

The  
**MARKET CALL**  
Capital Markets Research



FMIC and UA&P Capital Markets Research

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## Executive Summary

August emerged as a good month for the economy and financial markets. Positive data on employment reaching a record high, moderately positive data on the fiscal front and in the Manufacturing sector have provided sufficient reason that domestic demand remains strong as we move forward for the rest of 2022. While elevated inflation may slow consumer spending, the peso depreciation which benefits some 70% of the population should provide much of the boost. In short, we expect full-year GDP growth at 6.5%. Bond markets had a mini rally during the month, but this vanished as the specter of aggressive Fed policy rate hike in September loomed in the light of stubborn U.S. inflation. We thus expect local 10-year T-bond yields to breach 7% by Q4-2022. In the equities front all sectors posted gains in August, but September looks at further consolidation at 6,100 to 6,500 as Fed and BSP rate hikes impact risk appetite.

## Macroeconomy

**3** Most recently released economic data tend to portray an economy sufficiently robust to withstand the global slowdown. After all, the economy has relied much on domestic demand, and the signs confirm our view. Vigorous gains in July employment, some recovery in the Manufacturing sector and likely rebound in infrastructure spending support this. While inflation above 6% may cut into consumer spending, the significant peso depreciation puts more money in the hands of OFW families, BPO workers, and exports and their suppliers. This should blunt most of the negative impact of inflation and enable the economy to expand by 6.5% in Q4-2022. Peak inflation may be at 6.7% by September or October this year.

Best news came from the 800,000 new jobs created in July to bring total employment to a new record of 47.4-M. ● Manufacturing PMI gained further in August to mark 12 consecutive months of expansion. ● NG spending in July did slow down but tax revenues rose at a fast pace suggestive of lively economic activity. ● Inflation remained high at 6.3% in August from 6.4% a month ago as eight out of 11 price categories saw upticks. ● Import of capital goods and OFW remittances improved in July while exports fell for the first time in 17 months. ● The peso-dollar exchange rate recovered slightly by 0.2% in August as financial markets saw U.S. inflation ease to 8.5% in July from 9.1% in the previous month.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2022)	2020 (year-end)	2021 (year-end)
GDP Growth (Q2-2022)	7.4%	8.2%	7.8%	-9.6%	5.8%
Inflation Rate (August)	6.3%	6.4%	4.9%	2.4%	3.9%
Government Spending (July)	4.8%	27.9%	8.0%	11.3%	12.8%
Gross International Reserves (\$B) (August)	99.0	100.00	104.0	96.5	107.1
PHP/USD rate (August)	55.75	55.89	52.63	49.63	48.88
10-year T-bond yield (end-August)	6.22	6.15	5.99	3.52	4.16

Sources: Philippine Statistics Authority (PSA), Bangko Sentral ng Pilipinas (BSP), Department of Budget and Management (DBM), Philippine Stock Exchange (PSE), Philippine Dealing System (PDS), and Authors' Calculations

## Bonds Market

**10** The bond rally in August revealed to be temporary as yields quickly reversed to the upside after Fed Powell's hawkish remarks during the Jackson Hole symposium. Furthermore, global risk sentiment soured in September amid stubbornly high U.S. August inflation at 8.3% pushing the Fed to raise its policy rates by 75 bps in its September 20-21 meeting. Consequently, we see local yields to easily break the 7% barrier as nominal yield spread need to keep up with inflation and PH-US spread. Thus, BSP did hike policy rates by 50 bps in its September 22 meeting, and another 25 bps before the end of the year, especially if inflation remains above 6.5%

BTr raised a total of P420.4-B from its RTB-28 offering with a handsome coupon rate of 5.75%. ● Appetite for duration persisted in August as bids for the 3.5-year and 10-year tenors were 3.038x and 3.351x oversubscribed, respectively. ● Trading volume in the secondary market remained robust as it jumped by 19.4% to P581.5-B in August. ● Only the 6-month and 1-year papers rose by 39.9 bps and 59.1 bps, respectively, in August. ● The 10-year tenors saw a massive drop to a 5-month low of 5.8% by mid-August amid solid demand for longer papers. ● Spread of ROPs over U.S. Treasuries trended downwards owing to the sharp rise in ROPs yields.

## Equities Market

**16** PSEi experienced a 4.2% uptick in August as local investors provided support as foreigners exited the market. The upside in robust domestic demand and earnings growth contributes to a constructive outlook for local equities. Like previous election years, the economy tends to slow down in H2, however the positive factors will likely offset negative ones. As inflation remains above 6% which results to a cut in consumer spending, peso depreciation may offset the elevated inflation as some 70% of the population benefit from said depreciation. On the other side of the spectrum, infrastructure and private construction spending and financial sectors should boost bottom lines and drive PSEi-constituents above average earnings growth in 2022.

All six PSE sectors landed in the positive territory with Property registering the highest increase with a 6.8% MoM gain. ● The Services sector recorded the lowest increase of 0.2% among the six PSE sectors. ● Jollibee Foods Corporation (JFC, +19.1% gain MoM) posted the best performance among PSEi-constituent stocks. ● Mer-alco (MER) led the decliners with -11.4%. ● In the Mining & Oil sector, Semirara Mining & Power Corporation (SCC) declined by -1%, nonetheless it still claims the best YTD performance of 92.5%. ● Net foreign selling grew by 89.1% (MoM) to P8.5-B, a significant gain than previous month's loss.

