

# Export growth seen slowing to modest levels

THE Philippine Exporters Confederation, Inc. (Philexport) projects 2023 export revenue to exceed 2022 levels but not “dramatically,” signaling a slowdown from the 5.7% growth in 2022.

Philexport President Sergio R. Ortiz-Luis, speaking at the Philippine Chamber of Commerce and Industry Media Kapihan on Thursday, said the

year-earlier comparable base for this year’s exports will be low, effectively boosting the 2023 performance.

“I might be extrapolating, but it will be coming from a low base, so it will show a little increase in percentage, but it will not be dramatic,” he said.

According to preliminary data from the Philippine Statistics Authority, merchandise

exports rose 0.8% to \$6.7 billion in June from \$6.64 billion a year earlier.

First half export earnings amounted to \$34.94 billion, a decline of 9.3% year on year.

Export earnings amounted to \$78.98 billion in 2022, up 5.7%.

“Our exports, although they are growing, are growing very slowly... our supply chain is affected mainly because our biggest

trade partners, like China, slowed down,” he said.

Mr. Ortiz-Luis said that he remains optimistic but sees room for the Philippines’ export markets to develop, particularly for mining products.

“For instance, we should have processing of our ore here rather than just exporting ore. We should be able to export processed nickel ore,” he added.

He sees potential in supplying processed nickel to Japan and China.

Yesterday, the Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) projected flat growth in electronics exports in 2023 after they declined sharply in the first half.

“The problem is that the supply chain has been very much affected by geopolitics,” Mr.

Ortiz-Luis said. “The biggest electronics importers which are Japan, China, US and even the emerging European companies... are all facing problems, which is beyond our control.”

According to SEIPI, electronics exports dropped 7% to \$21.9 billion in the six months to June.

In June, electronics exports rose 11.8% to \$4.25 billion. — **Justine Irish D. Tabile**

## NCR retail price growth eases in July to lowest in 15 months

RETAIL price growth in the National Capital Region (NCR) eased to 15-month low in July as price growth in the heavily weighted food segment continued to slow, the Philippine Statistics Authority (PSA) reported on Thursday.

The general retail price index (GRPI) in Metro Manila rose 3.9% year on year in July, decelerating from 4.4% in June and the year-earlier 5.1%.

The July reading was the lowest in 15 months, or since the 3.5% growth posted in April 2022.

In the year to date, retail price growth in the NCR averaged 5.3%, still exceeding the year-earlier rate of 3.5%.

“The downtrend in the annual growth of GRPI in the NCR was primarily influenced by the slower annual increase in the heavily weighted food index at 8.2% in July 2023 from 9.5% in the previous month,” the PSA said in a statement.

Rizal Commercial Banking Corp. Chief Economist Michael Ricafort attributed the July result to base effects from 2022, when prices were generally stronger.

“Better local weather conditions since the early part of 2023 led to higher do-

mestic supply of food and other agricultural products. By comparison, there was some storm damage (which had restricted supply in 2022),” Mr. Ricafort said in an e-mail.

Price growth also slowed in beverages and tobacco (6.1% in July from 6.4% in June); crude materials, inedible except fuels (4.0% from 4.5%); chemicals, including animal and vegetable oils and fats (3.1% from 3.7%); and manufactured goods (2.5% from 2.6%).

Meanwhile, the decline in mineral fuels, lubricants, and related materials eased to 15.3% in July from the 16.1% contraction in June.

Price growth in machinery and transport equipment as well as in miscellaneous manufactured articles was flat at 1.4% and 1.7%, respectively.

Despite the consecutive months of slower growth in retail prices, Mr. Ricafort expects the diminishing impact of year-earlier base effects in major global commodities to start manifesting in September 2023.

He said the result could be “some normalization of the inflation base (which) could potentially limit any further year-on-year easing in prices.” — **Andrea C. Abestano**

## Health spending share of GDP falls to 5.5% in 2022

HEALTH spending as a proportion of the economy fell to a three-year low in 2022 as overall spending in the sector contracted for the first time, the Philippine Statistics Authority (PSA) reported on Thursday.

