More tightening to come, leading central bank chiefs tell ECB forum

SINTRA, Portugal — Leaders of the world's top central banks reaffirmed on Wednesday they think further policy tightening will be needed to tame stubbornly high inflation but still believe they can achieve that without triggering outright recessions.

US Federal Reserve Chairman Jerome Powell kept consecutive interest rate hikes on the table while European Central Bank (ECB) President Christine Lagarde cemented expectations for a ninth consecutive rise in euro zone rates in July.

Bank of England (BoE) Governor Andrew Bailey said he would do what is needed to bring down persistent price growth in the United Kingdom, and even the governor of the Bank of Japan (BoJ), Kazuo Ueda, opened the door to one day abandoning its ultra-easy policy.

"Policy hasn't been restrictive enough for long enough," Mr. Powell told an annual gathering of central bankers hosted by the ECB in the Portuguese mountain resort of Sintra.

"I wouldn't take moving in consecutive meetings off the table at all," he said.

Mr. Powell said the US labor market in particular needed to soften further to take pressure off prices. While acknowledging a "significant probability" that could lead to a downturn, he said it was "not the most likely case."

Ms. Lagarde said it was possible that the flatlining euro zone economy could slip into an outright recession this year but stressed that was not the ECB's baseline expectation.

"We still have more ground to cover," she said of the fight against inflation. "We are not seeing enough tangible evidence of the fact that underlying inflation, particularly domestic prices, are stabilizing and moving down."

The Fed kept rates on hold this month but markets expect it to raise them again next month or in September before starting to cut them next year.

The ECB is forecast to raise rates in July and September but investors bet it will also turn around and start reducing borrowing costs in 2024 as the economic outlook worsens.

'WE'LL SEE'

The Bank of England, which faces the highest inflation rate among the Group of Seven (G7) rich nations, is expected by markets to go further than its peers, taking Bank Rate from 5% now to 6.25% by the end of this year.

Mr. Bailey said the BoE would "do what is necessary" but it remained to be seen if market bets would prove correct.

"They've got a number of further increases priced in for us," Mr. Bailey added. "My response to that would be: 'Well, we'll see.'"

He said last week's surprisingly large 50 basis point rate rise reflected a resilient UK economy and persistent inflation, and that the BoE did not currently forecast a recession.

BoJ chief Kazuo Ueda was an outlier, saying the Japanese central bank was keeping monetary policy easy because underlying inflation remained below its 2% target even though the headline measure is above 3%.

But even Mr. Ueda entertained the notion that the BoJ could abandon its nearly decade-old policy of zero interest rates if it became convinced that inflation would accelerate into 2024 after a period of moderation.

"If we become reasonably sure the second part will happen, this will be good reason to shift policy," he said.

Investors have been testing the BoJ's resolve to keep short-term interest rates at -0.1% and the 10-year bond yield at around zero via its yield curve control policy.

Jennifer McKeown, chief global economist at Capital Economics, said the hawkish tone struck by central bankers in Sintra suggests that rates have not yet peaked and that cuts won't come for some time.

"But there were some interesting differences in tone," she said. "Most notably, the ECB and BoE sounded more concerned about wage-price spirals than the Fed, supporting our view that rates in Europe will stay higher for longer than those in the US." — ***Reuters***

VENTI VIEWS-UNSPLASH

US May goods trade deficit tapers, retail inventories up

WASHINGTON — The US trade deficit in goods narrowed in May as imports fell, but the improvement was probably insufficient to prevent trade from being a drag on economic growth in the second quarter.

The hit from trade on gross domestic product was, however, likely to be offset by a rise in inventory investment, with the report from the Commerce Department on Wednesday also showing retail inventories increasing strongly last month.

A raft of upbeat data this month, including nonfarm payrolls, retail sales, durable goods orders and housing starts, have suggested that the economy remained on a steady growth path in the second quarter, defying growing fears of a recession.