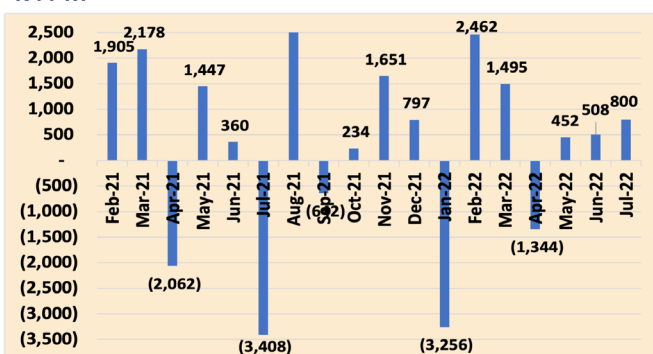
# MACROECONOMY

## EMPLOYMENT HITS NEW RECORD OF 47.4-M IN JULY

Domestic demand continues to drive the economy as employment reached a new record of 47.4-M in July, despite the rainy season, while the Manufacturing sector showed signs of life in August and the National Government's YTD budget deficit of P761.0-B left nearly P900.0-B available for the last five months of the year. Tax revenues showed robust gains of 22.2%, to which the Bureau of Internal Revenue had a substantial contribution suggest brisk economic activity. Inflation remaining above 6% and the weak peso appeared as flies in the ointment.

Outlook: A slew of recent economic data tend to confirm the vitality of the economy. Domestic demand, driven by robust employment gains at the start of Q3, despite the onset of the rainy/ typhoon season, supportive manufacturing sector with August PMI higher than July showing 12 consecutive months of expansion, and sturdy tax collections, should continue driving the economy. The headwind may come from inflation if it remains stubbornly high and thus eroding purchasing power of consumers. However, the weaker peso should offset that much the negative impact of inflation, and so we see full year growth hovering around 6.5%.

**Figure 1 - New Jobs, Month-on-Month**  
800,000 Additional Employed Persons in July Bringing YTD to 47.4-M



Source of Basic Data: Philippine Statistics Authority (PSA)

### New Record in Employment at 47.4-M in July

Total employed persons hit a new record of 47.4-M in July, higher by 800,000 (or +1.7%) month-on-month (MoM) resulting in a fall in the unemployment rate to 5.2% from 6% a month earlier. These positive notes arose despite an increase in the labor force participation rate to 65.2% from 64.8% in June. Besides, employment posted a huge 13.7% year-on-year (YoY) increase while the ranks of the unemployed dwindled by 388,000 MoM or -13.7% a month ago. Recall that pre-pandemic employment high was at 42.9-M in the same period last year. The Service sector's gains in 11 out of 13 sub-sectors more than offset the fall in jobs in Agriculture (-267,000) and Industry (-469,000).

The Services sector added 1.5-M jobs in July as the economy opened up further while the Department of Education removed the vaccination mandate for elementary and secondary schools. The Trade (Wholesale & Retail) sub-sector and Accommodation and Food Services (i.e., hotels and restaurants) contributed the most jobs with 941,000 and 227,000, respectively. Public Administration, Financial, and Arts & Recreation sub-sectors also provided six digit openings at 119,000, 122,000, and 108,000, respectively.

The decline in Agricultural employment coincided with the end of the rice planting for the second (major) harvest of the year.

On the other hand, the plunge in jobs in the Industry sector owed much to the rainy season going in full swing and causing Construction and Manufacturing sub-sectors to temporarily sideline significant numbers,

**Table 1 - Labor Force Survey Summary**

	June 2022	July 2022	MoM Change	
			Levels	% Change
<b>Labor Force</b>	49,581	49,994	412	0.8%
Employed	46,592	47,391	800	1.7%
Underemployed	5,888	6,543	655	11.1%
Underemployment rate%	12.6	13.8	1.17	9.3%
Unemployed	2,990	2,602	(388)	-13.0%
Unemployment rate%	6.0	5.2	(0.83)	-13.7%
Labor Participation rate%	64.8	65.2	0.45	1.2%
Not in Labor Force	26,959	26,646	(313)	-1.2%
<b>Agriculture ('000)</b>	11,396	11,129	(267)	-2.3%
<b>Industry ('000)</b>	8,856	8,388	(469)	-5.3%
Mining and Quarrying	338	193	(145)	-42.9%
Manufacturing	3,645	3,494	(152)	-4.2%
Electricity, Gas, Steam, and Air-Conditioning Supply	76	98	22	28.2%
Water Supply; Sewerage, etc.	75	81	6	8.3%
Construction	4,723	4,523	(200)	-4.2%
<b>Services ('000)</b>	26,339	27,875	1,536	5.8%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	9,724	10,665	941	9.7%
Transportation and Storage	3,127	3,150	24	0.8%
Accommodation and Food Services	1,675	1,902	227	13.6%
Information and Communication	430	424	(6)	-1.5%
Financial and Insurance Services	522	641	119	22.8%
Real Estate Activities	194	261	67	34.5%
Professional, Scientific, and Technical Activities	351	338	(13)	-3.6%
Administrative and Support Services Activities	2,175	2,214	39	1.8%
Public Administration and Defense; Compulsory Social Security	2,764	2,886	122	4.4%
Education	1,497	1,389	(108)	-7.2%
Human Health and Social Work Activities	672	687	(19)	2.2%
Arts, Entertainment, and Recreation	369	477	15	29.1%
Other Service Activities	2,836	2,839	3	0.1%

Source of Basic Data: Philippine Statistics Authority (PSA)

Mining & Quarrying also suffered the same fate as it employed -145,000 less workers during the month.

