
	CLOSE		NET	%
Japan (Nikkei 225)	27,670.98	▲	86.63	0.31
Hong Kong (Hang Seng)	21,190.42	▼	-433.94	-2.01
Taiwan (Weighted)	15,586.65	▼	-12.06	-0.08
Thailand (SET Index)	1,664.57	▼	-4.60	-0.28
S.Korea (Kse Composite)	2,469.73	▼	-11.79	-0.48
Singapore (Straits Times)	3,360.69	▲	1.21	0.04
Sydney (All Ordinaries)	7,433.70	▼	-56.60	-0.76
Malaysia (Klse Composite)	1,474.59	▲	9.95	0.68

WORLD MARKETS

FEBRUARY 10, 2023

	CLOSE		NET
Dow Jones	33,869.270	▲	169.390
NASDAQ	11,718.120	▼	-71.459
S&P 500	4,090.460	▲	8.960
FTSE 100	7,882.450	▼	-28.700
Euro Stoxx50	3,893.360	▼	-18.660

PESO-DOLLAR RATES



FX

OPEN	P54.650
HIGH	P54.400
LOW	P54.700
CLOSE	P54.420
W.AVE.	P54.543
VOL.	$1,247.80 M

SOURCE : BAP

ASIAN MONIES-US$ RATE

FEBRUARY 10, 2023

	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	131.410	▼	131.000
Hong Kong (HK dollar)	7.850	—	7.850
Taiwan (NT dollar)	30.192	▼	30.050
Thailand (baht)	33.650	▼	33.440
S. Korea (won)	1,267.450	▼	1,259.510
Singapore (dollar)	1.330	▼	1.323
Indonesia (rupiah)	15,130	▼	15,090
Malaysia (ringgit)	4.329	▼	4.314

WORLD CURRENCIES

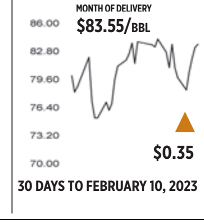
FEBRUARY 10, 2023

	CLOSE		PREVIOUS
US$/UK pound	1.2058	▼	1.2122
US$/Euro	1.0675	▼	1.0753
$/Aust dollar	0.6916	▼	0.6966
Canada dollar/US$	1.3344	▼	1.3412
Swiss Franc/US$	0.9236	▲	0.9191

DUBAI CRUDE OIL

FUTURES PRICE ON NEAREST MONTH OF DELIVERY

$83.55/BBL



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PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • FEBRUARY 10, 2023 (PSEi snapshot on *S1/3*; article on *S2/2*)

		Value			
MER	P315.000	P938,651,414	P32.000	▲	11.307%
GLO	P2,016.000	P545,942,650	-P64.000	▼	-3.077%
SM	P900.000	P336,511,905	P5.000	▲	0.559%
FCG	P1.040	P237,136,260	P0.000	—	0.000%
GTCAP	P530.000	P230,999,955	P15.000	▲	2.913%
MPI	P4.220	P161,850,990	-P0.010	▼	-0.236%
MBT	P61.350	P157,778,939	P1.150	▲	1.910%
ACEN	P7.010	P148,365,107	-P0.290	▼	-3.973%
SPNEC	P1.600	P143,444,380	P0.010	▲	0.629%
ALI	P29.250	P136,613,470	P0.150	▲	0.515%

BSP may deliver 50-bp hike — poll

THE BANGKO SENTRAL ng Pilipinas (BSP) is widely expected to raise benchmark interest rates at its meeting on Thursday, with some analysts forecasting a 50-basis-point (bp) increase after inflation accelerated to a fresh 14-year high in January.

A *BusinessWorld* poll last week showed 17 out of 18 analysts see the Monetary Board hiking its benchmark interest rate at its first meeting of the year on Feb. 16.

Nine analysts see the BSP raising borrowing costs by 50 bps, while eight analysts anticipate a 25-bp increase. Only one analyst expects the BSP to keep rates unchanged.

"January's inflation data was a huge surprise, smashing expectations of a possible deceleration. The rise in inflation was broad-based, reflecting how entrenched current price pressures are," ANZ Research economist Debalika Sarkar said in an e-mail.

The consumer price index (CPI) climbed 8.7% year on year in January from 8.1% in December. This was the fastest growth in 14 years or since the 9.1% logged in November 2008.

