P25
IN METRO MANILA, PHILIPPINES

BusinessWorld

STOCK MARKET	
PSEi	
OPEN:	6,678.88
HIGH:	6,706.22
LOW:	6,673.32
CLOSE:	6,685.66
VOL.:	2.506 B
VAL(P):	11.449 B

▲ 1.31 PTS. 0.02%
30 DAYS TO MAY 5, 2023

ASIAN MARKETS MAY 5, 2023	CLOSE		NET	%
Japan (Nikkei 225) *	29,157.95	▲	34.77	0.12
Hong Kong (Hang Seng)	20,049.31	▲	100.58	0.50
Taiwan (Weighted)	15,626.07	▲	17.04	0.11
Thailand (SET Index) **	1,533.30	▲	4.87	0.32
S.Korea (Kse Composite) ***	2,500.94	▼	-0.46	-0.02
Singapore (Straits Times)	3,266.63	▼	-2.55	-0.08
Sydney (All Ordinaries)	7,220.00	▲	26.90	0.37
Malaysia (Klse Composite)	1,431.04	▲	5.05	0.35

* 5/2/23 ** 5/3/23 *** 5/4/23

WORLD MARKETS MAY 5, 2023	CLOSE		NET
Dow Jones	33,674.380	▲	546.640
NASDAQ	12,235.413	▲	269.015
S&P 500	4,136.250	▲	75.030
FTSE 100	7,778.380	▲	75.740
Euro Stoxx50	4,032.480	▲	34.410

PESO-DOLLAR RATES	FX
OPEN	P55.380
HIGH	P55.160
LOW	P55.420
CLOSE	P55.300
W.AVE.	P55.292
VOL.	$1,289.45 M

▲ 5.00 CTVS
30 DAYS TO MAY 5, 2023
SOURCE : BAP

ASIAN MONIES-US$ RATE MAY 5, 2023	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	134.830	▼	134.610
Hong Kong (HK dollar)	7.847	—	7.847
Taiwan (NT dollar)	30.578	▲	30.674
Thailand (baht)	33.880	▼	33.830
S. Korea (won)	1,317.470	▲	1,322.910
Singapore (dollar)	1.325	▲	1.328
Indonesia (rupiah)	14,670	▲	14,675
Malaysia (ringgit)	4.435	▲	4.450

WORLD CURRENCIES MAY 5, 2023	CLOSE		PREVIOUS
US$/UK pound	1.2641	▲	1.2571
US$/Euro	1.1017	▼	1.1045
$/Aust dollar	0.6748	▲	0.6664
Canada dollar/US$	1.3373	▼	1.3614
Swiss Franc/US$	0.8910	▲	0.8878

DUBAI CRUDE OIL
FUTURES PRICE ON NEAREST MONTH OF DELIVERY
$73.26/BBL
▼ $0.37
30 DAYS TO MAY 5, 2023

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PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • MAY 5, 2023 (PSEi snapshot on *S1/4*; article on *S2/2*)

		Value			
BDO	P137.000	P517,488,835	-P4.000	▼	-2.837%
SMPH	P34.300	P507,686,400	P0.300	▲	0.882%
BPI	P108.000	P288,192,746	-P1.500	▼	-1.370%
SM	P925.000	P259,076,320	P11.500	▲	1.259%
ICT	P213.000	P205,879,706	-P1.000	▼	-0.467%
MBT	P60.300	P152,287,216	P1.300	▲	2.203%
ALI	P28.250	P123,443,055	-P0.400	▼	-1.396%
ACEN	P6.170	P119,243,286	P0.150	▲	2.492%
ANI	P7.430	P104,253,674	P0.010	▲	0.135%
CNVRG	P11.700	P97,061,178	P0.560	▲	5.027%

GDP growth slowed in Q1 — poll

PHILIPPINE annual economic growth likely slowed in the first quarter, as elevated inflation and higher interest rates may have dampened consumer spending.

A *BusinessWorld* poll of 23 economists conducted last week yielded a median estimate of 6.1% gross domestic product (GDP) growth for the first three months of 2023.

If realized, this would be slower than the revised 7.1% growth in the previous quarter, and the 8% growth in the first quarter of 2022.

