P25
IN METRO MANILA, PHILIPPINES

BusinessWorld

STOCK MARKET

PSEi

OPEN:	6,457.05
HIGH:	6,458.77
LOW:	6,405.91
CLOSE:	6,405.91
VOL.:	0.446 B
VAL(P):	3.827 B

ASIAN MARKETS

AUGUST 11, 2023

	CLOSE		NET	%
Japan (Nikkei 225) *	32,473.65	▲	269.32	0.84
Hong Kong (Hang Seng)	19,075.19	▼	-173.07	-0.90
Taiwan (Weighted)	16,601.25	▼	-33.45	-0.20
Thailand (SET Index)	1,535.16	▲	1.75	0.11
S.Korea (Kse Composite)	2,591.26	▼	-10.30	-0.40
Singapore (Straits Times)	3,294.28	▼	-28.65	-0.86
Sydney (All Ordinaries)	7,340.10	▼	-17.30	-0.24
Malaysia (Klse Composite)	1,457.16	▼	-1.77	-0.12

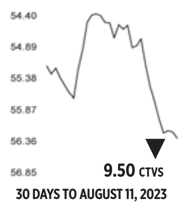
* CLOSING PRICE AS OF AUGUST 10, 2023

WORLD MARKETS

AUGUST 11, 2023

	CLOSE		NET
Dow Jones	35,281.400	▲	105.250
NASDAQ	13,644.849	▼	-93.137
S&P 500	4,464.050	▼	-4.780
FTSE 100	7,524.160	▼	-94.440
Euro Stoxx50	3,973.510	▼	-40.320

PESO-DOLLAR RATES



FX

OPEN	P56.230
HIGH	P56.100
LOW	P56.340
CLOSE	P56.315
W.AVE.	P56.204
VOL.	$1,431.90 M

SOURCE : BAP

ASIAN MONIES-US$ RATE

AUGUST 11, 2023

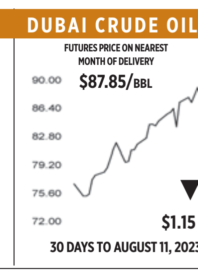
	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	144.960	▼	143.850
Hong Kong (HK dollar)	7.817	▼	7.816
Taiwan (NT dollar)	31.894	▼	31.738
Thailand (baht)	35.070	▲	35.110
S. Korea (won)	1,330.300	▼	1,313.540
Singapore (dollar)	1.352	▼	1.346
Indonesia (rupiah)	15,210	▼	15,180
Malaysia (ringgit)	4.585	▼	4.570

WORLD CURRENCIES

AUGUST 11, 2023

	CLOSE		PREVIOUS
US$/UK pound	1.2694	▼	1.2759
US$/Euro	1.0944	▼	1.1018
US$/Aust dollar	0.6498	▼	0.6552
Canada dollar/US$	1.3438	▲	1.3408
Swiss Franc/US$	0.8767	▲	0.8734

DUBAI CRUDE OIL



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PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • AUGUST 11, 2023 (PSEi snapshot on *S1/2*; article on *S2/2*)

		Value			
SMPH	P31.500	P375,403,170	-P0.400	▼	-1.254%
AC	P604.000	P325,454,570	-P12.500	▼	-2.028%
ALI	P29.050	P242,730,410	-P0.250	▼	-0.853%
BDO	P143.500	P233,163,204	P1.000	▲	0.702%
BPI	P113.800	P214,163,035	-P2.000	▼	-1.727%
MPI	P5.000	P205,985,090	P0.010	▲	0.200%
ICT	P204.200	P192,448,900	-P3.800	▼	-1.827%
URC	P123.000	P161,275,495	-P0.500	▼	-0.405%
JGS	P39.000	P161,083,630	-P0.700	▼	-1.763%
GTCAP	P522.000	P153,169,070	-P2.000	▼	-0.382%

BSP to keep policy rates steady — poll

PHL may miss full-year GDP target after Q2 miss

PHILIPPINE economic growth is expected to remain lackluster in the second half, making it increasingly unlikely it will meet the government's 6-7% growth target this year, analysts said.

