

## China’s gold-buying break seen as fleeting, likely to keep varying exposure

LONDON/BEIJING — China still has plenty of appetite for official gold purchases despite pausing in May and June, as its bullion holdings remain low as a share of reserves and geopolitical tensions persist, according to a policy insider, industry experts and data.

Beijing’s gold buying, which helped the spot price rally in April and May, is no longer perceived to be immune to price sensitivity, but ongoing geopolitical risks are expected to keep its longer-term program to diversify exposure from US dollar-denominated assets active.

China’s gold reserves need to rise in absolute and relative terms because they do not match the status of the world’s second-largest economy and gold’s share of its reserves is the lowest of any major economy, said a Chinese policy insider involved in internal discussions who declined to be named due to the sensitivity of the matter.

Officials at the central bank, the People’s Bank of China (PBoC), have never publicly commented on what prompted a resumption in gold buying in November 2022 after a more-than three-year pause.

Eight months after Western sanctions froze \$300 billion of Russia’s official reserves, about half of Moscow’s total, the PBoC started reporting gold purchases and kept doing so

for 18 months, forming a pillar for global gold prices to hit record highs in 2024.

The PBoC was the world’s largest single buyer of gold in 2023, with its net purchases of 7.23 million ounces the most by China for at least 46 years, according to the World Gold Council.

But when it made no purchases in May and June this year, spot prices came under pressure, leaving the market guessing about China’s future appetite.

The policy insider attributed the pause in buying to “high prices.” The spot price, which regained ground after a dip in June, hit a record high during trading on Wednesday on improved US rate cut hopes.

The PBoC and foreign exchange regulator State Administration of Foreign Exchange did not respond to Reuters’ requests for comment.

China has the world’s largest foreign currency reserves, at \$3.22 trillion in June. But gold’s share of China’s overall reserves, which include its reserve position and special drawing rights (SDRs) at the International Monetary Fund, while at a record high of 4.9% is low compared to the global average of 16%.

Developing and emerging market countries typically have a much lower share of gold in reserves than advanced economies, which have smaller currency reserves. — **Reuters**

## Campaigners target Philip Morris’ flagship heated tobacco US launch

LONDON — Health campaigners have written to US regulators accusing Philip Morris International (PMI) of misrepresenting past regulatory decisions, seeking to disrupt the launch of its flagship heated tobacco device IQOS in the United States.

The world’s biggest tobacco company by market value has spent billions of dollars developing the product, which investors see as key to driving future growth. But it needs permission from the US Food and Drug Administration (FDA) to sell it in the world’s second largest tobacco market by revenue.

Six anti-tobacco and health groups, including the Campaign for Tobacco-Free Kids, the American Academy of Pediatrics and the American Lung Association, wrote to the FDA to oppose IQOS-related applications PMI has submitted to the agency.

“PMI has repeatedly made misleading and deceptive statements wrongly suggesting that the FDA has found that IQOS reduces the risk of disease,” the letter, dated June 27 and reviewed by Reuters, said.

The campaign groups allege that PMI violated the FDA’s orders by suggesting IQOS offered lower risks than cigarettes. Their letter cited four examples of such statements in the United States, the Philippines, Mexico and Kazakhstan.

They also said in the letter that upcoming independent studies contradict PMI’s findings about how many IQOS users completely switch to the device from cigarettes.

Presentations on the studies from the International Tobacco

Control Project (ITC) at Canada’s University of Waterloo are attached to the letter as exhibits.

They show the ITC found a far lower rate of IQOS users had quit smoking in Japan and Korea than estimates from PMI.

These factors “directly bear on whether PMI should be permitted to market IQOS” in the United States, the campaigners’ letter said.

The contents of the letter have not been previously reported.

Asked by Reuters to respond to the letter, a PMI spokesperson said the company was proud to discuss the FDA’s conclusions on IQOS.

The spokesperson did not initially address each example but said some of the language flagged by campaigners was, in the company’s view, compatible with the FDA’s orders. On Tuesday, the spokesperson added that this was true all of the language cited in the campaigners’ letter.

“Wherever we discuss our science and our products, we do so in accordance with all applicable laws,” the spokesperson said.

Reuters could not determine whether the campaigners’ letter would change the FDA’s approach to IQOS. The agency said it had received the letter and would respond directly to the senders. It did not comment further.

Devices like IQOS heat up sticks of ground tobacco without burning them in an attempt to avoid the harmful chemicals released via combustion.