The median estimate is within the economic managers' target range of 6%-7% for the year.

The Philippine Statistics Authority (PSA) is scheduled to report the first-quarter GDP growth data on May 11.

First-quarter GDP growth may have slowed due to base effects and lower household spending amid high inflation and rising rates, economists said.

"First, consumers' purchasing power will likely be negatively affected by high inflation especially as pandemic savings are used up. Second, capital formation should be dampened by higher interest rates," Philippine National Bank economist Alvin Joseph A. Arogo said.

Inflation hit a 14-year high of 8.7% in January, before easing to 8.6% in February and 7.6% in March. Average inflation in the first quarter stood at 8.3%.

To tame inflation, the Bangko Sentral ng Pilipinas (BSP) has raised borrowing costs by 425 basis points since May last year. This brought the key policy rate to a near 16-year high of 6.25%.

Economists expect slower GDP data due to base effects, since household spending rose by 10% in the first quarter of 2022.

Consumer spending, which historically contributes about 75% of the country's output, eased to 7% in the fourth quarter of 2022 from 8% in the third quarter.

"We think the sequential momentum for private consumption, the biggest component of GDP, to have slowed amid fading reopening boost, higher interest rates as well as inflation," Makoto Tsuchiya, assistant economist at Oxford Economics, said in an e-mail note.

Mr. Tsuchiya said higher lending rates likely affected sentiment as well as Filipinos' ability to borrow, while elevated inflation shrank households' real purchasing power.

Miguel Chanco, chief emerging Asia economist at Pantheon Macroeconomics, noted the surge in household borrowings that drove the economy's strong growth last year "appears clearly to have peaked."

Domini S. Velasquez, chief economist at China Banking Corp., said the economy may have expanded by 6.8% in the first quarter.

"Agriculture probably held up in Q1, driven by palay and corn production, as the weather was favorable during the quarter. However, challenges such as the African Swine Fever and some bird flu outbreaks mitigated the growth of livestock and poultry," she said via e-mail.

Government spending was also muted in the first quarter "due to fiscal consolidation efforts and might have been hampered by the devolution of some services to the local government units (i.e., implementation of the Mandanas ruling)," Ms. Velasquez added.

HSBC ASEAN economist Aris Dacanay said the lackluster global demand may have also affected trade figures in the January-to-March period.

"The low import figures in February could have hinted that domestic demand might have moderated from the highs of the previous quarters. Although growth was supported by the recovery of tourism, we do not think that its recovery was enough to offset the challenges seen elsewhere in the economy," Mr. Dacanay said in an e-mail.

OUTLOOK

Meanwhile, economists expect GDP growth to slow for the rest of the year.

