P25 IN METRO MANILA, PHILIPPINES

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STOCK MARKET

PSEi — 30 DAYS TO MAY 30, 2023 — ▼ 82.49 PTS. 1.25%

OPEN:	6,574.79
HIGH:	6,574.79
LOW:	6,510.67
CLOSE:	6,510.67
VOL.:	1.113 B
VAL(P):	4.459 B

ASIAN MARKETS — MAY 30, 2023

	CLOSE		NET	%
Japan (Nikkei 225)	31,328.16	▲	94.62	0.30
Hong Kong (Hang Seng)	18,595.78	▲	44.67	0.24
Taiwan (Weighted)	16,622.74	▼	-13.56	-0.08
Thailand (SET Index)	1,534.49	▼	-6.48	-0.42
S.Korea (Kse Composite)	2,585.52	▲	26.71	1.04
Singapore (Straits Times)	3,195.68	▲	0.46	0.01
Sydney (All Ordinaries)	7,209.30	▼	-8.10	-0.11
Malaysia (Klse Composite)	1,396.91	▼	-8.02	-0.57

WORLD MARKETS — MAY 29, 2023

	CLOSE		NET
Dow Jones *	33,093.340	▲	328.690
NASDAQ *	12,975.688	▲	277.594
S&P 500 *	4,205.450	▲	54.170
FTSE 100 *	7,627.200	▲	56.330
Euro Stoxx50	4,023.240	▼	-4.470

* CLOSING PRICE AS OF MAY 26, 2023

PESO-DOLLAR RATES

FX — 30 DAYS TO MAY 30, 2023 — ▼ 19.00 CTVS

OPEN	P56.070
HIGH	P56.050
LOW	P56.440
CLOSE	P56.310
W.AVE.	P56.260
VOL.	$1,394.10 M

SOURCE : BAP

ASIAN MONIES-US$ RATE — MAY 30, 2023

	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	140.320	▼	140.260
Hong Kong (HK dollar)	7.831	▼	7.830
Taiwan (NT dollar)	30.583	▲	30.612
Thailand (baht)	34.800	▼	34.730
S. Korea (won)	1,321.070	▲	1,322.570
Singapore (dollar)	1.353	—	1.353
Indonesia (rupiah)	14,980	▼	14,965
Malaysia (ringgit)	4.602	▲	4.604

WORLD CURRENCIES — MAY 30, 2023

	CLOSE		PREVIOUS
US$/UK pound	1.2401	▲	1.2344
US$/Euro	1.0713	▼	1.0716
$/Aust dollar	0.6545	▲	0.6543
Canada dollar/US$	1.3572	▼	1.3592
Swiss Franc/US$	0.9035	▲	0.9033

DUBAI CRUDE OIL

FUTURES PRICE ON NEAREST MONTH OF DELIVERY $76.25/BBL — ▲ $1.05 — 30 DAYS TO MAY 29, 2023

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PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • MAY 30, 2023 (PSEi snapshot on *S1/3*; article on *S2/2*)

		Value			
AC	P680.000	P516,911,130	-P12.000	▼	-1.734%
SMPH	P33.850	P442,684,940	-P0.400	▼	-1.168%
SM	P910.500	P319,321,785	-P9.500	▼	-1.033%
BDO	P134.300	P286,275,734	-P0.700	▼	-0.519%
MONDE	P8.200	P210,740,359	-P0.320	▼	-3.756%
FCG	P0.690	P167,780,150	P0.010	▲	1.471%
MBT	P57.150	P152,575,175	-P1.250	▼	-2.140%
URC	P143.100	P147,806,665	-P4.900	▼	-3.311%
ALI	P26.250	P146,035,920	-P0.250	▼	-0.943%
BPI	P100.700	P145,746,271	-P2.300	▼	-2.233%

SEIPI keeps 5% export growth target

THE SEMICONDUCTOR and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) is optimistic it will achieve its 5% export growth target despite a drop in electronics exports in the first quarter.

"We're still eyeing for a 5% growth for this year. We'll catch up. Everything including the components and integrated circuits declined. But we're not changing our 5% forecast," SEIPI President Danilo C. Lachica told reporters in Manila late on Monday.

Data from SEIPI showed electronics imports contracted by 15.29% to $9.97 billion in the first quarter from $11.77 billion in the same period in 2022. This is equivalent to 59% of total Philippine exports worth $16.86 billion in the January-to-March period.

In March alone, electronics exports contracted by 10.16% to $3.83 billion from $4.27 billion last year.

