P25
IN METRO MANILA, PHILIPPINES

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STOCK MARKET

PSEi	
OPEN:	6,478.52
HIGH:	6,555.61
LOW:	6,464.34
CLOSE:	6,554.04
VOL.:	0.380 B
VAL(P):	3.659 B

▲ 104.00 PTS. 1.61%
30 DAYS TO JANUARY 2, 2024

ASIAN MARKETS

JANUARY 2, 2024

	CLOSE		NET	%
Japan (Nikkei 225) *	33,464.17	▼	-75.45	-0.22
Hong Kong (Hang Seng)	16,788.55	▼	-258.84	-1.52
Taiwan (Weighted)	17,853.76	▼	-77.05	-0.43
Thailand (SET Index)	1,432.83	▲	16.98	1.20
S.Korea (Kse Composite)	2,669.81	▲	14.53	0.55
Singapore (Straits Times)	3,231.41	▼	-8.86	-0.27
Sydney (All Ordinaries)	7,627.80	▲	37.00	0.49
Malaysia (Klse Composite)	1,453.10	▼	-1.56	-0.11

* CLOSING PRICES AS OF DEC. 29, 2023

WORLD MARKETS

DECEMBER 29, 2023

	CLOSE		NET
Dow Jones	37,689.540	▼	-20.560
NASDAQ	15,011.352	▼	-83.784
S&P 500	4,769.830	▼	-13.520
FTSE 100	7,733.240	▲	10.500
Euro Stoxx50	4,093.370	▲	13.050

PESO-DOLLAR RATES

FX	
OPEN	P55.450
HIGH	P55.440
LOW	P55.670
CLOSE	P55.670
W.AVE.	P55.537
VOL.	$1,261.10 M

▼ 30.00 CTVS
30 DAYS TO JANUARY 2, 2024
SOURCE : BAP

ASIAN MONIES-US$ RATE

JANUARY 2, 2024

	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	141.540	▼	141.060
Hong Kong (HK dollar)	7.814	▼	7.809
Taiwan (NT dollar)	30.835	▼	30.682
Thailand (baht)	34.170	▲	34.350
S. Korea (won)	1,300.340	▼	1,293.540
Singapore (dollar)	1.322	▼	1.319
Indonesia (rupiah)	15,465	▼	15,395
Malaysia (ringgit)	4.599	▼	4.590

WORLD CURRENCIES

JANUARY 2, 2024

	CLOSE		PREVIOUS
US$/UK pound	1.2741	▲	1.2729
US$/Euro	1.1035	▼	1.1036
US$/Aust dollar	0.6825	▲	0.6810
Canada dollar/US$	1.3243	▼	1.3245
Swiss Franc/US$	0.8449	▲	0.8415

DUBAI CRUDE OIL

FUTURES PRICE ON NEAREST MONTH OF DELIVERY
$77.10/BBL
▼ $2.00
30 DAYS TO DECEMBER 29, 2023

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S1/1-10 • 2 SECTIONS, 14 PAGES

PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • JANUARY 2, 2024 (PSEi snapshot on *S1/2*; article on *S2/2*)

		Value			
SM	P882.000	P483,615,375	P10.000	▲	1.147%
SMPH	P32.300	P368,578,145	-P0.600	▼	-1.824%
BDO	P127.800	P317,972,124	-P2.700	▼	-2.069%
SPNEC	P1.340	P177,796,950	P0.020	▲	1.515%
MBT	P53.150	P151,512,981	P1.850	▲	3.606%
ALI	P34.550	P151,268,660	P0.100	▲	0.290%
ICT	P256.000	P147,493,690	P9.200	▲	3.728%
URC	P124.000	P142,993,881	P5.800	▲	4.907%
GTCAP	P600.000	P142,140,465	P10.000	▲	1.695%
BPI	P105.800	P120,934,459	P2.000	▲	1.927%

Factory activity growth slows in Dec.

By Keisha B. Ta-asan
Reporter

FACTORY ACTIVITY in the Philippines expanded at a slower pace in December, reflecting modest growth in new orders and output across the sector, S&P Global said on Tuesday.

The S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI) stood at 51.5 in December, lower than the nine-month high of 52.7 in November.

S&P Global said the headline index showed only a modest improvement in operating conditions. At 51.5, the December figure was the weakest in three months or since the 50.6 reading in September.

A PMI reading above 50 denotes better operating conditions than in the preceding month, while a reading below 50 shows a deterioration.

"The year concluded with yet another expansion across the Filipino manufacturing sector. Output and new orders continued to rise, albeit at softer rates," Maryam Baluch, an economist at S&P Global Market Intelligence, said in a report released on Tuesday.

The headline PMI measures manufacturing conditions through the weighted average of five indices: new orders (30%), output (25%), employment (20%), suppliers' delivery times (15%) and stocks of purchases (10%).

S&P Global said the easing manufacturing growth in December was mainly due to a "notable softening" in new orders, which grew at the slowest pace in four months.

