P25 IN METRO MANILA, PHILIPPINES

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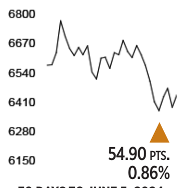
STOCK MARKET



PSEi	
OPEN:	6,400.46
HIGH:	6,443.59
LOW:	6,367.73
CLOSE:	6,441.32
VOL.:	0.377 B
VAL(P):	4.735 B

▲ 54.90 PTS. 0.86%
30 DAYS TO JUNE 5, 2024

ASIAN MARKETS

JUNE 5, 2024

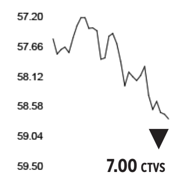
	CLOSE		NET	%
Japan (Nikkei 225)	38,490.17	▼	-347.29	-0.89
Hong Kong (Hang Seng)	18,424.96	▼	-19.15	-0.10
Taiwan (Weighted)	21,484.88	▲	128.26	0.60
Thailand (SET Index)	1,338.49	▲	1.17	0.09
S.Korea (Kse Composite)	2,689.50	▲	27.40	1.03
Singapore (Straits Times)	3,330.01	▼	-8.93	-0.27
Sydney (All Ordinaries)	7,769.00	▲	31.90	0.41
Malaysia (Klse Composite)	1,608.53	▼	-6.87	-0.43

WORLD MARKETS

JUNE 4, 2024

	CLOSE		NET
Dow Jones	38,711.290	▲	140.260
NASDAQ	16,857.047	▲	28.38
S&P 500	5,291.340	▲	7.940
FTSE 100	8,232.040	▼	-30.71
Euro Stoxx50	4,479.240	▼	-19.53

PESO-DOLLAR RATES



FX	
OPEN	P58.800
HIGH	P58.650
LOW	P58.800
CLOSE	P58.780
W.AVE.	P58.732
VOL.	$1,319.20 M

▼ 7.00 CTVS
30 DAYS TO JUNE 5, 2024
SOURCE : BAP

ASIAN MONIES-US$ RATE

JUNE 5, 2024

	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	156.170	▼	155.100
Hong Kong (HK dollar)	7.811	▲	7.814
Taiwan (NT dollar)	32.346	▲	32.378
Thailand (baht)	36.670	▼	36.570
S. Korea (won)	1,373.230	▲	1,376.770
Singapore (dollar)	1.347	—	1.347
Indonesia (rupiah)	16,280	▼	16,215
Malaysia (ringgit)	4.696	▲	4.700

WORLD CURRENCIES

JUNE 5, 2024

	CLOSE		PREVIOUS
US$/UK pound	1.2771	▲	1.2767
US$/Euro	1.0874	▼	1.0876
US$/Aust dollar	0.6645	▲	0.6644
Canada dollar/US$	1.3685	▲	1.3683
Swiss Franc/US$	0.8921	▼	0.8939