The goods trade deficit decreased 6.1% to $91.1 billion last month, leaving the bulk of April's surge intact.

"Even with the narrowing in May, the goods trade deficit is up by over 10% since March, and trade will likely be a drag on economic growth in the second quarter," said Abbey Omodunbi, a senior economist at PNC Financial in Pittsburgh, Pennsylvania.

Imports dropped 2.7% to $254.0 billion. While the decline in imports helped shrink the deficit, it suggested that domestic demand was softening. The drop was led by a 7.3% plunge in consumer goods imports. Industrial supplies imports, which include crude oil, fell 5.9%. Food imports slipped 3.0%.

But capital goods imports rose 1.3%, a good omen for business investment. Imports of motor vehicles and parts increased 0.9%.

Exports of goods fell 0.6% to $162.8 billion, pulled down by a 14.2% tumble in food shipments. Industrial supplies exports dropped 3.0%. But the nation saw an 8.7% jump in exports of motor vehicles and parts. Consumer goods exports vaulted 4.3% and shipments of other goods increased 2.4%.

Trade made no contribution to the economy's 1.3% annualized growth rate in the first quarter after adding to gross domestic product (GDP) for three straight quarters.

The report also showed that retail inventories increased 0.8% last month after gaining 0.3% in April. Motor vehicle inventories shot up 2.9% following a 1.6% advance in the prior month. Excluding motor vehicles, retail inventories were unchanged after decreasing 0.3% in April.

This component goes into the calculation of GDP. Wholesale inventories dipped 0.1% last month after dropping 0.3% in April.

Private inventory investment rose at its slowest pace in 1-1/2 years in the first quarter, chopping off 2.10 percentage points from GDP growth in that period.

The Atlanta Federal Reserve is currently estimating second-quarter GDP rising at a 1.8% rate. — ***Reuters***

US mulls new export restriction on computing power in AI chips

US OFFICIALS are considering tightening an export control rule designed to slow the flow of artificial intelligence (AI) chips to China by clamping down on the amount of computing power the chips can have, according to two people familiar with the matter.

The Biden administration last October issued a sweeping set of rules designed to freeze China's semiconductor industry in place while the US pours billions of dollars in subsidies into its own chip industry.

An update to those rules may come by late July, two sources said, but one cautioned that such US actions involving China often get delayed.

Nvidia Chief Financial Officer Colette Kress said on Wednesday at an investors conference, "Over the long-term, restrictions prohibiting the sale of our data center GPUs to China, if implemented, would result in a permanent loss of opportunities for US industry to compete and lead in one of the world's largest markets and impact on our future business and financial results."

The *Wall Street Journal* on Tuesday reported that the Biden administration was considering new restrictions on exporting AI chips to China.

One of the October rules limited the sale in China of chips that can provide the computing power needed to create artificial intelligence technologies similar to ChatGPT, a move that immediately impacted sales of products from Nvidia Corp. and Advanced Micro Devices, Inc., and would likely affect future offerings from Intel Corp.

The possible rule tightening would hardest hit Nvidia, whose strong position in the AI chip market helped make it worth $1 trillion earlier this year.

"We do not anticipate that such additional restrictions, if adopted, would have an immediate material impact on our financial results," Nvidia's Ms. Kress said on Wednesday.

Nvidia has made special chips for the Chinese market that comply with the October restrictions, but Reuters reported last month that major Chinese companies such as Tencent Holdings plan to use Nvidia's export-compliant chips to cut the time it takes to train huge AI systems by more than half. — ***Reuters***

Repower Energy says initial public offering attracts anchor investor

REPOWER Energy Development Corp. said its upcoming initial public offering (IPO) has attracted Japan-based listed company TOKAI Holdings Corp. to participate.

"We are pleased on TOKAI's commitment to participate in our IPO as this is a testament to the market's growing interest in our company," Eric Peter Y. Roxas, president and chief executive officer of Repower Energy, said in a media release on Thursday.