We also find some interesting year-to-date (YTD) figures. YTD July, the economy has generated 1.1-M jobs. Services and Industry sectors provided some 1.7-M and 151,000, jobs, respectively. In the same breath, the number of unemployed persons fell by 667,000 to 2.6-M from 3.3-M in December 2021. At the same time, those considered underemployed also shrank by 268,000 to 6.5-M from 6.8-M at the end of last year.

That employment would rise in the first full month of the rainy season would lead us to conjecture that the economy is indeed in a robust rebound mode.

### Manufacturing PMI Recovers in August

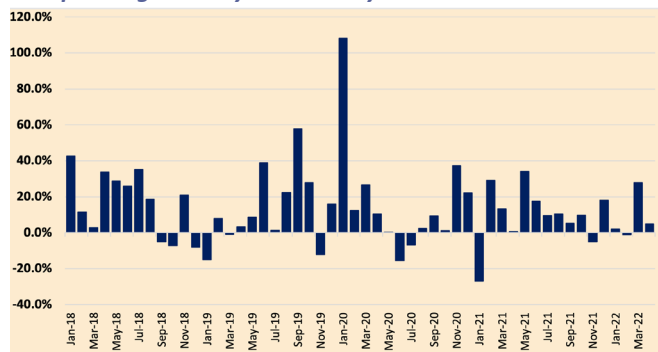
S&P Manufacturing PMI for the country rebounded to 51.2 in August from 50.8 in July, the 12th consecutive month of expansion (above-50), despite rising input costs and port congestion that extended operating cash cycles.

Industrial output as measured by the Volume of Production Index (VoPI) expanded by 2.5% YoY in July, an improvement from the previous three months, two of which fell into red territory while it increased by 0.7% in June.

Fourteen out of the 22 industry divisions increased their output YoY, led by manufacture of fabricated metal products, etc. which soared by 30.3% YoY. Manufacture of machinery equipment, except electrical and manufacture of wood products followed closely with gains of 29.1% YoY and 28.5% YoY, respectively. Heavy weighted manufacture of food products accelerated to a 9.7% YoY pace from 8.4% a month earlier.

On the other side of the spectrum, eight industry divisions posted lower output led by the manufacture of electrical equipment which plunged by -52.7% YoY. Weak exports of electronic products held the manufacture of computer, electronic, and optical products to a tiny 2.5% YoY increment.

**Figure 2 - NG Expenditures Growth Rate, Year-on-Year  
NG Spending Grew by 4.8% in July**



Source of Basic Data: Bureau of the Treasury (BTr)

**NG Spending Excluding Interest in July Expands by 7.9%**

National Government (NG) spending excluding interest payments expanded by 7.9% in July, albeit at a slower 4.8% when we include interest expenses. With tax revenues bloating by 22.2%, the budget deficit fell by -28.4% YoY to P86.8-B. YTD budget deficit reached P761.0-B, a 9.1% drop from P837.3-B for the same period last year.

Total collection amounted to P308.6-B or 20.5% higher than P52.6-B in the previous year. The Bureau of Customs (BOC) collections soared by 46.2% with high petroleum product prices and a depreciated currency. The Bureau of Internal Revenue (BIR), on the other hand, had a good performance as its revenues jumped by 15.6% YoY nearly twice as fast as the pace of 8.9% in June. This reflects better economic activity. On the contrary, income from the Bureau of the Treasury (BTr) declined by -1.7% YoY to P13.4-B amid lower dividend remittances and interest income from government deposits.

**Table 2 - Major Contributors to Year-on-Year Inflation**

Inflation Year-on-Year Growth Rates	July-22	Aug-22	YTD
	6.4%	6.3%	4.9%
Food and Non-Alcoholic Beverages	6.9%	6.3%	4.1%
Alcoholic Beverages and Tobacco	8.5%	9.3%	6.7%
Clothing and Footwear	2.5%	2.8%	2.2%
Housing, Water, Electricity, Gas, and Other Fuels	5.7%	6.8%	6.0%
Transport	18.1%	14.6%	13.0%
Restaurants and Accommodation	3.4%	4.2%	3.1%
Personal care & misc. goods and Services	2.8%	3.3%	2.5%

Note: Green font - means higher rate (bad) vs. previous month  
Red font – means lower rate (good) vs. previous month

Source of Basic Data: Philippine Statistics Authority (PSA)

NG disbursements climbed by 4.8% to P18.1-B due to the release of PhilHealth subsidy and higher National Tax Allocation (NTA) transfers in July. Primary expenditures, accounting for 87% of the total cost, went up by 7.9% to P25.1-B. Meanwhile, July interest payments dropped by -11.8% to P52.1-B owing to the level effect of the timing of coupon payments for Global Bonds recorded in July last year.

