P25 IN METRO MANILA, PHILIPPINES

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STOCK MARKET

PSEi — 30 DAYS TO MAY 9, 2023

▲ 21.87 PTS. 0.33%

OPEN:	6,615.73
HIGH:	6,646.58
LOW:	6,594.45
CLOSE:	6,622.61
VOL.:	0.326 B
VAL(P):	4.178 B

ASIAN MARKETS — MAY 9, 2023

	CLOSE		NET	%
Japan (Nikkei 225)	29,242.82	▲	292.94	1.01
Hong Kong (Hang Seng)	19,867.58	▼	-429.45	-2.12
Taiwan (Weighted)	15,727.70	▲	28.13	0.18
Thailand (SET Index)	1,563.69	▲	1.44	0.09
S.Korea (Kse Composite)	2,510.06	▼	-3.15	-0.13
Singapore (Straits Times)	3,242.95	▼	-14.71	-0.45
Sydney (All Ordinaries)	7,264.10	▼	-12.40	-0.17
Malaysia (Klse Composite)	1,432.63	▼	-1.11	-0.08

WORLD MARKETS — MAY 8, 2023

	CLOSE		NET
Dow Jones	33,618.690	▼	-55.690
NASDAQ	12,256.917	▲	21.504
S&P 500	4,138.120	▲	1.870
FTSE 100	7,778.380	▲	75.740
Euro Stoxx50	4,050.230	▲	17.750

PESO-DOLLAR RATES

FX — 30 DAYS TO MAY 9, 2023

▼ 51.00 CTVS

OPEN	P55.450
HIGH	P55.400
LOW	P55.780
CLOSE	P55.760
W.AVE.	P55.550
VOL.	$1,658.60 M

SOURCE : BAP

ASIAN MONIES-US$ RATE — MAY 9, 2023

	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	134.930	▲	134.980
Hong Kong (HK dollar)	7.844	▲	7.848
Taiwan (NT dollar)	30.707	▼	30.692
Thailand (baht)	33.730	▲	33.850
S. Korea (won)	1,324.270	▼	1,321.960
Singapore (dollar)	1.326	▼	1.325
Indonesia (rupiah)	14,725	▼	14,695
Malaysia (ringgit)	4.447	▼	4.435

WORLD CURRENCIES — MAY 9, 2023

	CLOSE		PREVIOUS
US$/UK pound	1.2617	▼	1.2634
US$/Euro	1.0981	▼	1.1025
$/Aust dollar	0.6759	▼	0.6783
Canada dollar/US$	1.3368	▲	1.3345
Swiss Franc/US$	0.8912	▲	0.8887

DUBAI CRUDE OIL

FUTURES PRICE ON NEAREST MONTH OF DELIVERY

$76.19/BBL

▲ $2.93

30 DAYS TO MAY 8, 2023

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PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • MAY 9, 2023 (PSEi snapshot on *S1/2*; article on *S2/2*)

		Value			
BDO	P136.100	P422,046,743	-P0.900	▼	-0.657%
SMPH	P34.000	P403,303,050	P0.700	▲	2.102%
SM	P935.000	P392,005,110	P15.000	▲	1.630%
ICT	P206.400	P284,530,950	-P3.600	▼	-1.714%
ALI	P26.800	P241,965,435	-P0.100	▼	-0.372%
AC	P661.500	P218,063,500	P2.000	▲	0.303%
BPI	P105.000	P212,254,160	-P0.100	▼	-0.095%
URC	P153.900	P159,803,433	P3.100	▲	2.056%
TEL	P1,207.000	P156,338,925	P7.000	▲	0.583%
MPI	P4.440	P90,987,730	P0.010	▲	0.226%

March trade deficit widens to $4.9B

By Mariedel Irish U. Catilogo
Researcher

THE PHILIPPINES' trade-in-goods deficit in March widened to its highest in two months as exports and imports continued to fall.

Preliminary data from the Philippine Statistics Authority (PSA) showed the trade-in-goods balance — the difference between exports and imports — amounted to a $4.93-billion deficit in March, ballooning from the $3.91-billion shortfall in the previous month and the $4.59-billion deficit in March last year.