Exports from five sectors reported a year-on-year decline in the first quarter, led by automotive electronics which plunged by 74.88% to $9.27 million. Exports of office equipment (-45.54%), electronic data processing (-27.55%), telecommunication (-18.25%), and semiconductor components/devices (-16.69%) also fell annually.

On the other hand, sectors that posted annual expansion include consumer electronics exports which rose by 16.71% to $268.92 million, followed by medical and industrial instrumentation (9.39%), control and instrumentation (1.9%), and communication/radar (1.53%).

Despite the slow start in the first quarter, Mr. Lachica said SEIPI decided to keep its growth target unchanged at its board meeting two weeks ago.

The electronics industry is banking on strong recovery in demand to help achieve its 5% target, he added.

"The demand has already recovered. It's a global industry. You have electronics all over you, and new technologies like artificial intelligence, big data, electric vehicles. So, there's still a lot of demand for electronic products," Mr. Lachica said.

The ongoing Ukraine-Russia conflict may have affected fuel prices and prices of certain materials such as neon from Ukraine, but overall, it did not have "a really big impact" on the electronics sector, he added.

In 2022, the Philippine electronics sector failed to hit its 10% growth target. Nonetheless, the value of electronic exports rose by 6.88% to a record-high $49.09 billion last year.

Fitch Ratings said in a commentary on May 24 that increasing semiconductor content in smartphones, personal computers, and other electronic devices will support demand.

"Consumers increasingly prefer to buy smartphones with higher memory and personal computers with higher specifications, requiring greater memory content. We forecast bit shipment growth in memory chips to continue even in 2023," Fitch Ratings said. — **R.M.D.Ochave**

Q1 domestic trade value, volume climb

THE DOMESTIC TRADE in goods grew by 46.7% year on year in the first quarter to P199.72 billion, the Philippine Statistics Authority (PSA) said on Tuesday.

However, this amount was smaller than P283.71 billion in the fourth quarter of 2022, preliminary data from the PSA's Commodity Flow in the Philippines report showed.

The first quarter's 46.7% annual growth in trade value was slower than the 59.9% expansion in the fourth quarter of 2022.

By volume, domestic trade jumped by 56.7% to 5.34 million tons in the January-to-March period, from 3.41 million tons in the same period a year ago.

But this was lower than 6.14 million tons logged in the fourth quarter last year.

Commodity flow includes all goods transported by water, air, and rail transport, with shipping accounting for the bulk of the commodities.

Union Bank of the Philippines Chief Economist Ruben Carlo O. Asuncion said that the domestic trade performance mirrors the country's slower annual economic output in the first quarter.

"Strong robust domestic demand continued and has kept domestic trade elevated for [first quarter]. Purchasing Managers' Index numbers in the first quarter do support this positive trend," Mr. Asuncion said in an e-mail.

The Philippines' gross domestic product (GDP) expanded by 6.4% in the first quarter, the slowest in eight quarters or since the 3.8% decline in the first quarter of 2021.

Meanwhile, ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa, said in an e-mail that the "year-on-year numbers continued to benefit from base effects." Mobility curbs were tightened in the first quarter of 2022 due to an Omicron-fueled spike in coronavirus cases.