The PSA, citing preliminary data, said the share of national health expenditure of gross domestic product (GDP) had fallen to 5.5% from a revised 6.3% in 2021.

This was the lowest level since the 4.6% posted in 2019.

Current health expenditure fell 1.5% to P1.12 trillion in 2022.

On the other hand, gross health capital formation expenditure rose 0.2% to P78.99 billion in 2022, from the revised P78.83 billion in 2021.

This brought total health spending down 1.4% to P1.20 trillion in 2022.

This was the first decline since the PSA began to track health spending data in 1991.

Robert Dan J. Roces, chief economist at Security Bank Corp., said in an e-mail that health spending in 2022 was likely diverted to other priorities as the government changed, while the cost of healthcare rose due to inflation.

Makoto Tsuchiya, assistant economist at Oxford Economics, said the

decline in healthcare spending both in absolute terms and as a share of GDP in large part reflects normalization of spending after the pandemic.

“As the pandemic subsided and the economy normalized, it’s only natural that less emergency spending related to the pandemic was required,” Mr. Tsuchiya said in an e-mail.

He added that the decline likely became more pronounced because the economy grew faster while spending on healthcare contracted.

Consumer price growth averaged 5.8% in 2022, exceeding the central bank’s 2-4% target band. To contain this, the Banko Sentral ng Pilipinas hiked interest rates by a total of 425 basis points between May 2022 and March. The key rate now stands at a 16-year high of 6.25%.

Meanwhile, GDP rose 7.6% last year, the highest for the indicator since the 8.8% reading in 1976.

Government schemes and compulsory healthcare contributions accounted for 44.8% of current health spending, the PSA said. In absolute terms, spending was P502.95 billion last year, down 9.4%.

Household out-of-pocket payments accounted for 44.7% of the total at

P501.79 billion last year, up 5% from a year earlier.

Voluntary healthcare payments accounted for 10.5%, equivalent to P117.62 billion, up 10.3% from a year earlier.

On a per capita basis, spending was P10,059.49 for each individual on health-related expenses in 2022, down 2.7% from a year earlier.

Hospitals received 38.9% of all health spending in 2022, up from 38.6% in 2021. In absolute terms, hospitals captured P436.73 billion, down from P439.39 billion a year earlier.

Retailers and other providers of medical goods captured 29.9% of spending (P335.54 billion in 2022 from P318.28 billion in 2021) and providers of healthcare system administration and financing got 13.4% (P150.31 billion from P190.11 billion).

Oikonomia Advisory & Research, Inc. President, and Chief Economist John Paolo R. Rivera said healthcare remains expensive even with a Universal Health Care (UHC) system in place.

“(UHC) can only do so much as coverage remains limited. It’s not that health is not a priority, but it remains a large expense especially for those (struggling to survive),” he said in an e-mail. — **Abigail Marie P. Yraola**