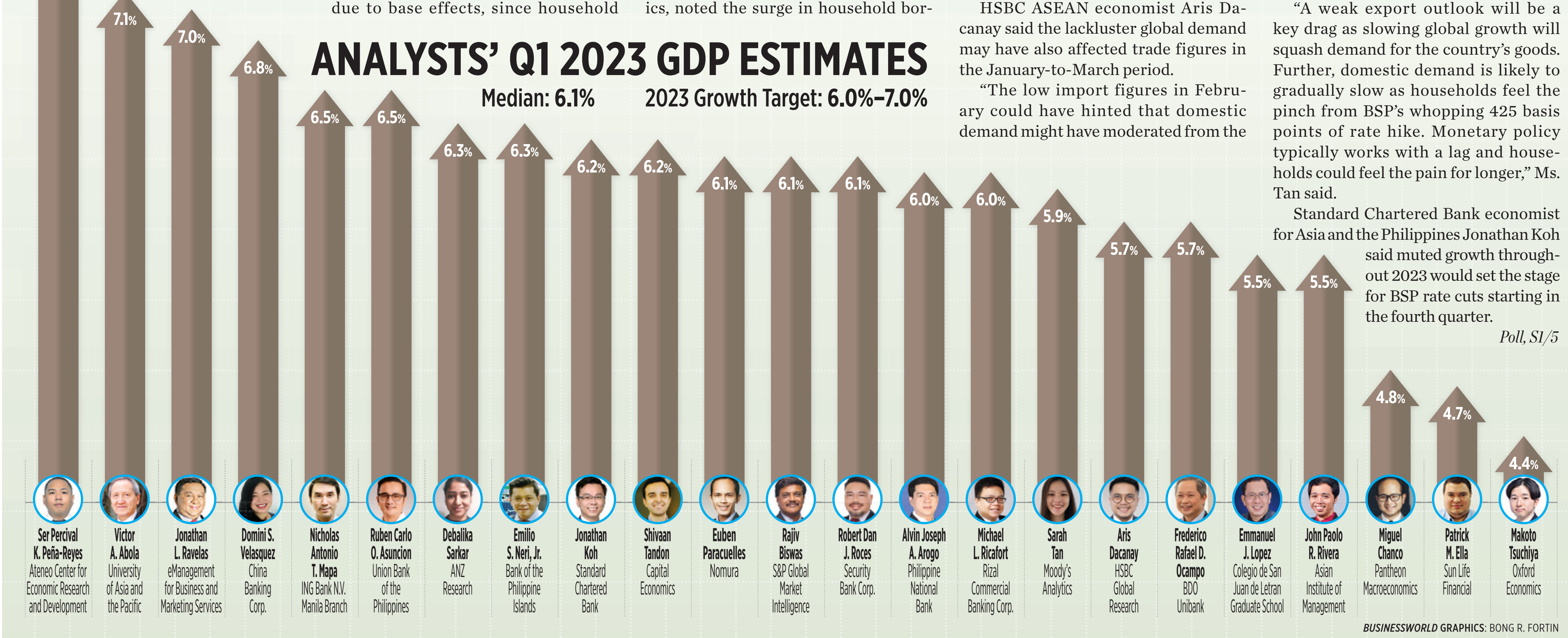
"We think the outlook for the rest of the year is clouded. One-off reopening boost won't be available again, and high albeit declining inflation will continue to reduce real income for much of the year," Mr. Tsuchiya said.

Moody's Analytics economist Sarah Tan said they project 5.7% Philippine GDP growth for the full year of 2023, slower than the 7.6% growth in 2022.

"A weak export outlook will be a key drag as slowing global growth will squash demand for the country's goods. Further, domestic demand is likely to gradually slow as households feel the pinch from BSP's whopping 425 basis points of rate hike. Monetary policy typically works with a lag and households could feel the pain for longer," Ms. Tan said.

Standard Chartered Bank economist for Asia and the Philippines Jonathan Koh said muted growth throughout 2023 would set the stage for BSP rate cuts starting in the fourth quarter.

Poll, S1/5



BUSINESSWORLD GRAPHICS: BONG R. FORTIN

WHAT'S INSIDE

MUP pension contributions eyed next year

By Luisa Maria Jacinta C. Jocson
Reporter

THE GOVERNMENT is looking to start requiring all active military and uniformed personnel (MUP) and new recruits to contribute to their pensions starting 2024, Finance Secretary Benjamin E. Diokno said.

"We can no longer afford this. Number one, it's a big drain on our national budget. We're providing protection to people who didn't even contribute a single centavo to the pension," he told reporters at the Department of Finance (DoF) office in Pasay City on Friday.

"You're crowding out some important projects — education, health — because of the military pension. The idea of a pension is you contribute," he added.

Asked on the timetable of the MUP pension reform, Mr. Diokno said Congress must approve the bill "as soon as possible." He said personnel may start contributing to pensions by January 2024.

"New recruits will start contributing to the system, those who are in active service will also contribute," he said.

However, Mr. Diokno said there will be no diminution of benefits for those who are currently receiving their pensions.

In March, Mr. Diokno announced that President Ferdinand R. Marcos, Jr. will push for the passage of the bill seeking to reform the MUP pension program.

Mr. Diokno said the current pension system is not "fiscally sustainable."

The government will need to spend an estimated P848.39 billion to finance the current pension system over the next twenty years, he said, citing a 2019 study by the Government Service Insurance System (GSIS).

Data from the Bureau of the Treasury (BTr) showed that there are P9.6-trillion total unfunded pension liabilities.