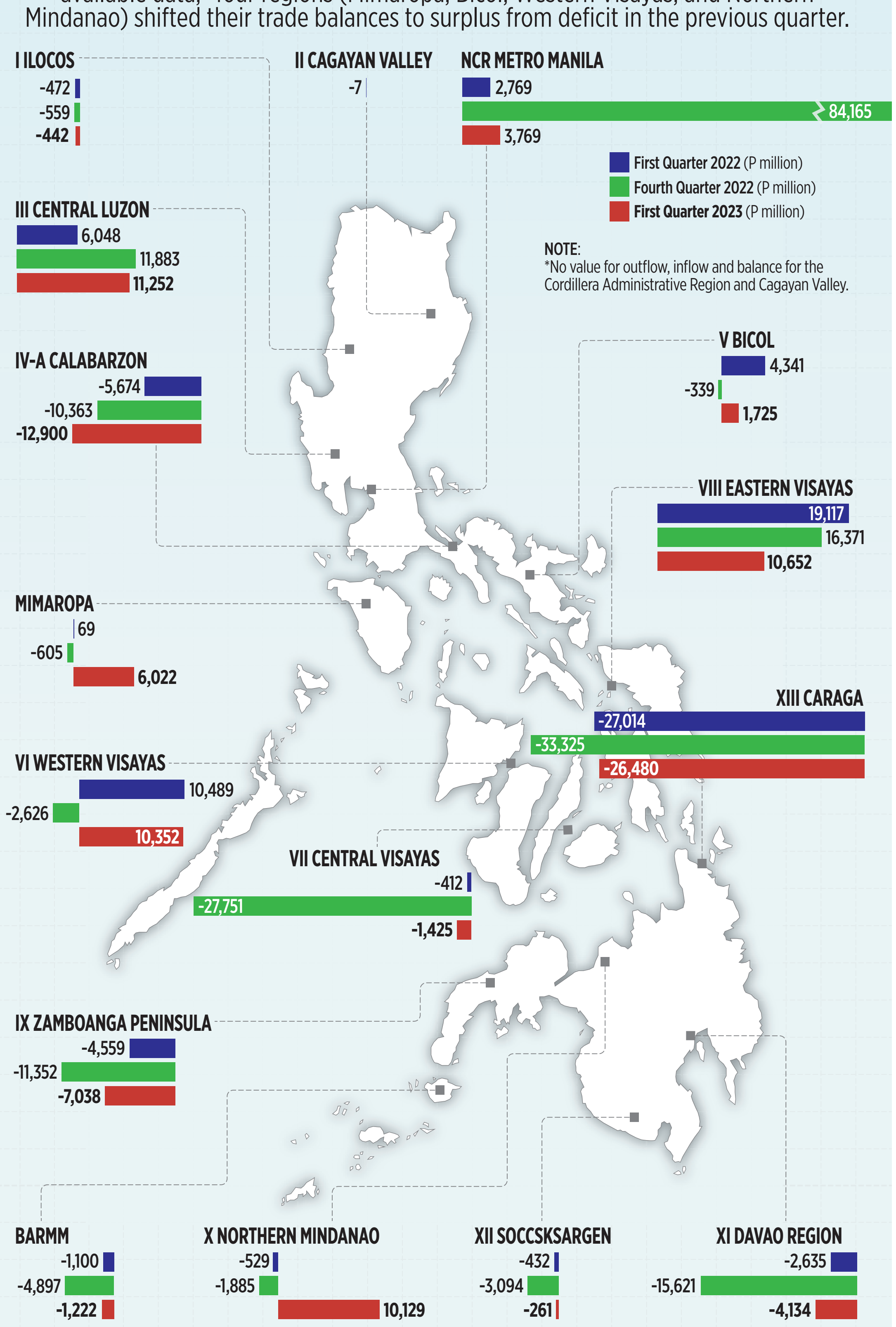
All of the 10 commodity categories monitored by the PSA showed annual expansion in trade by value. This was led by beverages and tobacco (83.7%); food and live animals (67.6%); chemicals and related products (59.7%); manufactured goods classified chiefly by material (46.4%); and mineral fuels, lubricants and related materials (40.8%).

Annual growth was also recorded for commodities of machinery and transport equipment (40.3%); crude materials, inedible except fuel (35.5%); miscellaneous manufactured articles (22.1%); animal and vegetable oils (8.9%); and commodities and transactions not classified elsewhere in the Philippine Standard Commodity Classification (7.9%).

Trade value, S1/4

DOMESTIC TRADE IN THE REGIONS: WHICH HAVE (UN)FAVORABLE TRADE BALANCES?

The country's domestic trade rose by 46.7% to P199.72 billion in the first three months of the year, preliminary data from the Philippine Statistics Authority's First Quarter 2023 Commodity Flow report showed. However, this level was lower than the P283.71 billion recorded in the fourth quarter of 2022. Of the 15 regions with available data,* four regions (Mimaropa, Bicol, Western Visayas, and Northern Mindanao) shifted their trade balances to surplus from deficit in the previous quarter.



Philippines	Value of Domestic Trade (in P million)	Year-on-Year Growth Rates
First Quarter 2022	136,182	-19.4%
Fourth Quarter 2022	283,706	59.9%
First Quarter 2023	199,718	46.7%

SOURCE: PHILIPPINE STATISTICS AUTHORITY (PRELIMINARY DATA AS OF MAY 29, 2023)
BUSINESSWORLD RESEARCH: MARIEDEL IRISH U. CATILOGO
BUSINESSWORLD GRAPHICS: BONG R. FORTIN

PHL posts lowest VAT efficiency in region

THE PHILIPPINES should improve its value-added tax (VAT) collection as it continues to have the lowest efficiency level in Southeast Asia, Finance Secretary Benjamin E. Diokno said.