DUBAI CRUDE OIL

FUTURES PRICE ON NEAREST MONTH OF DELIVERY
$77.85/BBL

▼ $4.04
30 DAYS TO JUNE 4, 2024

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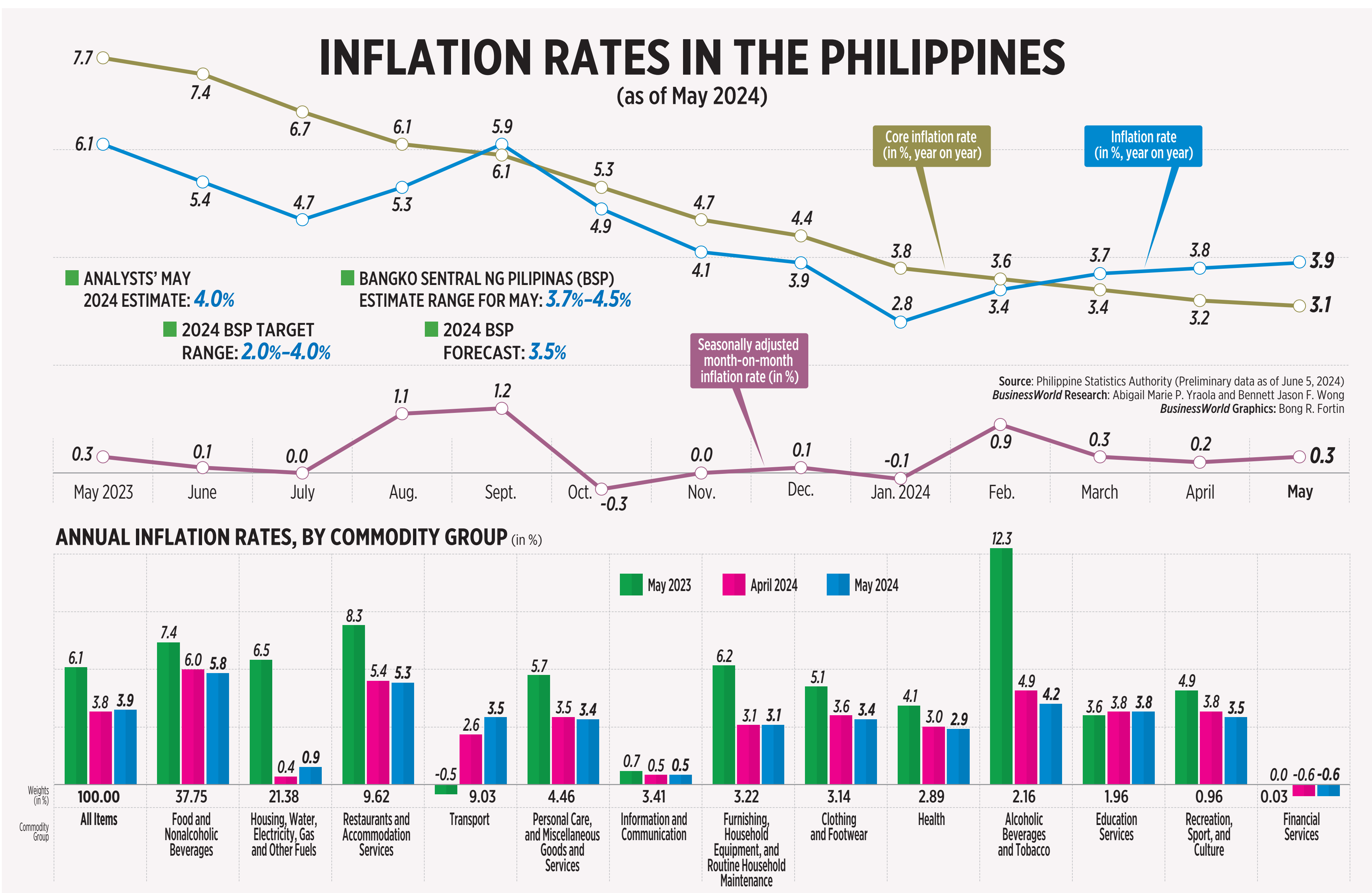
PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • JUNE 5, 2024 (PSEi snapshot on *S1/4*; article on *S2/2*)

		Value			
SM	P850.000	P673,860,500	P32.000	▲	3.912%
ICT	P335.000	P505,705,402	P1.400	▲	0.420%
AEV	P37.700	P335,812,580	-P0.300	▼	-0.789%
BDO	P138.000	P291,293,936	P1.100	▲	0.804%
ALI	P27.850	P285,397,660	P0.200	▲	0.723%
BPI	P120.000	P196,447,941	P0.000	—	0.000%
AC	P590.000	P187,877,245	P1.000	▲	0.170%
JFC	P223.000	P171,272,120	-P0.600	▼	-0.268%
BLOOM	P10.500	P158,023,948	P0.300	▲	2.941%
SMPH	P26.900	P156,006,180	P0.400	▲	1.509%

Inflation picks up to 6-month high



By Luisa Maria Jacinta C. Jocson *Reporter*

INFLATION ACCELERATED to a six-month high in May, driven by the faster rise in utility and transport costs, the Philippine Statistics Authority (PSA) said on Wednesday.