This was the widest trade gap in two months since the $5.74-billion deficit in January this year.

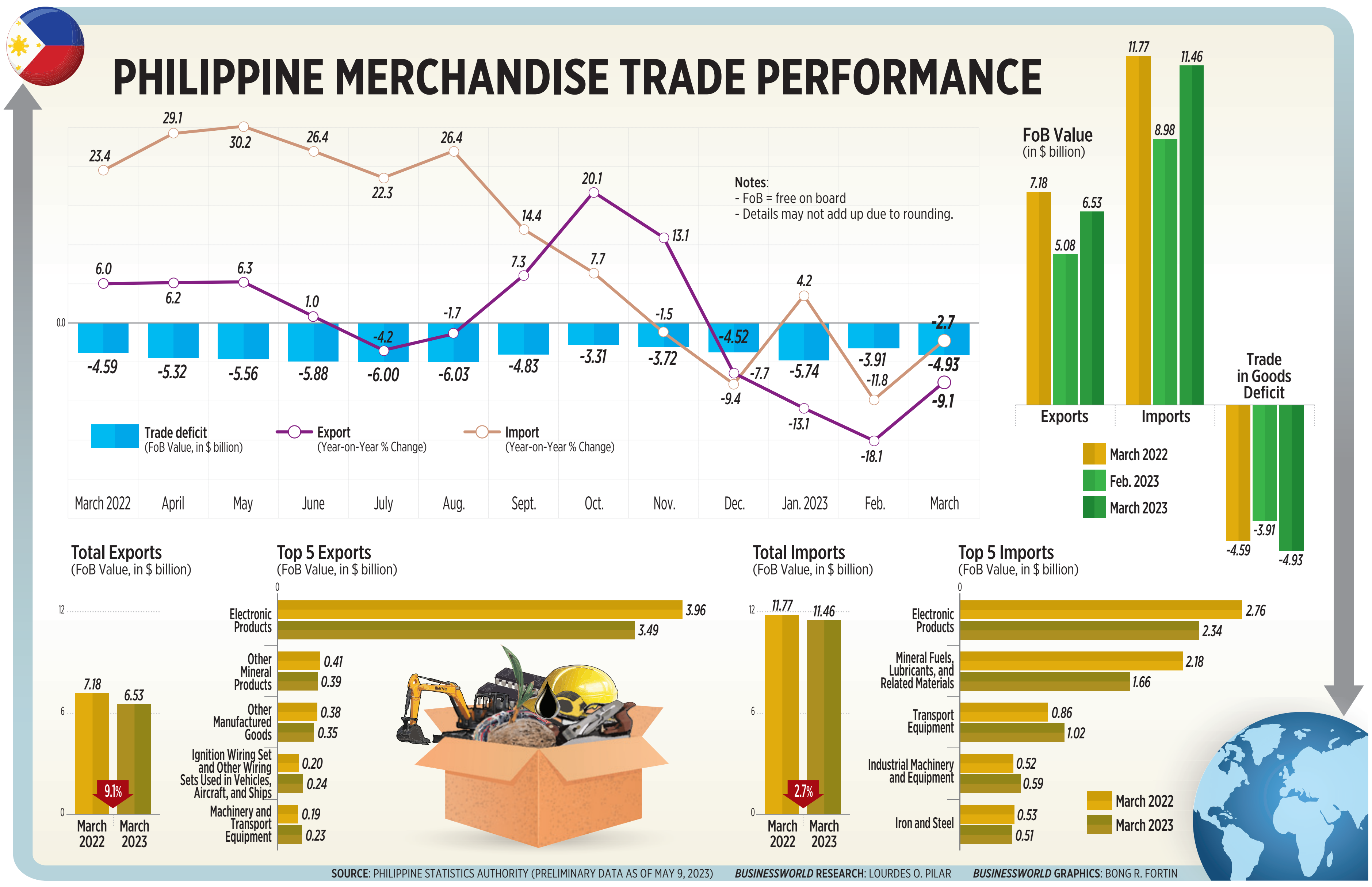
On a monthly basis, the country's trade balance has been in deficit for nearly eight years (94 months) or since $6.5-million surplus posted in May 2015.