| BALANCE SHEET<br>(Head Office and Branches)<br>As of June 30, 2023                         |                             |                             |  |
|--|-----------------------------|-----------------------------|--|
| ASSETS   |                             |                             |  |
|  | Current Quarter             | Previous Quarter            |  |
| Cash and Cash Items  | P 11,208,974,774.12         | P 9,519,496,527.79          |  |
| Due from Banko Sentral ng Pilipinas (BSP)  | 39,140,593,679.09           | 54,587,711,008.62           |  |
| Due from Other Banks   | 7,665,543,425.77            | 8,689,639,523.25            |  |
| Financial Assets at Fair Value through Profit or Loss                                      | 13,006,767,528.26           | 11,853,555,206.56           |  |
| Available-for-Sale Financial Assets-Net  | 136,235,743,662.83          | 115,501,018,816.13          |  |
| Held-to-Maturity (HTM) Financial Assets-Net  | 69,942,710,671.36           | 69,547,809,158.61           |  |
| Loans and Receivables-Net  | 482,023,468,682.17          | 493,460,163,196.86          |  |
| Interbank Loans Receivable   | 7,781,691,099.62            | 10,637,420,368.49           |  |
| Loans and Receivables-Others   | 476,232,122,026.16          | 483,077,561,788.53          |  |
| General Loan Loss Provision  | 1,981,344,443.61            | 2,254,818,960.36            |  |
| Other Financial Assets   | 5,958,539,769.33            | 5,391,611,795.09            |  |
| Equity Investment in Subsidiaries, Associates, and Joint Ventures-Net                      | 4,696,392,909.75            | 4,560,640,454.93            |  |
| Bank Premises, Furniture, Fixture & Equipment-Net  | 4,036,796,952.52            | 4,085,677,943.29            |  |
| Real and Other Properties Acquired-Net   | 3,350,215,830.53            | 3,093,312,156.69            |  |
| Other Assets-Net   | 123,972,390,349.50          | 93,667,169,965.77           |  |
| <b>TOTAL ASSETS</b>  | <b>P 901,238,138,235.23</b> | <b>P 873,957,805,753.39</b> |  |
| LIABILITIES  |                             |                             |  |
| Financial Liabilities at Fair Value through Profit or Loss                                 | P 2,631,019,491.14          | P 1,480,952,054.26          |  |
| Deposit Liabilities  | 527,202,629,499.00          | 526,856,016,763.56          |  |
| Due to Other Banks   | 329,952,500.32              | 243,681,177.52              |  |
| Bills Payable:   | 66,786,214,228.68           | 66,786,214,228.68           |  |
| BSP (Rediscounting and Other Advances)   | -                           | 15,000,000,000.00           |  |
| Interbank Loans Payable  | 15,238,367,269.40           | 13,353,616,980.58           |  |
| Other Deposit Substitute   | 48,276,995,411.43           | 38,432,597,248.28           |  |
| Others   | -                           | 114,166,666.63              |  |
| Bonds Payable-Net  | 47,038,963,812.20           | 46,739,940,262.60           |  |
| Due to Banko Sentral ng Pilipinas  | -                           | 71,354,004.00               |  |
| Other Financial Liabilities  | 11,493,810,189.93           | 11,660,618,257.29           |  |
| Other Liabilities  | 120,234,143,142.32          | 92,871,221,521.49           |  |
| <b>TOTAL LIABILITIES</b>   | <b>P 772,445,881,315.74</b> | <b>P 746,709,998,269.58</b> |  |
| STOCKHOLDERS' EQUITY   |                             |                             |  |
| Capital Stock  | P 46,186,416,799.90         | P 46,186,416,799.90         |  |
| Retained Earnings  | 86,726,952,958.00           | 86,726,952,958.00           |  |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>  | <b>P 128,792,256,919.49</b> | <b>P 127,247,807,483.81</b> |  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>P 901,238,138,235.23</b> | <b>P 873,957,805,753.39</b> |  |
| CONTINGENT ACCOUNTS  |                             |                             |  |
| Performance Standby Letters of Credit  | P 35,129,702,173.14         | P 31,661,927,069.97         |  |
| Commercial Letters of Credit   | 10,670,703,595.84           | 11,335,011,966.18           |  |
| Trade Related Guarantees   | 743,935,976.31              | 1,474,212,574.11            |  |
| Commitments  | 84,536,548,457.90           | 78,609,421,954.90           |  |
| Spot Foreign Exchange Contracts  | 26,262,727,813.41           | 31,571,128,888.01           |  |