"Moreover, total sales growth was focused domestically as the demand picture across international export markets deteriorated, with manufacturers reporting a fresh and solid fall in new export sales in December," it said.

Manufacturing output also grew at the weakest pace in three months, S&P Global said. Despite this, output growth remained robust amid a steady rise in new orders.

"Firms also noted growing supply-side challenges with average lead times lengthening again in December. Congestion and longer delivery times for imports were blamed for delays. Moreover, vendor performance deteriorated at the greatest extent in five months," it said.

Factory, S1/3

Banks continue to miss 10% lending quota for MSMEs

PHILIPPINE BANKS failed to meet the mandated quota for small business loans in the first nine months of 2023, preliminary data from the Bangko Sentral ng Pilipinas (BSP) showed.

Loans extended by the banking industry to micro-, small-, and medium-sized enterprises (MSMEs) amounted to P552.404 billion as of end-September, which made up only 4.63% of their total loan portfolio of P11.9 trillion.

This was 21.6% higher than P454.303 billion in loans extended to the MSME sector in the January-to-September period in 2022.

Under Republic Act No. 6977 or the Magna Carta for MSMEs, banks are required to allocate 10% of their total loan portfolio for small businesses to boost the sector — 8% for micro and small enterprises and 2% for medium-sized enterprises.

However, banks have long opted to incur penalties for non-compliance instead of taking on the risks associated with lending to small businesses.

BSP data showed loans for micro and small enterprises amounted to P214.748 billion as of end-September, comprising just 1.8% of their total loan portfolio and well below the 8% quota.

On the other hand, lending to medium-sized enterprises stood at P337.656 billion in the period. This is equivalent to 2.83% of the banks' credit book and above the 2% minimum ratio required under the law.

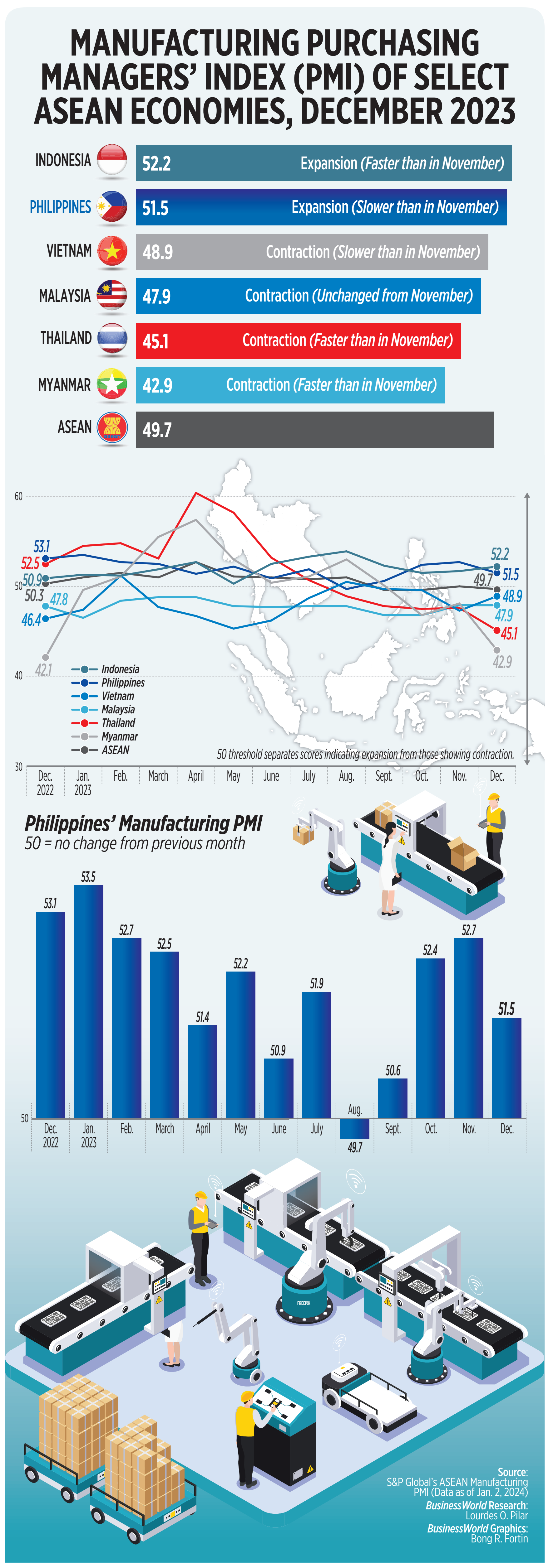
Based on the type of bank, BSP data showed universal and commercial banks disbursed P153.105 billion in credit to micro and small enterprises as of end-September, equivalent to only 1.44% of their P11.13-trillion loan portfolio.

Big banks' loans to medium-sized enterprises stood at P291.452 billion or 2.62% of their loan book.

At the same time, thrift banks were also unable to meet the quota as their loans to micro and small enterprises reached P29.228 billion or 3.81% of their P591.821-billion loan portfolio.

Still, thrift lenders went beyond the credit quota for medium enterprises as their loans to the sector hit P27.903 billion or 4.75% of their loan book.