The FDA first authorized PMI to sell an older version of IQOS in 2019. It subsequently authorized

the company to market it as offering reduced exposure to harmful chemicals versus cigarettes for smokers who completely switch — known as an “exposure modification order.”

The FDA can also issue a “risk modification order”, authorizing a company to claim its product reduces the risk of tobacco-related harm and disease. But this is harder to prove, especially without long-term, epidemiological studies.

The FDA rejected PMI’s previous application to say its older IQOS device results in reduced health risks, saying there wasn’t sufficient evidence to support this.

PMI applied in 2023 to renew its existing exposure modification orders. Later that year, it also applied to sell and market a newer version of the IQOS device in the same way. The FDA has yet to decide on these applications.

Marketing the product as having health benefits compared to traditional cigarettes could help PMI persuade consumers to switch as well as afford it tax benefits versus cigarettes in some US states.

PMI is preparing to sell an older IQOS device in four US cities. However, it has said it will not pursue a full US launch until the newer version of its device gets FDA authorization.

### SWITCH RATES

The campaign groups also cited preliminary data from ITC studies in Japan and Korea, saying it contradicted PMI’s findings about how many IQOS users completely switch from cigarettes.

The studies have been presented at academic conferences but have not yet been submitted for publication in a journal, ITC researchers told Reuters. As a result, study abstracts have been peer reviewed but the full findings have yet to go through that process.

Japan is IQOS’ largest market and the introduction of heated tobacco there coincided with an accelerated decline in cigarette sales.

PMI estimates more than seven out of 10 of its registered IQOS customers globally have quit cigarettes. A 2023 PMI application to the FDA emphasized that the majority of IQOS users were using IQOS exclusively.

However, the ITC’s researchers put the percentage of all IQOS users that had quit smoking at just 15% in Japan and 30% in Korea in 2021.

Users most commonly used IQOS and cigarettes simultaneously, known as “dual use,” often leading to an overall increase in tobacco consumption, the ITC researchers found.

PMI pointed to a 2019 Japanese government health survey, where 75% of respondents who reported using heated tobacco said they did not smoke.

However, a paper published this year, led by researchers from Georgetown University, highlighted flaws in the government’s survey, including changes to the question format that can lead to under-reporting of smoking.

Other surveys have also found higher rates of dual use than the government, it said. — **Reuters**

## ASML’s microchip order book expected to jump amid AI chip boom

AMSTERDAM — Advanced Semiconductor Materials Lithography (ASML), the top equipment supplier to computer chip makers, is expected to report an influx of new orders when its new boss delivers second-quarter results on Wednesday, as customers expand capacity to meet booming demand for artificial intelligence (AI) chips.

Another focus will be whether Chinese firms have continued

heavy purchasing of equipment used to make older generations of chips such as those used in electric cars, a concern for Western policymakers who have curbed buying of more advanced technology.

Analysts say the company may upgrade guidance as key makers of cutting-edge chips — including Taiwan’s TSMC, which manufactures chips for Nvidia and Apple, and reports earnings on Thurs-

day — may increase and accelerate equipment purchases.

ASML dominates the market for lithography systems, complex tools that use lasers to help create the tiny circuitry of computer chips. It is the only maker of lithography systems using extreme ultraviolet (EUV) wavelengths, needed by TSMC to make the most complex chips for smart phones and AI chips.

ASML, worth about €400 billion (\$437 billion), has described 2024 as a “transition” year when business will be flat before rebounding strongly in 2025, driven by demand for its most advanced tools.

A growing order book would reassure investors that demand for the company’s most advanced products is returning following a weak first half of 2024, in which it relied heavily on orders of

older equipment from China. Analysts are expecting second-quarter net income of €1.41 billion on revenue of €6.04 billion, according to the mean estimate from 16 analysts, based on LSEG data. That compares with net income of €1.94 billion on revenue of €6.90 billion in the same period a year ago.

ASML had a €38-billion order backlog at the end of the first quarter. That means it needs new

orders of €4 billion-€6 billion each quarter to meet its forecast of 2025 sales at the upper end of a €30 billion-€40 billion euro range.

The company’s machines, which cost up to \$300 million each, have delivery lead times of 12-18 months, and orders are closely coordinated with customers including Samsung, Intel, and memory specialists SK Hynix and Micron. — **Reuters**

## PHL expected to miss out on wave of technology investments if skills lag

THE PHILIPPINES will have to build up its contingent of graduate-level workers to attract investment from companies working with advanced technology, industry officials and academic said.