Security Bank Corp. Chief Economist Robert Dan J. Roces said the BSP is expected to respond to the latest inflation print with a "more aggressive monetary policy stance."

"While the central bank was previously believed to be on track to increase interest rates by only 25 bps in its next meeting, we now think a 50-bp hike may be in the cards, given the potential for hot inflation to drive higher inflationary expectations," Mr. Roces said in an e-mail.

Philippine inflation appears to be on a different trajectory from the rest of the region mainly due to food inflation, Capital Economics Senior Asia Economist Gareth Leather said.

"As is the case in many other parts of the world, an outbreak of avian flu is putting upward pressure on egg prices. But severe storms in the Philippines, which have damaged harvests, have also led to a jump in the prices of fruit and vegetables," Mr. Leather said in a note on Friday.

Food inflation quickened to 11.2% in January from 10.6% a month ago and 1.6% in January 2022, driven mainly by higher prices of vegetables, fruits, dairy products and eggs. This was the fastest food inflation since the 11.3% in March 2009.

"Having hiked interest rates by 350 bps so far, we had originally penciled in a 25-bp increase for the central bank's meeting on Thursday. But the unwelcome increase in inflation last month along with BSP's hawkish comments have prompted us to change this to a 50-bp increase," Mr. Leather said.

'PERSISTENT'

Persistent core inflation is another concern for economists.

Core inflation, which discounts food and fuel volatile prices, jumped to 7.4% in January from 6.9% in December and 1.8% in the same month in 2022. This is the fastest core inflation since 8.2% in December 2000.

"This suggests that the underlying drivers of inflation may be moving away from a transitory nature, and rather the result of more persistent factors such as an unsolved food supply problem which drives up costs and bleeding into the core," Mr. Roces said.

He noted the BSP should take a proactive stance "in controlling inflation and anchoring inflation expectations to prevent the economy from spiraling out of control."

Poll, S1/12

PHL secures $600-M investment pledge from MVP, Mitsui

THE PHILIPPINES has secured a $600-million investment pledge for its infrastructure projects from Metro Pacific Investments Corp. (MPIC) Chairman Manny V. Pangilinan and Japan's Mitsui & Co., according to Malacañang.

"We signed an agreement with Mitsui and several parties and management to commit to invest $600 million in infrastructure," Mr. Pangilinan was quoted as saying in a statement released by the Presidential Communications Office (PCO) on Sunday.

Mr. Pangilinan made the remarks during a Feb. 8 dinner with President Ferdinand R. Marcos, Jr. that was hosted by MPIC and Mitsui executives in Tokyo, Japan.

News reports last month indicated Mitsui was interested in buying a stake of up to 20% in MPIC, whose interests include toll roads, power, hospitals and water. At that time, MPIC clarified that no final decision has been made.

Mitsui had committed to investing in the Philippines' agriculture, infrastructure, renewable energy, and digital transformation, which are among the Marcos government's priority areas, the Palace said.

"We can point to so many of the developments that happened in the Philippines with the assistance of the different Japanese funding agencies and government-to-government arrangements, the commercial arrangements — and these have been to the benefit of both our countries," Mr. Marcos said at the meeting.

He also vowed to boost ties with Japanese companies including Mitsui as they have been "dormant to a degree" during the pandemic.

"It is a particularly auspicious time that we come again now simply because we have to now restart our own economies, we have to transform our economies," he said.

'READY TO GO'

During Mr. Marcos' visit, the Philippines signed 35 letters of intent with Japanese companies engaged in manufacturing, infrastructure development, energy, transportation, healthcare, renewable energy and business expansion.

Some of the deals are "ready to go," Trade Secretary Alfredo E. Pascual said in a separate PCO release on Sunday.

"Some are already registered with the Board of Investments (BoI)," he said.

Trade Undersecretary Ceferino S. Rodolfo said they are tracking $10 billion worth of investments from Mr. Marcos' five-day official visit to Japan.

"That would be about P500 billion or P550 billion (worth of investments)," Mr. Rodolfo said at a media forum on Saturday.

He noted the BoI has already recorded P414 billion worth of registered investment as of Feb. 9, almost half of its P1-trillion investment target this year. The BoI may also revise its full-year target due to the surge in investments, he added.

"We have already reached P414 billion (registered investments). That means that our target of P1 trillion, we have already hit more than 40% of that," Mr. Rodolfo said in mixed English and Filipino.