The NG has a leeway of nearly P900.0-B from total budgeted deficit for 2022, although we think the administration won't use all that to retain some fiscal space for this and the coming years.

**Headline Inflation Eases Slightly to 6.3% in August**

Lower fuel prices and milder food price increases offset the gains in other commodities to slow down headline inflation to 6.3% YoY in August from 6.4% in July. Nonetheless, YTD inflation inched up to 4.9% from 4.7% in July. Thus, while only Food, Transport, and Communication prices eased in August, these accounted for 50.2% of the Consumer Price Index, sufficient to offset the acceleration in other price categories.

Only five out of 11 food categories showed slower price gains in August. These included Meat products (9.6% from 9.9% a month ago), Fish & Seafoods (7.2% from 9.2%), and Vegetables (-2.7% from +5.6%) Besides rice prices moved up faster by only 0.1% to a 2.2% pace. All told, these movements put brakes on food prices in general.



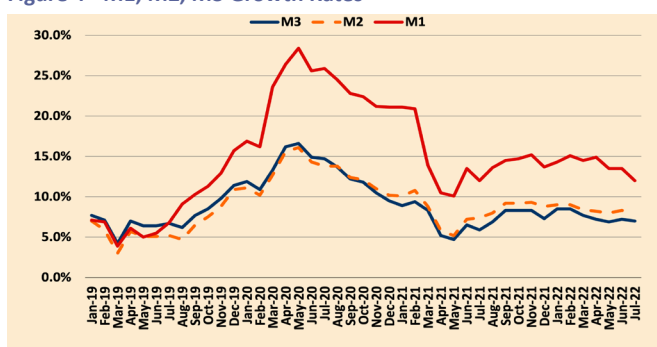
**Figure 3 - Inflation Year-on-Year Growth Rates**



Note: All rates from 2019 to July 2022 use the current 2018=100 base for CPI, while prior to 2019 they use 2012=100 base for CPI.

Source of Basic Data: Philippine Statistics Authority (PSA)

**Figure 4 - M1, M2, M3 Growth Rates**



Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

**Figure 5 - Exports Growth Rates, Year-on-Year**  
**Exports Recorded its First Contraction in 17 Months**



Source of Basic Data: Philippine Statistics Authority (PSA)

Crude oil prices fell sharply from July to August by -7.8% to \$93.70/barrel (for West Texas Intermediate, the U.S. benchmark) and by -10.3% to \$100.45/barrel (for Brent, the European benchmark).

On a seasonally adjusted basis, the MoM increase proved significant at 0.9% as this reverses from -0.1% in July. When annualized (SAAR), these translate to 11.4% from -1.2%.

We don't think inflation has peaked since we still need to account for the second round effects of the crude oil price surge in H1 play out in other commodities. However, the peak should not depart much from the current pace.

**Domestic Liquidity Rose Faster by 7% in July**

Domestic liquidity (M3) grew by 7% YoY to P15.4-T in July. On a MoM seasonally adjusted basis, M3 increased by 0.3%.

Net foreign assets in peso terms decreased by 0.5% from June's 5.6%. The slower expansion in the BSP's NFA position reflected higher foreign deposit liabilities and bills payable.

Lending for production slowed to a 11.6% YoY pace in July from 12% in June, as outstanding loans to key industries rose, specifically information and communication (+29.3%) and manufacturing activities (+16.2%). Real estate activities and repair of motor vehicles and motorcycles also saw more loan availments.

Similarly, consumer loans to residents accelerated by 14.7% in July from 10.9% in June driven largely by YoY increase in credit card loans, motor vehicle loans, and salary-based general purpose consumption loans.

**Exports Slip to Negative Zone with -4.2% Slide in July**

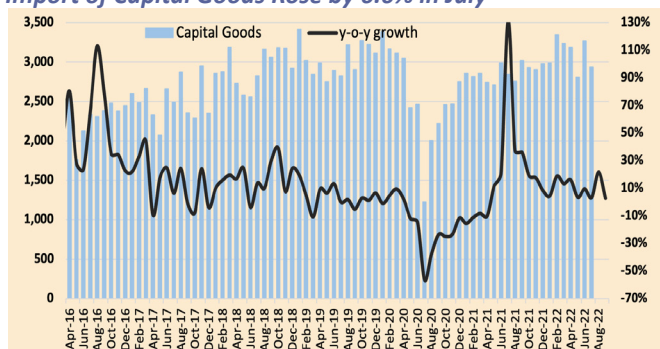
Export growth fell into negative territory in July at -4.2% to \$6.2-B from \$6.5-B a year ago. This marks the first contraction since February 2021 dragged down by weak foreign demand. Similarly, it declined by -6.5% from \$6.6-B in the prior month.