TOKAI will take about a 32.5% stake, Repower Energy said, adding that the development will earn the foreign firm a board seat but only on an observer status.

The Japanese conglomerate has businesses in electric power, gas, and renewable energy. On its website, it describes itself as a "comprehensive energy" provider, optimizing energy services for its customers.

"We look forward to taking advantage of the synergies available to us as a result of our partnership with TOKAI, such as our expansion into the Japanese renewable energy market, specifically run-of-the-river hydropower projects where our expertise and TOKAI's reach in Japan will prove invaluable," Mr. Roxas said.

Repower Energy, a subsidiary of Pure Energy Holdings Corp., targets to raise P1.15 billion from its IPO to fund the expansion of the company's projects as well as the development of its other renewable energy plans.

It is set to offer 200 million primary common shares at a maximum offer price of P5 apiece, with an over-allotment option of up to 30 million shares.

Repower Energy said it would start its offer period on June 30 with the settlement date scheduled on July 14, the company plans to list on the Philippine Stock Exchange tentatively on July 24. — **Ashley Erika O. Jose**

CLI breaks ground on northern Cebu project

CEBU Landmasters, Inc. (CLI) has started construction of its residential development in the northern part of Cebu, the 15th project under its Casa Mira economic brand, it said on Thursday.

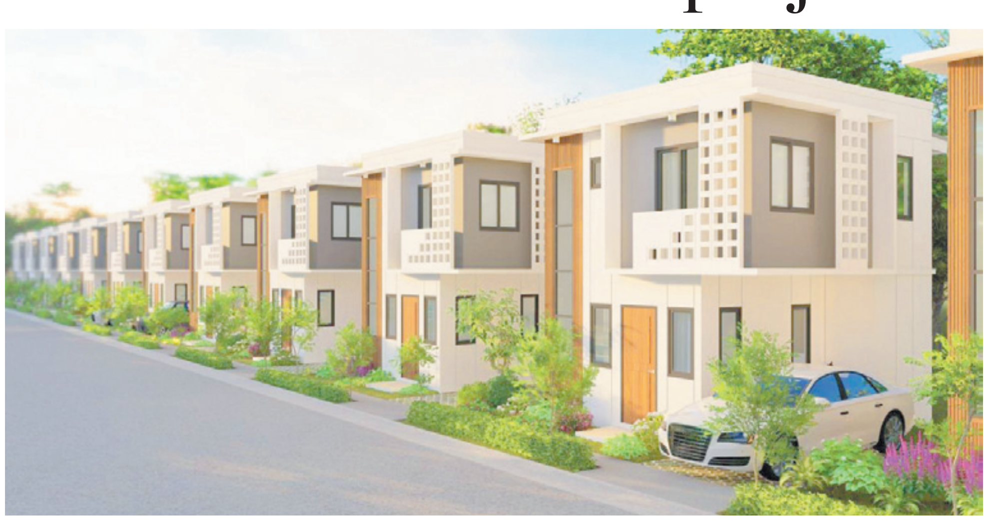
In a disclosure to the stock market, the company said the 6.8-hectare site in Cebu's Danao City is expected to generate about P1.97 billion in sales. It has sold 96% of the 595 total units on the property.

"The location of Casa Mira Homes Danao contributes to its strong demand. The development presents premium connectivity with direct access to the Central Nautical Highway, providing residents with convenient access to essential establishments," the company said.

It added that within close distance to the area are the schools, grocery stores, the city hall, the provincial hospital, and the city port.

"Danao City is also only 25 kilometers away from Cebu City and has the necessary urban conveniences being the growth center of the northern part of Cebu province," it added.

The project offers unit types ranging from 42 square meters (sq.m.) to 72 sq.m. for townhouses and single detached units with a two- or three-bedroom option.



CEBU LANDMASTERS, INC.