Disappointing gross domestic product (GDP) growth in the second quarter prompted several analysts to slash full-year projections.

Philippine economic expansion slowed to 4.3% in the April-to-June period, from 6.4% in the first quarter and 7.5% a year ago. It was well below the estimates of 21 economists in a *BusinessWorld* poll with a median forecast of 6%. This was the slowest print in over two years, bringing average growth to 5.3% in the first half.

"We were already skeptical about the chances of the government hitting its growth target for 2023 and, needless to say, we're even more skeptical now following the huge miss in the second quarter," Pantheon Macroeconomics Chief Emerging Asia Economist Miguel Chanco said in an e-mail.

"It will be difficult to salvage the year in the second half, as the weakness in the economy is quite broad-based, affecting all aspects of domestic demand, and the government has little room fiscally to stimulate growth."

Pantheon slashed its growth projection for the Philippines to 4.5% (from 5.5% previously) this year and 4% (from 5% previously) in 2024.

With the slower-than-expected growth, Mr. Chanco said the Philippines has lost its status as one of the fastest-growing economies in the Association of Southeast Asian Nations (ASEAN) region.

"As things stand, [the Philippines] is now underperforming relative to the likes of Indonesia and Malaysia, and it isn't faring that much better than Vietnam which is also experiencing a sharp cyclical slowdown," he said.

In the second quarter, the Indonesian economy expanded by 5.17%, slightly faster than the 5.04% growth in the first quarter.

Vietnam's economy accelerated by 4.14% in the April-to-June quarter, from 3.3% in the previous quarter. Singapore grew by 0.7% in the second quarter (from 0.4% in the first quarter).

Malaysia and Thailand have yet to release second-quarter data.

"The more dependent the country is on exports, the slower the economic expansion. This is mainly due to a slowing global economy," Finance Secretary Benjamin E. Diokno said in a Viber message to reporters on Sunday.

He noted the Philippines is not as export dependent as some of its ASEAN neighbors.

"Its growth is consumption-based, that is why it is less susceptible to the weaker exports demand owing to the slowing global economy," Mr. Diokno said.