Six out of 10 major commodities gained in July with exports of Gold rising the most with 56.8% in August, followed by Coconut Oil (56.7% YoY) and Chemicals (22.6%). The tepid performance of the Electronic products at -7.9% pulled down the manufacturing sector's outbound shipments since it accounted for 54.6% of total

**Table 3 - Exports Year-on-Year Growth Rates**

	June-22	July-22	YTD
<b>Total Exports</b>	<b>1.0</b>	<b>-4.2</b>	<b>5.4</b>
<b>Agro-Based Products</b>	<b>10.3</b>	<b>8.4</b>	<b>35.8</b>
<b>Mineral Products, of which</b>	<b>27.9</b>	<b>-12.5</b>	<b>21.2</b>
Copper cathodes	-50.1	-39.9	-2.3
Others (incl. nickel)	75.8	-9.7	32.0
<b>Manufactured Goods</b>	<b>-2.4</b>	<b>-4.6</b>	<b>1.7</b>
Electronic Products	-5.2	-7.9	2.5
Other Electronics	-8.2	-5.4	-4.5
Chemicals	27.5	18.1	11.9
Machinery and Transport Equipment	3.6	13.0	-10.4
Processed Food and Beverages	16.0	-2.0	0.5
Others	1.2	4.9	-1.2

Source of Basic Data: Philippine Statistics Authority (PSA)

**Figure 6 - Imports of Capital Goods (in Million USD)  
Import of Capital Goods Rose by 6.6% in July**

Source of Basic Data: Philippine Statistics Authority (PSA)

**Table 4 - Imports Year-on-Year Growth Rates**

	June-22	July-22	YTD
<b>Total Imports</b>	<b>26.0</b>	<b>21.5</b>	<b>25.9</b>
<b>Capital Goods</b>	<b>2.9</b>	<b>6.6</b>	<b>11.2</b>
Power Generating and Specialized Machines	5.6	6.3	5.0
Office and EDP Machines	-15.0	-20.0	-13.7
Telecommunication Equipment and Electrical Machines	13.8	6.7	9.5
Land Transport Equipment excluding Passenger Cars and Motorized cycle	3.2	17.4	9.4
Aircraft, Ships and Boats	-46.3	142.4	151.1
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	8.0	9.2	17.2
<b>Raw Materials and Intermediate Goods</b>	<b>14.0</b>	<b>12.7</b>	<b>20.0</b>
<b>Mineral Fuels, Lubricant and Related Materials</b>	<b>125.1</b>	<b>86.5</b>	<b>111.9</b>
<b>Consumer Goods</b>	<b>30.2</b>	<b>26.3</b>	<b>15.6</b>

Source of Basic Data: Philippine Statistics Authority (PSA)

With only Agro-based products on the upswing by 8.4% YoY, the steep fall in Mineral products (-12.5%) led by copper cathodes (-39.9%) and lackluster performance of Manufactured Goods exports of -4.6%, total exports fell by -4.2% in July. Manufactured goods exports account for some 80% of total exports.

### Capital Goods Imports Rise Faster by 6.6% in July

Imports of capital goods rose at a faster pace of 6.6% YoY to \$3.1-B in July from 2.9% a month earlier. All types of capital goods landed in the positive territory, except for Office and EDP Machines which had a substantial -20% slump.

Aircrafts, Ships and Boats imports skyrocketed with 142.2% YoY surge, albeit from a low base as the worsened pandemic in 2021 scared investors. Telecommunication Equipment and Electrical Machinery, which accounts for half of capital goods imports managed to jump by 6.7% but Land Transportation inward shipments improved by 14.7% YoY.

Total imports kept its high trajectory increasing by 21.5% in July to bring YTD growth to 25.9%. As expected, imports of Mineral Fuels, Lubricants, etc. rose steeply by 86.5% YoY albeit slower than the torrid 125.1% growth pace a month earlier. This reflects elevated oil prices in the international markets.

Imports of Raw Materials and Intermediate Goods eased to a 12.7% growth from 14% a month earlier. Consumer Goods imports outpaced the former with its 26.3% uptick led by Passenger Cars and Motorized Cycles (+46.9%). Besides, Food imports climbed by 19.8% YoY powered by a 61% increase in rice imports.

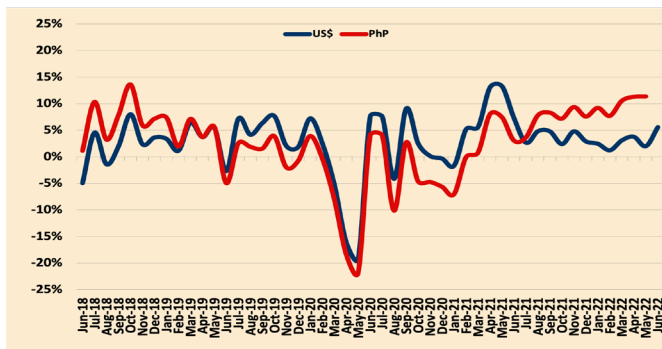
With lower base and negative growth for exports, the balance of trade deficit hit a new record of \$5.97-B which brought YTD trade deficit to \$35.7-B, with five remaining months in 2022. Full year trade deficit should reach \$55.0-B to \$60.0-B range, to create a more negative current account balance.