The consumer price index (CPI) picked up to 3.9% year on year in May from 3.8% in April but slowed from 6.1% in the same month last year.

It was the fastest inflation since 4.1% in November and matched the 3.9% inflation in December.

May inflation also fell within the Bangko Sentral ng Pilipinas' (BSP) 3.7-4.5% forecast for the month. However, it was slightly below the 4% median estimate in a *BusinessWorld* poll of 16 analysts last week.

May also marked the fourth straight month of faster annual inflation, and the sixth straight month that inflation settled within the BSP's 2-4% target band.

Month on month, inflation inched up by 0.1%. Stripping out seasonality factors, month-on-month inflation picked up by 0.3%.

Core inflation, which excludes volatile prices of food and fuel, slowed to 3.1% in May from 3.2% in April and 7.7% in the same month a year ago.

Inflation, S1/9

HSBC sees above 6% growth for PHL in Q2

THE PHILIPPINE ECONOMY is expected to grow above 6% in the second quarter amid base effects and improved government spending, HSBC Global Research said on Wednesday.

"For the second quarter, [the economy is] going to grow above 6%, mainly because of base effects, because as you remember, in second quarter of last year, the government underspent their budget," HSBC economist for ASEAN (Association of Southeast Asian Nations) Aris D. Dacanay said at a media briefing.

If realized, the second-quarter gross domestic product (GDP) growth would be faster than 4.3% in the same period in 2023, and the 5.7% expansion in the first quarter.

The government is targeting 6-7% GDP growth this year.

The Philippine Statistics Authority (PSA) will release second-quarter GDP data on Aug. 8.

"Right now, we're not underspending. So, with the spending plan in check, with consumption slowing down but still robust; with investments, again, cooling, but not really falling off a cliff, quarter-on-quarter growth should be a little less than potential," Mr. Dacanay said.

Household consumption, which accounts for about 80% of GDP, grew by 4.6% in the first-quarter period, the slowest since the coronavirus pandemic.

Government final consumption expenditure growth slowed to 1.7% in the first quarter from 6.2% in the same period in 2023.

Last week, Budget Secretary Amenah F. Pangandaman said measures on early procurement and digitization of state transactions would ensure that government spending is on track this year.

However, Mr. Dacanay said there is still a risk that weak consumption could weigh on growth. Consumption accounts for around a quarter of GDP growth.

"We do expect consumption or demand will likely be weak in the second or third quarter of 2024, since we're still adjusting with high interest rates. We're still adjusting to high inflation. We're still building our savings back up," Mr. Dacanay said.

The National Economic and Development Authority Board's move to reduce tariffs on basic commodities like rice should ease pressure on household budgets and boost private spending, HSBC said.

"Cutting the tariff rate of rice by 20 percentage points (ppts) could unlock around 2% of household budgets to be spent on other things, more so for the low-income households who spend a larger portion of their budgets on rice," Mr. Dacanay said, adding this could contribute around 1.4 ppts to overall growth.

Mr. Dacanay clarified that HSBC has yet to consider the recent tariff reduction in its official GDP growth forecast.

HSBC also expects the Bangko Sentral ng Pilipinas (BSP) to cut its key policy rate by 25 basis points (bps) in the fourth quarter after the US Federal Reserve starts its easing cycle. Another 125 bps of rate cuts is expected in 2025.

HSBC, S1/9

Lower rice tariffs to bring down retail prices as early as July

THE GOVERNMENT'S move to slash tariffs on imported rice could bring down average retail prices by P6-P7 per kilo as early as July, the Department of Agriculture (DA) said on Wednesday.

"The potential price reduction will be between P6 and P7 per kilo... In a month's time we can expect that the prices would drop," Agriculture Assistant Secretary and Spokesperson Arnel V. De Mesa said in a virtual briefing.

He said consumers could see the drop in retail prices of imported rice by July or August, noting that it takes around two to three weeks for imports to arrive in the country.

The National Economic and Development Authority (NEDA) Board has approved a medium-term plan to lower tariffs on agricultural and industrial products. This included the further reduction in rice import tariffs to 15% from 35% until 2028.