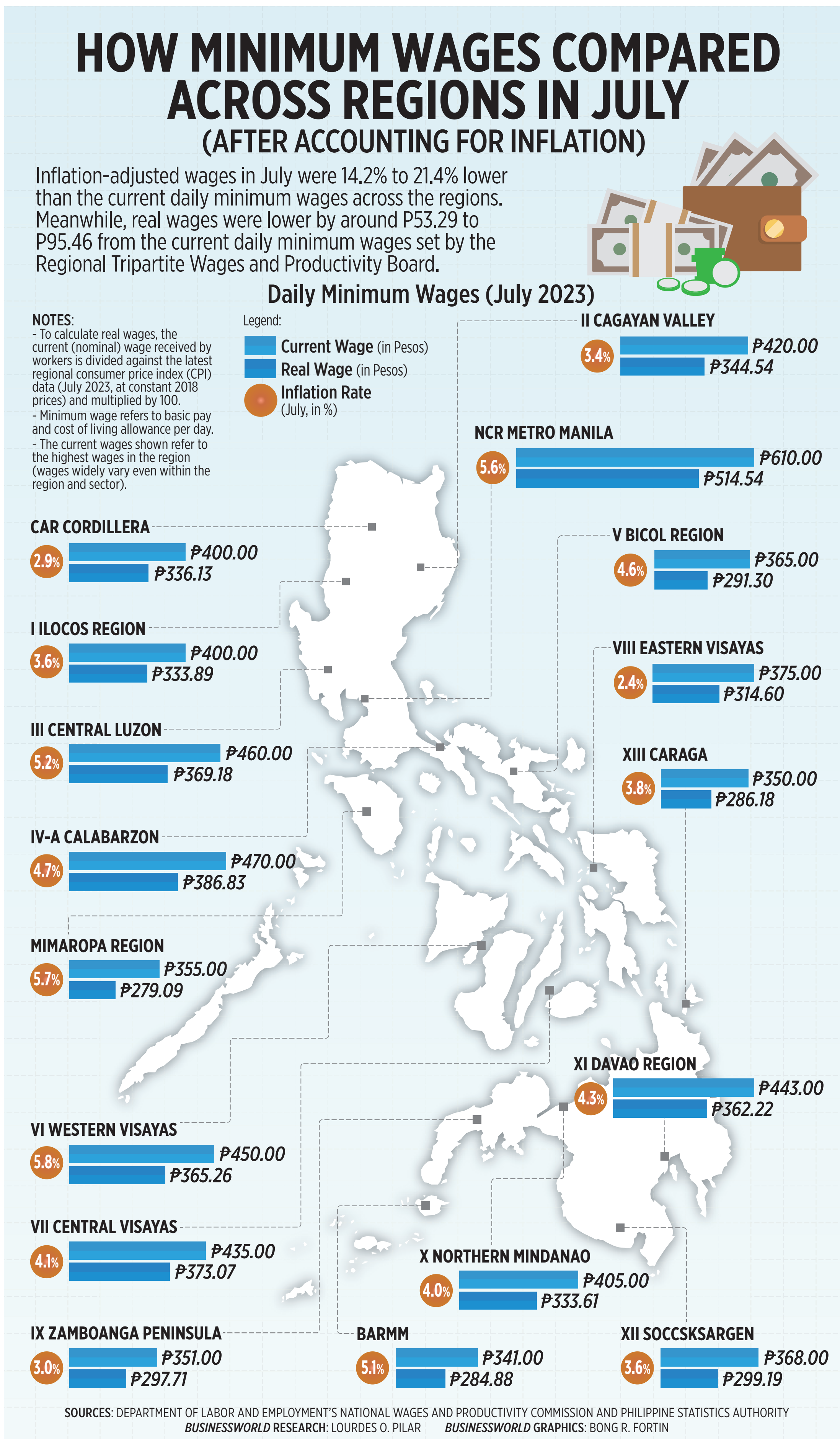
CATCH-UP SPENDING

To achieve the government's 6-7% growth target for 2023, the Philippine economy has to grow by at least 6.6% in the second half, Mr. Diokno said.

"An aggressive catch-up plan for infrastructure projects (roads, bridges, airports, seaports, power, water, irrigation, telecommunications facilities, digitalization, school buildings, housing and others), quicker response by GOCCs (government-owned and -controlled corporations), and strong and deliberate spending by resource-surplus local governments are essential parts of the solution to the relatively weak second-quarter growth performance of the Philippine economy," he said.

The weaker-than-expected growth in the second quarter was partly attributed to the 7.1% contraction in government spending, which was a reversal of the 10.9% growth a year ago.

GDP target, S1/10



By Keisha B. Ta-asan
Reporter

THE PHILIPPINE central bank will likely keep its benchmark policy rates steady at 6.25% for a third straight meeting on Thursday, amid easing inflation and slowing economic growth.

Some analysts, however, expect the Bangko Sentral ng Pilipinas (BSP) to start cutting rates in the fourth quarter to boost consumer demand following the disappointing second-quarter gross domestic product (GDP) data.

A *BusinessWorld* poll last week showed 13 of 15 analysts predict the Monetary Board will extend its pause at its Aug. 17 meeting.

On the other hand, two economists expect the BSP to hike borrowing costs by 25 basis points (bps), mirroring the move of the US Federal Reserve last month. If realized, this would bring the key rate to 6.5%.

Alvin Joseph A. Arogo, an economist from the Philippine National Bank, said a pause is appropriate since inflation continued to trend downwards in July.

Headline inflation slowed for a sixth straight month to 4.7% in July from 5.4% in June. It marked the slowest headline figure in 16 months, or since the 4% in March 2022.