| Trust Department Accounts:   | 103,400,057,044.54          | 100,524,083,778.62          |  |
| Trust and Other Fiduciary Accounts   | 50,832,212,813.61           | 51,954,851,954.59           |  |
| Agency Accounts  | 52,567,844,230.93           | 48,569,231,824.03           |  |
| Derivatives  | 298,117,025,823.56          | 305,349,310,151.23          |  |
| Others   | 1,120,853,803.61            | 1,350,850,210.66            |  |
| <b>TOTAL CONTINGENT ACCOUNTS</b>   | <b>P 559,981,554,688.31</b> | <b>P 561,875,946,593.68</b> |  |
| ADDITIONAL INFORMATION   |                             |                             |  |
| 1. Gross total loan portfolio (TLP)  | P 497,196,629,821.09        | P 509,213,426,227.10        |  |
| 2. Specific allowance for credit losses on the TLP   | 13,191,816,695.31           | 13,498,444,070.08           |  |
| 3. Non-Performing Loans (NPLs)   | 15,191,383,119.61           | 15,867,221,298.02           |  |
| a) Gross NPLs  | 15,191,383,119.61           | 15,867,221,298.02           |  |
| b) Ratio of gross NPLs to gross TLP (%)  | 3.06                        | 3.12                        |  |
| c) Net NPLs  | 4,354,315,044.20            | 4,556,513,950.23            |  |
| d) Ratio of Net NPLs to gross TLP (%)  | 0.88                        | 0.89                        |  |
| e) Ratio of total allowance for credit losses to gross NPLs (%)                            | 99.88                       | 99.28                       |  |
| f) Ratio of specific allowance for credit losses on the gross TLP to gross NPLs (%)        | 86.84                       | 85.07                       |  |
| 4. Classified Loans & Other Risk Assets, gross of allowance for credit losses              | 22,289,000,000.00           | 22,289,000,000.00           |  |
| 5. DOSRI Loans and receivables, gross allowance of credit losses                           | 10,030,770,321.91           | 4,471,105,370.04            |  |
| 6. DOSRI loans and receivables, gross of allowance for credit losses, to gross TLP (%)     | 2.02                        | 0.88                        |  |
| 7. Gross non-performing DOSRI loans and receivables  | -                           | -                           |  |
| 8. Ratio of gross non-performing DOSRI loans and receivables to TLP (%)                    | -                           | -                           |  |
| 9. Percent Compliance with Magna Carta (%)   | -                           | -                           |  |
| a) 8% for Micro and Small Enterprises  | 0.83                        | 0.77                        |  |
| b) 2% for Medium Enterprises   | 3.00                        | 2.78                        |  |
| 10. Return on Equity (ROE) (%)   | 7.28                        | 7.17                        |  |
| 11. Capital Adequacy Ratio (CAR) on Solo Basis, as prescribed under existing regulations   | -                           | -                           |  |
| a) Total CAR (%)   | 16.73                       | 16.66                       |  |
| b) Tier 1 Ratio (%)  | 16.42                       | 16.31                       |  |
| c) Common Tier 1 Ratio (%)   | 16.42                       | 16.31                       |  |
| 12. Deferred Charges not yet Written Down  | -                           | -                           |  |
| 13. Unbooked Allowance for Credit Losses on Financial Instruments Received                 | -                           | -                           |  |
| 14. Basel III Leverage Ratio on Solo Basis, as prescribed under existing regulations       | -                           | -                           |  |
| a) Tier Capital  | 104,061,612,129.27          | 105,023,658,848.09          |  |
| b) Exposure Measure  | 927,374,999,027.63          | 901,940,207,609.18          |  |
| c) Leverage Ratio (%)  | 11.22                       | 11.64                       |  |
| 15. Liquidity Coverage Ratio (LCR) on Solo Basis, as prescribed under existing regulations | -                           | -                           |  |
| a) Total HQLA  | 201,535,080,891.38          | 169,522,943,683.30          |  |
| b) Total net cash outflows   | 110,901,182,103.66          | 102,887,830,380.33          |  |
| c) Liquidity Coverage Ratio (%)  | 181.72                      | 164.76                      |  |