### OFW Remittances Up by 4.4% in June

Personal remittances of Overseas Filipino Workers (OFW) grew at a faster face by 4.4% YoY to \$3.1-B in June 2022. This brought the cumulative personal remittances in the first half of the year to \$17.1-B, a 2.8% YoY uptick from \$16.6-B in the comparable period in 2021.

The increase in personal transfers during the year

**Figure 7 - OFW Remittances Growth Rates, Year-on-Year**  
**Personal Remittances Increased to \$3.1-B in June**



Source of Basic Data: *Bangko Sentral ng Pilipinas (BSP)*

**Figure 8 - Dollar-Peso Exchange Rates and Moving Averages**  
**Philippine Peso Ended at P56.24/\$ in August**



Source of Basic Data: *Bangko Sentral ng Pilipinas (BSP)*

**Table 5 - Exchange Rates vs USD for Selected Asian Countries**

Exchange Rates vs USD for Selected Asian Countries			
	Jul-22	Aug-22	YTD
AUD	2.5%	-1.4%	2.8%
CNY	0.5%	1.0%	6.7%
INR	1.9%	0.1%	5.5%
IDR	2.0%	-1.0%	3.5%
KRW	2.3%	1.1%	11.5%
MYR	0.9%	0.6%	6.0%
PHP	4.3%	-0.3%	11.0%
SGD	0.8%	-0.8%	1.5%
THB	3.9%	-1.3%	6.7%

Note: **Green font** - means it depreciated, weaker currency

**Red font** – means it appreciated, stronger currency

Source of Basic Data: *Bangko Sentral ng Pilipinas (BSP)*

benefitted from remittances of land-based workers with contracts of one year or more which increased by 4.8% to \$2.4-B from \$2.3-B in the same period last year; and sea-land based workers with work contracts of less than one year which rose by 2.6% to \$0.6-B from \$0.5-B a year ago. On the other hand, cash remittances from OFWs coursed through banks grew by 4.4% to \$2.8-B in June from \$2.6-B in the same month a year ago.

The increase in cash remittances from the United States (U.S.), Saudi Arabia, Japan, Qatar, and Singapore contributed significantly to the growth in the remittances in the first half of 2022.

As for the country of origin, the U.S. registered the highest share of overall remittances at 41.1% followed by Singapore, Saudi Arabia, Japan, the United Kingdom, the United Arab Emirates, Canada, South Korea, Qatar, and Taiwan. The consolidated remittances from these top 10 countries accounted for 79.5% of total cash remittances in June.

#### **Peso Steadies in August**

The exchange rate (USDPHP) appreciated slightly by -0.3% MoM to P55.75 in August as international crude oil prices eased. However, this still represented 11% YoY depreciation from a year earlier.

The U.S. dollar gave up some earlier gains as U.S. inflation rate for July slowed to 8.5% from 9.1% a month ago, but the peso remained under siege due to bloated trade deficits.

The volatility measure dropped to 29.1% in August from 48.8% a month earlier. The local unit traded between \$55.29/\$ to \$56.24/\$ in August. It ended the month back at the P56-handle amid strength of the greenback after Fed Powell’s hawkish remarks during the Jackson Hole symposium.

Actual USDPHP rates landed way above the 30-day moving average (MA) and the 200-day MA suggesting that the local currency’s fragility will stay. However, we expect a seasonal rebound by November as OFW remittances rush into the economy.



## Outlook

Record employment and steady manufacturing output confirm robustness of the recovery.

- Despite the rainy season in full swing, the large rise (+800,000) in employment in July, especially in Trade and Accommodations & Food Services, reflect the wider reopening of the economy particularly in trade activities and hotels/restaurants being patronized by local residents, eager to escape the two-year forced lockdowns. This will progress further in the coming months.
- NG's robust tax revenues gain of 22.2% YoY in July and smaller deficit of P86.8-B in the same month down -28.4% from P121.2-B a year earlier imply a strong start in H2. With YTD budget deficit of P761.0-B, that would leave nearly P900.0-B of deficit available in the last five months of the year. However, we think that the new administration will opt not to reach the budgeted P1.65-T full year shortfall so that its fiscal space doesn't get eroded further.
- Despite mixed data for Manufacturing in July (lower employment and PMI), the 10% jump in VoPI for the same month and higher PMI in August put the sector, on balance, on the positive side.
- The inflation outlook, however, may put a damper in H2 outlook, as it will likely remain above 6.5% in Q4 as the mild dip of -0.1% in August to 6.3% YoY from 6.4% in July. The second round domestic effects of the sharp surge of crude oil prices in H1 have not completely played out. Besides, food inflation in the U.S. and other advanced countries remain stubbornly high due to droughts and other supply issues.
- The BSP raised policy rates by 50 bps in its September 22 meeting after the Fed aggressively boosted their rates by 75 bps given that U.S. August inflation rebounded. Although there is no need for BSP to match the Fed hikes 1-for-1 due to the much higher inflation in the U.S., the peso-dollar rate will take a further hit should BSP lag too much behind the Fed's moves.
- The exchange rate will remain volatile depending on U.S. inflation and Fed moves, even though the downside stays limited due to the burgeoning trade deficit. As mentioned earlier, the local currency may gain some ground temporarily in November and December due to the bulge in OFW remittances.