For the first seven months of the year, inflation averaged 6.8%, still higher than the BSP's 5.4% full-year forecast.

"I think BSP will extend its policy hold and continue to reassess the current economic situation. Slower second-quarter GDP growth will make BSP a bit more cautious in raising interest rates at this time," University of Asia and the Pacific (UA&P) Senior Economist Cid L. Terosa said.

The Philippine economy expanded by 4.3%, easing from the 6.4% growth in the first quarter and 7.5% a year ago. This was much lower than the 6% median forecast in a *BusinessWorld* poll, and the slowest in two years.

For the first semester, GDP growth averaged 5.3%. Economic managers have said the economy has to expand by at least 6.6% in the second half to meet the government's 6-7% full-year target.

BSP, S1/8

Business groups welcome amended CREATE rules

INDUSTRY GROUPS welcomed the amendments to the implementing rules and regulations (IRR) of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law which clarified the eligibility of exporters seeking to avail of value-added tax (VAT) zero-rating.

Philippine Chamber of Commerce and Industry President George T. Barcelon said they are "happy" with the new rules as it addressed the issues raised by registered business enterprises.

"[Before,] when they buy supply or materials from a local source, they're still charged with VAT. With the amendments, it's now clear. If you are an export-oriented company, or you're in the Philippine Economic Zone Authority (PEZA) zone or special zone, you are exempted from those taxes," Mr. Barcelon said in a phone interview.

The departments of Finance (DoF) and Trade and Industry on Friday approved the amendment of Rule 18 Section 5 of the IRR, in response to a Malacañang directive to review VAT-related issues concerning both domestic market enterprises (DMEs) and registered export enterprises (REEs).

Transitory registered DMEs within an economic or a freeport zone availing of the 5% gross income tax regime may now register as VAT taxpayers.

CREATE, S1/10

Increasing real estate sector risks may affect asset quality of Philippine banks

RISKS to the commercial real estate sector in the country may also pose threats to the asset quality of the banking industry given its exposure to the property sector, according to S&P Global Ratings.

"Given the banking sector's sizable exposure at about 13% of total loans, any significant deterioration in the commercial real estate sector will affect the banks' asset quality," S&P Global Ratings Associate Director Nikita Anand said in an e-mail.

Based on the latest data from the Bangko Sentral ng Pilipinas (BSP), the exposure of Philippine banks and trust entities to the commercial real estate sector stood at 63.08% as of end-March.

Commercial real estate loans went up by 4.5% to P1.62 trillion in the first quarter from P1.55 trillion in the same period a year ago. Meanwhile, residential real estate loans increased by 4.6% to P950 billion in the first quarter from P908 billion a year ago.

Overall, the banking industry extended P3 trillion worth of loans to the real estate sector in the January-to-March period. This is 5.3% higher than the P2.85 trillion in the same period in 2022.

According to Ms. Anand, the office vacancy rate in Metro Manila is still elevated due to the supply overhang and continued hybrid work arrangements.

"This has not translated into asset quality issues so far as reflected by the low reported NPL (nonperforming loan) ratio of 2.1% for commercial real estate loans," she said.

The gross soured loans in the commercial real estate sector dropped by 14.1% to P34.1 billion as of end-March from P39.7 billion in the same period in 2022.

This brought the gross NPL ratio for commercial real estate loans to 2.1%, lower than 2.56% a year earlier.

Joey Roi H. Bondoc, research director at Colliers International Philippines, said the office vacancy rate in Metro Manila is projected to increase to 21.2% this year. As of the first half, the office vacancy rate is at 18.4%.

"We're projecting a 21.2% vacancy rate because there will be about 670,000 square meters of new office space to be completed in Metro Manila," Mr. Bondoc said in a phone call interview.

For the retail property sector, the vacancy rate may inch up to 15% this year, from 14% last year.

"For the commercial real estate sector, that's a big concern as this might stifle the growth of retail rents. We might see slower growth in rents for 2023," Mr. Bondoc said.

Real estate, S1/10

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WORLD MARKETS
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