"We will do everything within our power to make sure the substantial cut in rice tariff will translate to a significant reduction in retail price of the grain," Agriculture Secretary Francisco P. Tiu Laurel, Jr. said in a separate statement.

According to the DA's Price monitoring of Metro Manila markets as of June 4, a kilo of imported well-milled rice was P52-P55, while regular milled rice was P49-P51 per kilo.

The Department of Finance earlier said that it is willing to forego an estimated P10 billion in tariff collections to lower the price of the food staple.

Mr. Tiu Laurel said the agency will plug the potential funding gaps for the Rice Competitive Enhancement Fund (RCEF). RCEF is funded by tariff collections on rice imports, mandated under Republic Act No. 11203, the Rice Tariffication Law.

"Our priority is to ensure that our rice farmers will continue to benefit from the Rice Fund created under the Rice Tariffication Law and is confident it will be extended until 2030 to improve the lives of millions of impoverished rice farmers," he said.

The DA is seeking to extend RCEF and bring back some regulatory powers to the NFA to bring down rice prices.

LOWER INFLATION

Meanwhile, HSBC economist for ASEAN (Association of Southeast Asian Nations) Aris D. Dacanay said the implementation of lower tariffs on key commodities would likely help cool inflation,

The consumer price index (CPI) may ease by as much as 1.8 percentage points if the government swiftly implements the lower tariffs on rice, corn, pork and mechanically deboned meat, he said at a media briefing.

"But if, let's say, the rice tariff rate cut happens tomorrow, or happens within June, I do think that's a big downside risk to the inflation outlook, and perhaps, you know, inflation will not breach target," he said.

Annual inflation quickened for a fourth straight month in May. Inflation rose to 3.9% year on year in May from 3.8% in April but slowed from 6.1% in the same month last year.

May marked the sixth straight month that inflation settled within the central bank's 2-4% target band.

Mr. Dacanay said inflation may likely breach the government's 2-4% target until July due to unfavorable base effects.

"It's going to range between 4% and 4.5%, perhaps up until July. It's only in August where it will return back to within target," he said. — **Adrian H. Halili** *with inputs from* **B.M.D.Cruz**

Government warned against low tariff regime

By Kyle Aristophere T. Atienza *Reporter*

TRADE PROTECTION is needed if the government is serious in rescuing its agriculture and manufacturing sectors, experts said after the Philippines announced a new low tariff regime covering industrial and agricultural products.

Farmers, meanwhile, said the government has failed to keep its promise that it would not reduce tariffs for sensitive agricultural commodities while the Philippines is still a party to the world's largest free trade agreement.

The country has been lowering tariffs since the early 1980s, with manufacturing falling to its smallest share of economic output since 1949 and agriculture down to its smallest in the country's history, said Jose Enrique A. Africa, executive director of think tank Ibon Foundation.

"Mindlessly cutting tariffs further will just continue this long-term trend of weakening agriculture and manufacturing," he said in a Facebook Messenger chat.

The National Economic and Development Authority (NEDA) Board on Monday approved a medium-term plan to lower tariffs on agricultural and industrial products, amid concerns over rising inflation, and slowing manufacturing output.

Under the Comprehensive Tariff Program for 2024 to 2028, the government would keep the rates for more than half of the tariff lines for products that have relatively low tariffs, a move that NEDA Secretary Arsenio M. Balisacan said would boost manufacturers' competitiveness.

"Agricultural and industrial competitiveness is, most of all, built up from the ground with state subsidies and support to build capacity astride judicious trade and tariff protection," Mr. Africa said.

He cited the case of the United States, which has been on a mission to subsidize its manufacturing sector amid growing competition with China, which accounted for 28.4% of global manufacturing output last year.

"If an industrial power like the US sees the need for protection, it's bizarre that the underdeveloped Philippines somehow thinks otherwise," he said.

Under the tariff program, the reduced tariff rates for corn, pork and mechanically deboned meat that started in 2019 would be kept until 2028. Rice tariffs will go down to 15% from the current 35% until 2028.

Tariff regime, S1/9