## FIXED INCOME SECURITIES

### BOND MARKETS WENT ON A ROLL IN AUGUST

Sensing a peak in inflation rate in the U.S. (at 9.1% in June and down to 8.5% in July) bond investors returned to the market in droves in August thus sparking a mini-rally. Yields of long dated government securities (GS) plunged in both the primary (auctions) and secondary markets. Trading in the secondary market climbed by 19.4% month-on-month (MoM) to a 14-month high of P581.5-B. While the 10-year auction in the first half of August saw yields plunged by 105.2 to 5.815%, hitherto concealed fears resurfaced in the second half as U.S. 10-year T-bond yields kept on rising to end the month at 3.15%, some 48 bps higher than in end-July. Thus, Bureau of the Treasury (BTr) became generous in the initial award of 5.75% for 5.5-year Retail Treasury Bonds (RTB-28) offered in the second half of the month.

Outlook: The clouds suddenly turned dark for bond investors for the later part of August and on to mid-September, when U.S. inflation rate for August moved up again to 8.3%, above market expectations of 8.1%. The trend continued with yields heading towards a 10-year high of 3.5%. Local bond investors continue to unload long dated bonds as the markets now expect a very aggressive Fed response to the uptick in inflation—policy rate hike of up to 100 bps—even as its yield curve (10-year less 2-year steepness) became more inverted. Local inflation followed a similar pattern sending T-bond holders to the exit door. The 7% barrier for local 10-year bond yields now looks easily breakable.

Table 6 - Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
30 Aug	91-day	25.000	71.746	19.300	2.870		
	182-day	25.000	71.628	20.000	2.865		
	364-day	25.000	32.274	17.721	1.291		
Subtotal		75.000	175.648	57.021	2.342		
2 Aug	3.5 year	35.000	106.323	35.000	3.038	5.153	
2 Aug	3.5 year TAP	10.000	117.029	10.000	11.703	5.250	
16 Aug	10 year (10-68)	70.000	234.552	70.000	3.351	5.813	-105.2
16 Aug	10 year TAP	25.000	160.871	25.000	6.435		
23 Aug	RTB-28	225.000	225.320	162.721	1.001	5.750	
Subtotal		365.000	844.095	302.721	2.313		
All Auctions		440.000	1,019.743	359.742	2.318		

Source: Bureau of the Treasury (BTr)

Table 7 - RTB-28 Details (in Billion Php)

	Total	New	Bond Exchange
Aug 23 onward	197.7	197.7	-
Follow- on to Sept 2	222.7	114.2	108.5
Totals	420.4	311.9	108.5

#### Primary GS Market: BTr Collected P420.4-B from RTB-28 Offering

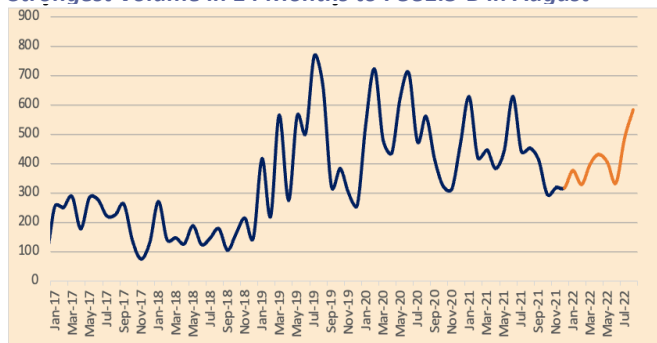
With a handsome coupon rate of 5.75%, investors flocked to the 5.5-year Retail Treasury Bonds (RTB-28) and attracted P225.3-B worth of tenders during its initial offering on August 23. The Bureau of the Treasury (BTr) raised a total of P420.4-B throughout the offer period. Specifically, BTr gathered P163.7-B during its initial offering, P108.5-B through the bond exchange, and an additional P222.7-B for the follow-on duration.

Robust demand showed up during the first half of August on the back of better risk sentiment on slower U.S. July inflation and lower-than-expected domestic PH GDP print at 7.4% in Q2-2022. However, this reversed in the second half as investors' anxiety returned with a hawkish Fed likely to show aggressiveness in its next policy rate towards the end of September, the depreciating peso, and the supply pressure from the RTB-28.

Against this risk backdrop, BTr decided to reject all bids during its last offering of Treasury bills (T-bills) for the month of August. If awarded, yields of 91-day and 182-day debt papers would have soared by 41.2 bps to 2.685% from 2.273% in July and 41.8 bps to 3.561% from 3.143%, respectively. Meanwhile, 364-day papers fetched an average of 4.399% or 104.3 bps higher than its previous level of 3.356% a month ago.