Total outbound sales of Philippine-made goods declined by 9.1% year on year to $6.53 billion in March, slower than the revised 18.1% drop in February and a reversal from the 6% growth seen in the same period last year.

March marked the fourth straight month of exports decline.

Despite this, export value in March was the highest level in four months or since the $7.10 billion in November last year.

Trade, S1/9



BSP has room for one more rate hike — S&P

By Keisha B. Ta-asan
Reporter

THE BANGKO SENTRAL ng Pilipinas (BSP) still has room for one more rate hike at its meeting later this month to quell persistently elevated core inflation, before keeping rates on hold for the rest of the year, S&P Global Ratings said on Tuesday.

"We think there's space for at least one more rate hike, and then a prolonged hold for the rest of the year from the BSP, given that the core inflation is still very high," S&P Senior Economist and Associate Director for Credit Market Research Vincent Conti said at an online webinar.

Mr. Conti said the BSP may only start cutting interest rates by next year, in line with their policy forecasts for the US Federal Reserve. The Fed has raised rates by 500 basis points (bps) to 5-5.25% since last year.

For its part, the BSP has hiked the benchmark interest rate by 425 basis points (bps) to 6.25%, the highest in nearly 16 years.

While headline inflation eased to 6.6% in April, core inflation remains stubbornly high. Core inflation, which discounts volatile prices of food and fuel, slowed to 7.9% in April from 8% in March. Year to date, core inflation averaged 7.8%.

Mr. Conti said the negative impact of higher borrowing costs on economic growth will linger if the BSP further tightens its policy settings.

"The pass-through of interest rates to the growth rate of the economy tends to have long and variable lags, especially for the Philippines," he said.

The credit watcher currently projects the Philippine economy to expand by 5.8% this year, lower than the government's 6-7% growth target. In 2022, the economy grew by 7.6%.

Mr. Conti said pent-up demand may start to wane this year as elevated inflation and high interest rates dampen household consumption.

Inflation averaged 7.9% in the first four months of the year, still above the BSP's 6% full-year target for 2023.

On the other hand, high interest rates and slower economic growth may help stabilize the foreign exchange (FX) rate.

"Holding down domestic growth rates helps control the size of the current account deficit. Not having that much of a difference in yield differential between the US will also help stabilize the FX rate," Mr. Conti said.

Based on BSP data, the current account deficit was at $17.8 billion last year, significantly wider than the $5.9-billion shortfall in 2021.

The peso closed at P55.76 versus the dollar on Tuesday, down by 51 centavos from Monday's P55.25 finish, data from the Bankers Association of the Philippines' website showed.

BANKING OUTLOOK

Meanwhile, Philippine bank lending growth may slow down to 7-9% this year from the 12% growth in 2022 due to high interest rates, S&P Global Ratings said.

At the same online webinar, S&P Associate Director Nikita Anand said consumer loans, which make up 20% of total loans, are vulnerable to high borrowing costs.

Rate hike, S1/9

LAUNCHPAD

Launchpad is a new section of *BusinessWorld* dedicated to micro, small, and medium enterprises (MSMEs). It covers business advice, market trends, funding opportunities, and relevant government regulations, among others. The section aims to be a valuable resource for entrepreneurs seeking to stay up to date on the MSME industry in the Philippines. (*See S1/3*)

PHL 'on track' to become an upper middle-income country, says WB

By Luisa Maria Jacinta C. Jocson *Reporter*

THE PHILIPPINES is on track to becoming an upper middle-income country in the next few years, the World Bank (WB) said.

"With continued recovery and reform efforts, the country is getting back on track on its way from a lower middle-income country with a gross national income (GNI) per capita of $3,640 in 2021 to an upper middle-income country in the short term," the multilateral lender said on its website.