| CONSOLIDATED BALANCE SHEET<br>(Bank and Financial Subsidiaries)<br>As of June 30, 2023 |                             |                             |  |
|--|-----------------------------|-----------------------------|--|
| ASSETS   |                             |                             |  |
|  | Current Quarter             | Previous Quarter            |  |
| Cash and Cash Items  | P 11,208,974,774.12         | P 9,519,496,527.79          |  |
| Due from Banko Sentral ng Pilipinas (BSP)  | 39,140,593,679.09           | 54,587,711,008.62           |  |
| Due from Other Banks   | 7,709,537,910.57            | 8,738,428,018.88            |  |
| Financial Assets at Fair Value through Profit or Loss                                  | 13,007,424,193.59           | 11,853,610,407.98           |  |
| Available-for-Sale Financial Assets-Net  | 136,265,073,354.83          | 115,530,972,544.13          |  |
| Held-to-Maturity (HTM) Financial Assets-Net  | 69,942,710,671.36           | 69,547,809,158.61           |  |
| Loans and Receivables-Net  | 480,466,416,007.47          | 492,168,491,352.78          |  |
| Interbank Loans Receivable   | 7,781,691,099.62            | 10,637,420,368.49           |  |
| Loans and Receivables-Others   | 474,666,212,163.61          | 483,786,059,288.20          |  |
| General Loan Loss Provision  | 1,981,487,255.76            | 2,254,988,313.91            |  |
| Other Financial Assets   | 5,955,353,619.13            | 5,388,726,510.72            |  |
| Equity Investment in Subsidiaries, Associates, and Joint Ventures-Net                  | 2,514,469,923.84            | 2,442,063,684.71            |  |
| Bank Premises, Furniture, Fixture & Equipment-Net                                      | 5,674,908,360.84            | 5,488,061,686.88            |  |
| Real and Other Properties Acquired-Net   | 3,350,990,731.01            | 3,094,087,057.17            |  |
| Other Assets-Net   | 129,963,626,086.78          | 95,196,423,820.26           |  |
| <b>TOTAL ASSETS</b>  | <b>P 905,200,079,312.63</b> | <b>P 873,555,881,768.53</b> |  |
| LIABILITIES  |                             |                             |  |
| Financial Liabilities at Fair Value through Profit or Loss                             | P 2,631,019,491.14          | P 1,480,952,054.26          |  |
| Deposit Liabilities  | 524,750,927,585.82          | 524,867,050,210.74          |  |
| Due to Other Banks   | 329,952,500.32              | 243,681,177.52              |  |
| Bills Payable:   | 66,786,214,228.68           | 66,786,214,228.68           |  |
| BSP (Rediscounting and Other Advances)   | -                           | 15,000,000,000.00           |  |
| Interbank Loans Payable  | 15,238,367,269.40           | 13,353,616,980.58           |  |
| Other Deposit Substitute   | 48,276,995,411.43           | 38,432,597,248.28           |  |
| Others   | 109,999,999.96              | 114,166,666.63              |  |
| Bonds Payable-Net  | 47,038,963,812.20           | 46,739,940,262.60           |  |
| Due to Banko Sentral ng Pilipinas  | -                           | 71,354,004.00               |  |
| Other Financial Liabilities  | 11,529,233,713.15           | 11,685,064,507.64           |  |
| Other Liabilities  | 126,502,362,609.72          | 94,319,651,172.47           |  |
| <b>TOTAL LIABILITIES</b>   | <b>P 776,407,822,393.14</b> | <b>P 746,308,074,284.72</b> |  |
| STOCKHOLDERS' EQUITY   |                             |                             |  |
| Capital Stock  | P 46,186,416,799.90         | P 46,186,416,799.90         |  |
| Retained Earnings  | 86,726,952,958.00           | 86,726,952,958.00           |  |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>  | <b>P 128,792,256,919.49</b> | <b>P 127,247,807,483.81</b> |  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                      | <b>P 905,200,079,312.63</b> | <b>P 873,555,881,768.53</b> |  |
| CONTINGENT ACCOUNTS  |                             |                             |  |
| Performance Standby Letters of Credit  | P 35,129,702,173.14         | P 31,661,927,069.97         |  |
| Commercial Letters of Credit   | 10,670,703,595.84           | 11,335,011,966.18           |  |
| Trade Related Guarantees   | 743,935,976.31              | 1,474,212,574.11            |  |
| Commitments  | 84,536,548,457.90           | 78,609,421,954.90           |  |
| Spot Foreign Exchange Contracts  | 26,262,727,813.41           | 31,571,128,888.01           |  |
| Trust Department Accounts:   | 103,400,057,044.54          | 100,524,083,778.62          |  |
| Trust and Other Fiduciary Accounts   | 50,832,212,813.61           | 51,954,851,954.59           |  |
| Agency Accounts  | 52,567,844,230.93           | 48,569,231,824.03           |  |
| Derivatives  | 298,117,025,823.56          | 305,3                       |  |