In a briefing on Wednesday, Louis P. Alarcón, head of the Microelectronics Department at the University of the Philippines, said neighboring countries have been scooping up investments in advanced technology.

“Our severe lack of graduate-level manpower is limiting our ability to attract investments in advanced technology areas, as these investments seem to pass us by,” Mr. Alarcon said.

He cited the recent announcement of Microsoft Corp. and Amazon Web Services investments in Malaysia. Microsoft and Nvidia Corp. have also announced ventures in Indonesia, while Apple has invested in Vietnam.

According to Semiconductor and Electronics Industries in the Phil-

ippines Foundation, Inc. President Danilo C. Lachica, only 10% of the approximately 800,000 graduates each year in the Philippines are engineers.

“However, most of these are in construction ... and even if they are ECE (electronics and communication engineering) graduates, they do not necessarily go to the semiconductor industry,” he said.

“Some of them go to telecommunications and business process outsourcing companies ... but what our members are really saying is that there’s not enough supply,” he added.

He said Taiwan produces 10 times more engineering graduates than the Philippines.

Board of Investments (BoI) Executive Director for Industry Development Services Ma. Corazon Halili-Dichosa noted the decline in the number of those enrolling in engineering courses.

She said that there is a need to educate students on the opportunities in the electronics track and cited the need to fund scholarships for the information technology-savvy.

Earlier this year, the BoI announced a target to turn out 128,000 engineers for the semiconductor industry.

“The main strategy for achieving 128,000 by 2028 is really looking at the specific requirements in the industry and then mapping out interventions, particularly at the technician, undergraduate, and doctorate levels,” she said.

To address the need for a skilled workforce, especially in integrated circuit (IC) design, Mr. Alarcon said the government needs to create a national graduate program in IC design, as well as a national faculty fellowship program, a national research fund, and a national center for IC. — **Justine Irish D. Tabile**

## BIR expecting H2 revenue boost from vaping industry

THE Bureau of Internal Revenue (BIR) expects to hit its collection target this year, citing encouraging signs of compliance by the vaping industry and the new withholding tax on online sellers.

“(On) what we’re doing in the second semester, I hope that the imposition (of withholding tax) and strict monitoring of vape products, as well as our crack-down on the illicit cigarette trade, will be enough,” BIR Commissioner Romeo D. Lumagui, Jr. told reporters on the sidelines of an event on Tuesday.

The BIR, which accounts for 70% of government revenue, missed its

collection target for the first half, generating P1.36 trillion, below the P1.403-trillion goal set for the bureau.

Starting June 1, the BIR ordered all vape manufacturers to mark their products with revenue stamps to ensure tax compliance.

“We’ve seen an increase in the number of registered vape products and an increase in collections since we started implementing the stamps on vape products,” Mr. Lumagui said.

The BIR expects to collect P3.055 trillion this year.

Mr. Lumagui also said that the recently imposed withholding tax on online sellers will help increase the BIR’s collections in the next six months.

He said that the 90-day extension in complying with the withholding tax delayed the revenue expected to be generated from this tax.

“For us, it’s okay that we were not able to collect immediately. At least we gave our taxpayers a chance to comply with the new system,” Mr. Lumagui said. — **Beatriz Marie D. Cruz**

### FULL STORY



Read the full story by scanning the QR code with your smartphone or by typing the link <tinyurl.com/2y8kh2um>

Proactive customer engagement



In photo are (L-R) Meralco Chief Revenue Officer Ferdinand O. Geluz, Digital Edge Country Manager for the Philippines Vic Barrios, Digital Edge Director Charlie Rufino, Meralco Customer Retail Services Head Charina P. Padua and Meralco Enterprise-Commercial and Conglomerates Head Bernice P. Garcia-Rama.

Executives of Manuel V. Pangilinan-led Manila Electric Company (Meralco) led the delegation for its Enterprise LearnXperience Workshop Series aimed at enhancing and fostering long-term partnerships.

Conducted in Digital Edge (Singapore) Holdings Pte. Ltd.'s state-of-the-art Narra 1 Data Center in Laguna Technopark, Biñan, Laguna, the workshop helps Meralco to better understand its customer's needs to tailor its services and offerings more effectively. It also connects customers with industry experts to help them gain valuable insights into the latest trends, technologies, and strategies relevant to their respective fields so they can stay up to date on advancements that can drive their businesses forward.

Through the Enterprise LearnXperience Workshop Series, Meralco exemplifies its commitment to customer engagement and satisfaction by meeting the evolving needs of its customers.