The registered investments as of Feb. 9 is also nearly 60% of the P729-billion investments approved by the BoI in 2022.

The surge in investments was recorded as information technology-business process management (IT-BPM) companies transferred their registration to the BoI from the Philippine Economic Zone Authority (PEZA), which allowed them to implement work-from-home arrangements and enjoy fiscal incentives. The registration transfer ended on Jan. 31, with around 50% of over 1,000 IT-BPM locators transferring their registration to the BoI.

"We really credit a big part of that to the strong efforts of the President to promote the Philippines... Those visits really created a pipeline of strong interest from investors such that these investments are the ones that actually registered with the BoI, not the ones that have just signed a letter of intent," Mr. Rodolfo said.

Since he assumed office in July 2022, Mr. Marcos has visited Indonesia, Singapore, United States, Cambodia, Thailand, Belgium, China, Switzerland, and Japan. — **Revin Mikhael D. Ochave** *and* **Kyle Aristophere T.Atienza**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link **<bit.ly/Pledges021323>**

Higher tax on luxury items not enough to address inequality — experts

By Kyle Aristophere T. Atienza
Reporter

THE PROPOSAL to increase taxes on luxury goods could boost government revenues but more fiscal measures are needed to fix inequality gaps in the Philippines, according to economists.

President Ferdinand R. Marcos, Jr. last week backed a bill increasing the tax rate on nonessential items or luxury goods to 25% from 20% previously.

"This may generate incremental tax revenues, but the reality is that the government still requires additional structural revenue reforms to finance spending necessary to reduce scarring (from the pandemic)," Renato E. Reside, Jr., a professor at the University of the Philippines School of Economics, said via Facebook Messenger chat.

House Committee on Ways and Means Chairman Jose Maria Clemente S. Salceda, the proponent, said raising taxes on luxury goods could generate about P15 billion in additional revenues for the government.

Emy Ruth D. Gianan, an economics professor at the Polytechnic University of the Philippines, said a higher tax rate on high-end items would only affect big spenders.

The luxury tax, which is likened to a value-added tax, can broaden the government's tax base, she said via Facebook Messenger chat.

"If our goal is to just increase government revenues, this would already help," she said.

Mr. Salceda last month said his proposal was in response to calls from international organizations for the imposition of a wealth tax in the Philippines.

"But a wealth tax is necessary if the government is working towards a more transformative and equitable society," Ms. Gianan said, adding that another concern is the capacity to implement "such a radical tax."

Oxfam International and its Philippine affiliate have said the inequality experienced in the Philippines is "starker" with the nine richest Filipinos having more wealth than the bottom half or 55 million of the population.

A group of progressive lawmakers have been calling for a wealth tax since 2021 as the country faced severe economic challenges due to the strict lockdowns. The proposal was among the major topics in the presidential campaign last year, with left-leaning candidates backing it.

John Paolo R. Rivera, an economist at the Asian Institute of Management, said the bill's proponents should ensure that middle-class Filipinos, who are already heavily taxed, would not be disadvantaged.

"Not all luxury items are made equal so it might be sound to look at the scope further on who is actually buying these items," he said via Messenger chat.

According to the bill, nonessential goods are jewelry, whether real or imitation, perfume and eau de toilette, yachts, and wristwatches, bags, wallets, and belts costing more than P50,000.

The bill also covers residential property worth more than P100,000 per square meter, alcoholic and non-alcoholic beverages worth more than P20,000 per liter, paintings over P1 million, antiques valued at P100,000 and above, and brand-new or secondhand automobiles worth at least P1 million.

Aside from higher taxes on luxury goods, the Marcos administration should also push for a corporate income tax on non-resident foreign technology giants, said Raymond A. Abrea, a tax reform advocate and founder of tax hub Asian Consulting Group.

The House of Representatives last November approved on third reading House Bill No. 4122, which seeks to impose a 12% value-added tax (VAT) on non-resident digital service providers such as Spotify and Netflix.

Arjan P. Aguirre, who teaches politics at the Ateneo de Manila University, said proponents of the bill increasing the tax rate on luxury goods should show there is a steady pattern of consumption of luxury items through the years.

"They should clearly show, too, this pattern will continue and will produce the intended outcome of additional P15 billion in government revenues," he said via Messenger chat.

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