According to the World Bank, an upper middle-income country has a per capita income range of $4,256-$13,205.

The Philippines is currently classified as a lower middle-income country by the World Bank, with a GNI per capita at $3,640 or about P202,000 in 2021.

A lower middle-income status means having a GNI per capita from $1,086 to $4,255.

The World Bank has yet to release the latest country classification ranking for 2022.

The Philippines has been classified as a lower middle-income country since 1987, which is the earliest available data from the World Bank.

The Marcos administration is targeting to reach upper middle-income status by 2025.

"The Philippines has been one of the most dynamic economies in the East Asia and Pacific region. With increasing urbanization, a growing middle class, and a large and young population, the Philippines' economic dynamism is rooted in strong consumer demand supported by a vibrant labor market and robust remittances," the World Bank added.

The Philippine economy grew by 7.6% in 2022 from 5.6% in 2021.

Economic managers are targeting 6-7% gross domestic product (GDP) expansion this year.

SLOW POVERTY REDUCTION

In a separate report, the World Bank said the Philippines is struggling to reduce poverty.

"Despite over a decade of progress in inequality reduction, the Philippines has one of the highest Gini coefficients in East Asia and the Pacific," the multilateral lender said in its latest Poverty and Equity Brief.

Country, S1/9

Manufacturing growth eases to 9-month low

FACTORY OUTPUT grew at its slowest pace in nine months in March, as elevated inflation and high interest rates dampened demand for manufactured goods, analysts said.

Preliminary results of the latest Monthly Integrated Survey of Selected Industries (MISSI) by the Philippine Statistics Authority (PSA) reported on Tuesday showed manufacturing output, measured by the volume of production index (VoPI), grew by 2.2% year on year in March.

This was slower compared with the revised 5.2% growth in February, and the 346.2% growth in the same month last year.

March also marked the slowest pace of manufacturing growth since the 0.005% decline in June last year.

On a monthly basis, the manufacturing sector's VoPI increased by 2.3% in March, recovering from the 2.9% contraction the previous month. But stripping out the seasonality factors, VoPI dipped by 1.1% from the 2.8% fall in February.

For the first quarter of the year, factory output grew by 5.7%, decelerating from 76.8% growth in the same period in 2022.

In comparison, IHS Markit's Philippines Manufacturing Purchasing Managers' index (PMI) eased to 52.5 in March from 52.7 in February. A reading above 50 marks improvement for the manufacturing sector while anything below indicates deterioration.

In a Viber call interview, Ser Percival K. Peña-Reyes, director at the Ateneo Center for Economic Research and Development, said that base effects are at play given the higher base last year. He also noted that elevated inflation and high interest rates also impacted manufacturing output.

Inflation eased to 7.6% in March, from 8.6% in February.

To curb inflation, the Philippine central bank has raised borrowing costs by 425 basis points since May last year, bringing the key policy rate to 6.25%.

HSBC Association of Southeast Asian Nations economist Aris Dacanay said March's VoPI was in line with the falling exports and moderating PMI figures as the manufacturing sector was hurt by softer domestic demand.

"This also reflects the general expectation that GDP (gross domestic product) growth continued to ease in the first quarter of the year and may continue to do so in the quarters ahead," he said in an e-mail note.

A *BusinessWorld* poll last week yielded a median of 6.1% for the first-quarter GDP of the Philippines. If realized, this will be slower than the 7.1% in the previous quarter, and 8% in the first quarter of 2022.

While slower manufacturing growth was mainly due to the decline in exports, Mr. Dacanay said it was also affected by softer demand for manufactured products.

"High inflation and high interest rates likely took a toll on overall domestic demand, but we also saw demand shift from consuming goods to services such as restaurants and travel when the economy reopened since consumers couldn't enjoy these kinds of services as much when pandemic-related restrictions were in place," he said.

According to the PSA, the slowdown in VoPI in March was brought by the following sectors: beverages (4.9% from 20.9% in February); chemical and chemical products (-25.5% from -7.8%); and basic metals (18.6% from 28.1%). — **B.T.M.Gadon**