MSMEs, S1/9



Philippines yet to fulfill some action plans to exit from FATF 'gray list'

THE PHILIPPINES has yet to fulfill several action plans more than two years since it was placed under the "gray list" of the Financial Action Task Force (FATF), the country's dirty money watchdog said.

But the Anti-Money Laundering Council (AMLC) is still hoping the Philippines will be able to exit the FATF's gray list this year, and to avoid a possible inclusion in the blacklist.

At a Palace briefing, AMLC Executive Director Matthew M. David said the Philippines still has to address eight out of the 18 action plan items it had committed to comply with to be removed from the gray list.

"The most challenging action item is regarding terrorism financing prosecution. We need to file more terrorism financing cases and the one in charge of complying with this action item are the law enforcement agencies, including the AMLC," he said.

Other remaining action plans include the effective risk-based supervision of nonfinancial businesses and professionals, mitigating risk associated with casino junkets, and streamlining access to beneficial ownership information, Mr. David said.

The Philippines has been in the global financial crime watchdog's gray list of jurisdictions under increased monitoring for dirty money risks since June 2021.

Since the Philippines had failed to meet the FATF's January 2023 deadline to comply with the action plans, Mr. David said the government has a self-imposed goal of exiting the gray list this month.

"The longer we are on the gray list, the bigger the possibility or the higher the risk that we will enter the blacklist," he said.

Only three countries are currently in the FATF's blacklist — North Korea, Iran and Myanmar.

President Ferdinand R. Marcos, Jr. on Tuesday presided over the sectoral meeting on the status of the Philippines in FATF gray list.

"The President also directed the agencies of government to continue with their actions and to continuously sustain good coordination among themselves, between the law enforcement and other government agencies," Mr. David said.

FATF, S1/9

YEARENDER

Becoming a manufacturing powerhouse remains a pipe dream for Philippines

By Kyle Aristophere T. Atienza *Reporter*

LILY G. TERRENIO was 19 years old when she became a factory worker at Amertron, Inc. inside the Clark Freeport Zone north of the Philippine capital in 1988.

The high school graduate worked for the Taiwan-owned semiconductor company until 2000, before leaving for Dubai to work as a chambermaid.

"I would have wanted to join a different manufacturer after I left the company to broaden my experience, but options were limited," she said in an interview.

Ms. Terrenio came back to the Philippines after two decades, when the manufacturing sector contracted by 9.8% from a year earlier amid a coronavirus pandemic.

The government must rescue the manufacturing sector from issues that have stalled growth including the lack of skilled workers, governance problems and an impending energy crisis that could paralyze the economy, analysts said.

"Philippine manufacturing has been on a retreat since the 1980s," national scientist Raul V. Fabella, a professor emeritus at the University of the Philippines School of Economics said in an e-mail. "The share of manufacturing in Philippine gross domestic product has been losing out to services."

He called the phenomenon "development progeria," which happens in low-income economies when the share of industry sectors including manufacturing falls while services flourish. "The dynamics will continue into the near future because its roots are structural."

Manufacturing activity in the Philippines continued to expand in December, albeit at a slower pace, S&P Global said on Tuesday. The S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI) slipped to 51.5 in December, from a nine-month high of 52.7 in November.

The Philippines had the second-highest PMI reading among Southeast Asian countries with available data, after Indonesia (52.2). Vietnam, Malaysia, Thailand and Myanmar all contracted in December.

It was a significant development for a sector that has been lagging its regional peers for decades.

In 2022, the largest share of exported commodity goods from the Philippines were electronic products, particularly semiconductors and electronic data processing products such as hard drives, making it the biggest contributor to the country's export sales, according to Statista.

Aside from electronics, the Philippines has a large food manufacturing industry, which generated a gross value added of about P1.8 trillion ($32.5 billion) in 2022. Among the country's leading food exports were animal or vegetable fats and oils and processed foods such as bread, cereals and dairy products.

Food manufacturers in the country also produce flour and sugar for domestic consumption and export. The Philippines also exports chemicals and chemical products such as fertilizers, petrochemicals and plastic products.

FOREIGN OWNERSHIP

Manufacturing sector growth relies on foreign direct investments (FDI), which amounted to only $9.2 billion in 2022, behind Thailand ($10 billion), Malaysia ($15.1 billion), Vietnam ($17.9 billion), Indonesia ($21.7 billion) and Singapore ($140.8 billion).

This was despite the passage of laws liberalizing the Philippine economy, including the Corporate Recovery and Tax Incentives for Enterprises Act, which cut the corporate income tax for domestic and foreign corporations to 25% from 30%.

In 2021, the Philippines passed a law that amended the country's 85-year-old Public Service Act, allowing full foreign ownership in domestic shipping, telecommunications, shipping, railways and subways, airlines, expressways and tollways, and airports.

Global investment banker Stephen Anthony T. CuUnjieng said foreign investors "want to make money first" and changing the laws "would not necessarily make them make money."

Manufacturing, S1/3