The company said prices for the units range from P2.23 million to P3.6 million. It expects development to be completed by 2026.

The Danao project will be managed by its property arm Cebu Landmasters Property Management, Inc. "to ensure that the development will be well maintained."

"Casa Mira also allows CLI to help address the region's housing gap. To date, Casa Mira has already provided more than 16,000 vertical and horizontal housing units all over VisMin (Visayas-Mindanao)," CLI President and Chief Executive Officer Jose R. Soberano III said.

The company is eyeing more projects in the Danao area due to the sales results, Mr. Soberano said.

"Given the success of the project in the northern part of Cebu, we are now in the process of introducing a new affordable housing development in the area soon," he added.

On Thursday, CLI closed unchanged at P2.59 per share. — **Adrian H. Halili**

Manila Water unit secures P1.53-B loan from BPI for Clark concession

A SUBSIDIARY of Manila Water Co., Inc. has signed up for a P1.53-billion loan from a local bank to partly fund projects that serve an economic zone in Central Luzon.

In a stock exchange disclosure on Thursday, Manila Water said its subsidiary Manila Water Philippine Ventures, Inc. (MWPV) signed the 10-year term loan facility with Bank of the Philippine Islands (BPI).

Loan proceeds will partially fund Clark Water Corp.'s projects as well as pay for its service concession obligations, Metro Manila's east zone water concessionaire said.

Clark Water ser`ves Clark Freeport and the Clark Economic Zone as their water supplier and wastewater service provider. It is a wholly owned subsidiary of MWPV, which is Manila Water's designated vehicle for expansion initiatives in the Philippines.

In January, Manila Water said its unit, Bulakan Water Co., Inc. had signed a P200-million 10-year term loan facility with the same bank, while in February the company said it had signed a P3-billion 10-year term loan facility with the Land Bank of the Philippines.

The water concessionaire serves Metro Manila's east zone network, which comprises Marikina, Pasig, Makati, Taguig, Pateros, Mandaluyong, San Juan, portions of Quezon City and Manila, and several towns of nearby Rizal province.

At the local bourse on Thursday, shares in the company gained P1.24 or 7.09% to end at P18.72 apiece. — **Ashley Erika O. Jose**

Aboitiz unit to handle construction works for Monde Nissin plant in Davao City

ABOITIZ CONSTRUCTION, Inc. said on Thursday that it is set to do basic development and foundation work for Monde Nissin Corp.'s expanded bakery plant in Davao City.

"We are very excited to undertake this project as we are strengthening our capabilities on land development-related projects," said Aboitiz Construction Chief Operation Officer Ramez Sidhom in a statement.

"This partnership is fully aligned with our commitment to contribute towards economic growth and help other businesses succeed," he added.

The company said it had entered into a deal with Monde Nissin to do land development work, which includes the site grading of more than 18,000 square meters (sq.m.) of land, excavation, backfilling, hauling, and disposal.

The company will also do earthworks for the construction of an office building on the site.

Both development works are set to be completed within the year.

Aboitiz Construction said the projects for Monde Nissin's facilities contribute to food security, provide job opportunities in the Davao Region, and support economic development.

It said the project is in coordination with Meinhardt Philippines, Inc., an engineering consulting firm, and the official designer of the said project.

"Close to 60 local skilled workers will be hired by Aboitiz Construction for the project," Aboitiz Construction said.

Meanwhile, the company said it has ongoing land expansion works for the second phase of LIMA Estate's industrial land in Lipa-Malvar, Batangas.

It is also conducting site development with warehouse construction works for El Colono del Oeste, Inc.'s 18,337-sq.m. land inside the LIMA Technology Center, also in Batangas.

Aboitiz Construction is the construction arm of the Aboitiz group of companies. It claims to have more than 40 years of nationwide track record in heavy industries, light industries, infrastructure, and industrial maintenance. — **Adrian H. Halili**