Mr. Diokno also said that the accumulating pension liabilities will likely increase public debt by as much as 25% by 2030.

"If we do not address the huge and rising unfunded liabilities of the current MUP pension system now, securing sufficient resources to provide for the benefits of future pensioners and their dependents will be extremely challenging," he added.

The reform calls for a unified separation, retirement, and pension system for the MUP.

Under the current pension system, MUPs are automatically granted one rank higher upon retirement and can receive their pension after being in service for 20 years with no minimum pensionable age.

MUP, S1/5

Case for pause in BSP tightening cycle builds

By Keisha B. Ta-asan *Reporter*

THE SLOWER-THAN-EXPECTED inflation outturn in April may prompt the Bangko Sentral ng Pilipinas (BSP) to keep policy rates unchanged at 6.25% when it meets later this month.

However, the impact of El Niño to food prices, further tightening from the US Federal Reserve, and strong domestic demand, are factors that should still be considered on the central bank's May 18 policy meet, according to an official.

Monetary Board (MB) member Bruce J. Tolentino said a pause in rate hikes is "in the cards" at their policy meeting this month.

"If all of a sudden, food prices fell much greater due to some miracle, then we might not [raise interest rates]. Again, as we always say, it depends on the data," he said during a seminar hosted by the Economic Journalists Association of the Philippines on Saturday.

As inflation remains elevated, Mr. Tolentino said a 25-basis-point (bp) rate increase is still possible at the MB's May 18 meeting.

Based on data from the local statistics agency, headline inflation rose by an annual 6.6% in April, from 7.6% in March. It was the slowest in eight months or since the 6.3% print in August 2022.

For the first four months of 2023, inflation averaged 7.9%. This is still above the central bank's 6% average forecast for 2023.

To curb inflation, the BSP has raised borrowing costs by 425 bps since May last year, bringing the key policy rate to 6.25% — the highest since 2007.

Miguel Chanco, chief economist for emerging Asia at Pantheon Macroeconomics, said not only did the headline print settle within the BSP's 6.3-7.1% forecast range for April, but core inflation fell for the first time in over a year as well.

"We've said for some time that the surge in core inflation will take care of itself once non-core pressures start to unwind, as this gauge still contains a lot of food items and those that are sensitive to oil prices," Mr. Chanco said.

Core inflation, which excludes volatile prices of food and fuel items, slightly slowed to 7.9% in April, from the 8% print in March.

"Given April's sharp deceleration in headline inflation and peaking core inflation, we think it represents a further significant step in the direction of a rate pause at 6.25%," Security Bank Corp. Chief Economist Robert Dan J. Roces said.

Even though headline inflation is on track to return within the BSP's 2-4% target by the end of the year, he said risks remain.

"Core (inflation) may remain above the headline (inflation) in the next three months. The threat of El Niño and food supply pressures are rising, with global rice and sugar prices trending higher," Mr. Roces said.

Asked if El Niño may drive up inflation, BSP's Mr. Tolentino said that it would depend on the extent of the weather disturbance's impact on agriculture.

"If it hits early in the planting season, that means most of the crop will be wiped out. (If) it hits later than [that], a smaller level of the crop will be affected. It would also depend on where the drought will be. Sometimes, it's just one part of the country," he said.

The state weather bureau said last week that El Niño would likely develop in the next three months and might last until the first quarter of 2024.

Meanwhile, Mr. Tolentino said the BSP will also consider the US Federal Reserve's move to raise rates by 25 bps last week.

"The actions of the Fed are always a factor that we need to consider because if the [interest rate] differential between US rates and Philippine rates are higher, then it attracts money to go to the US," he said.

The US Federal Reserve has raised borrowing costs by 500 bps since March last year, bringing the Fed fund rate to 5-5.25%.

Bank of the Philippine Islands Lead Economist Emilio S. Neri, Jr. said inflation is still a threat despite the recent downtrend. If the MB decides to pause, he said it would be "premature" to expect rate cuts in the succeeding meetings.

"Establishments have an incentive to raise prices because demand remains strong. Cutting rates at this point will unnecessarily boost demand at a time when supply continues to be a risk," Mr. Neri said.

Pause, S1/5