In a televised Palace briefing on Tuesday, Mr. Diokno said that the Philippine government tapped the International Monetary Fund (IMF) to study how it can further improve VAT collection.

"We asked the International Monetary Fund to conduct a study where we can improve on broadening the tax base. Maybe find areas where we can recover the exemptions," he said.

He noted the Philippines has the lowest VAT efficiency among its Association of Southeast Asian Nations (ASEAN) neighbors, despite having the region's highest VAT rate at 12%.

"While it has the highest VAT rate, compared to other countries in this part of the world, our VAT collection is the most inefficient," Mr. Diokno said.

VAT efficiency refers to the ratio of VAT collection to total consumption, divided by VAT rate.

From 2016 to 2020, the Philippines' VAT efficiency was 0.40, data from the Department of Finance (DoF) showed.

In the same period, the Philippines collected an average of P723 billion from VAT, which is just 40% of the expected VAT collection.

The Philippines' VAT efficiency is also below the ASEAN average of 0.57. Among Southeast Asian countries, Thailand has the highest VAT efficiency at 0.79 and the lowest VAT rate at 7%, followed by Singapore with a 0.71 efficiency and VAT rate of 8%.

Mr. Diokno attributed the low efficiency to the numerous VAT exemptions granted by the government.

"The Philippine tax system is also plagued with exemptions that are outside the Tax Code, which further complicates tax administration and dilutes the tax base," he said.

Prior to the passage of current tax reforms, the Finance chief said the previous Tax Code contained 56 lines of tax exemptions and 84 additional exemptions in special laws.

Mr. Diokno also cited a World Bank study in 2018 that showed VAT exemptions resulted in revenue losses of up to P539 billion.

According to the study, the government should have collected P1.307 trillion in VAT revenues that year, but only raised P768 billion or 58.8% of the potential revenues.

The Finance secretary said he prefers consumption taxes over income taxes, as they are based on spending rather than wealth.

Citing a study by the Organisation for Economic Co-operation and Development, Mr. Diokno noted that consumption taxes are also "less vulnerable to effects of globalization."

"VAT is the best tax in the world. It's being imposed by 90% of the countries in the world. It's our interest to improve the efficiency of the VAT in the Philippines," he added.

VAT ZERO-RATING

Meanwhile, Mr. Diokno also noted that the government will also continue to limit VAT zero-rating to exporters.

Registered export enterprises can avail of the VAT zero-rating on local purchases of goods and services directly and exclusively used in their registered activities.

However, domestic market-oriented enterprises are not entitled to the VAT zero-rating.

In his presentation at the Palace, Mr. Diokno said that goods produced by exporting firms are consumed outside the Philippines, which means they are not subjected to VAT. On the other hand, domestic market enterprises produce goods for local consumption and are subject to VAT.

Mr. Diokno also noted that the distinction between registered exporters and domestic-market enterprises should remain to "preserve the integrity of the tax framework."

"The most recent reform favors giving incentives to export-oriented firms, the reason being, if you are an export firm, you're competing with the rest of the world, so you shouldn't be put at a disadvantage. This is why we help those who are export oriented and why we tax domestic firms," he added. — **Luisa Maria Jacinta C. Jocson**

House adopts Senate version of bill extending estate tax amnesty by 2 years

THE HOUSE of Representatives has adopted the Senate version of the bill extending the estate tax amnesty in order to ensure it will be signed into law before it expires by mid-June.

The House plenary adopted Senate Bill (SB) No. 2219, which extends the period of availment of the estate tax amnesty for another two years.

The current amnesty period will expire on June 14. Under the bill, the new estate tax amnesty period will run from June 15, 2023 to June 14, 2025.

"We will adopt the Senate version. Those are minor provisions especially dates, we're talking about the extension of the estate tax amnesty plus they placed there the provisions on the manner of payments and documents so we will adopt the Senate version," Majority Floor Leader and Zamboanga City Rep. Manuel Jose M. Dalipe said at a briefing before the plenary adopted the Senate version.

House Ways and Means Committee chairman and Albay Rep. Jose Ma. Clemente S. Salceda earlier sent an aide memoire addressed to House Speaker Ferdinand Martin G. Romualdez and Mr. Dalipe recommending that the House adopt SB 2219.

Both the House and Senate versions sought to expand the coverage of the amnesty, which currently only covers the estates of those who died on or before Dec. 31, 2017.

Amnesty, S1/4