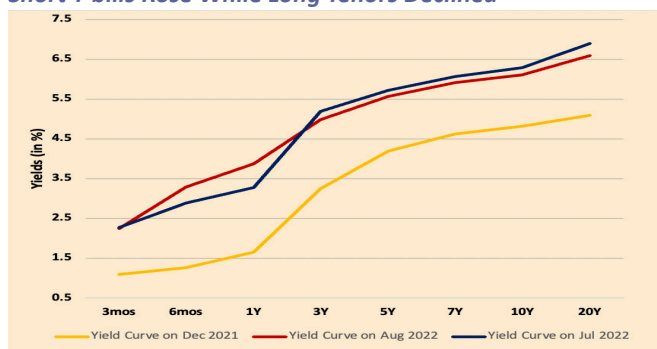
On the other hand, appetite for duration persisted in August. Demand for 3.5-year and 10-year Treasury bonds (T-bonds) reached P106.3-B or 3.038x oversubscribed and P234.6-B or 3.351x oversubscribed, respectively. The latter plunged by -105.2 bps to 5.813% from 6.865% in July. The strong reception of the T-bond auctions motivated BTr to open the TAP facilities for both tenors which still gained massive orders amounting to P117.0-B and P160.9-B, respectively.

**Figure 9 - Monthly Total Turnover Value (in Billion Pesos)**  
**Strongest Volume in 14 Months to P581.5-B in August**



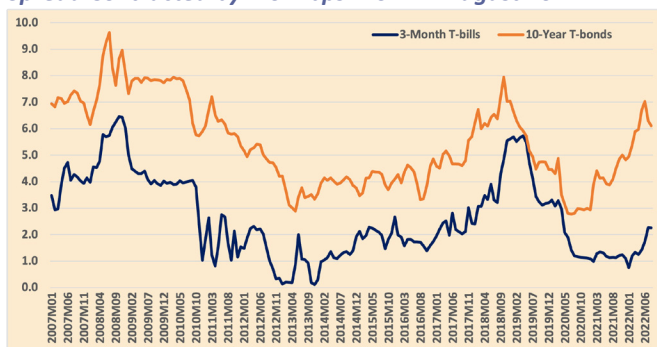
Source: Philippine Dealing Systems (PDS)

**Figure 10 - Year-end Yield Curve in 2021 and Latest Yield Curve Versus Previous Month in 2022**  
**Short T-bills Rose While Long Tenors Declined**



Source: Philippine Dealing Systems (PDS)

**Figure 11 - 3-month T-bills and 10-year T-bonds Yields**  
**Spread Contracted by -16.4 bps MoM in August 2022**



Source: Philippine Dealing Systems (PDS)

**Secondary Market: Volume Reached P581.5-B in August, a 14-Month High**

The trading volume of government securities (GS) in the secondary market recorded substantial activity with P581.5-B in August, a 14-month high, amid strong buying interest and profit taking on lower yields. This is 19.4% higher month-on-month (MoM) from P487.1-B and 28.5% higher year-on-year (YoY) from P452.6-B, respectively.

Yields of all benchmark tenors, except 6-month and 1-year papers, fell in August. Lower U.S. Treasuries on declining Q2-2022 GDP and softer July inflation improved risk appetite globally. Furthermore, BSP Governor Medalla claimed that inflation peaked in July at 6.4% which contributed to the downward pressure on yields. The bond rally proved to be short-lived as hawkish remarks from Fed Chair Powell during the Jackson Hole symposium, coupled by global recession fears amid energy crisis, reverted to its uptrend.

The 6-month and 1-year papers ascended by 39.9 bps to 3.285% from 2.886% and 59.1 bps to 3.869% from 3.278%, respectively. On the contrary, 3-year and 5-year tenors slipped by -21.6 bps to 4.983% from 5.199% and -14.9 bps to 5.569% from 5.718%, respectively. The 10-year securities significantly dropped to a 5-month low of 5.842% by mid-August buoyed by the solid demand for duration. However, de-risking pushed yields back above 6.5% by mid-September.

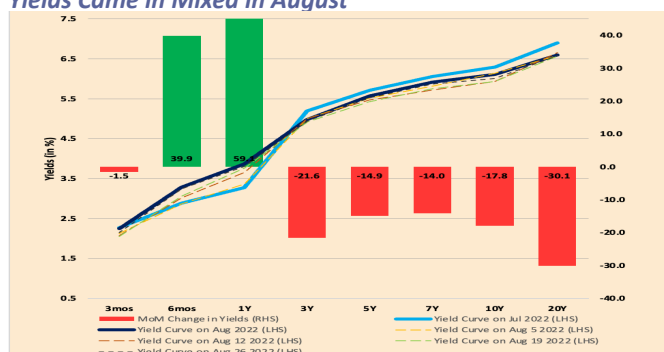
The spread between 10-year and 2-year bond yields contracted by -1.7 bps to 145 bps in August. Market volatility persisted in August and will remain so in the near term amid multiple headwinds such as the energy crisis and global economic slowdown, together with a still aggressive Fed as they stay committed in bringing down inflation. With this, the Fed's 75 bps rate hike in September will put an upward pressure on local yields.

**Corporate Bonds: Trading Volume Registered a 7-Month High in August**

Similar to the optimism in GS secondary market, trading of corporate bonds in August made a strong comeback as volume surged by 67.6% to P5.0-B from last month's 7-month low of P3.0-B. Similarly, it climbed by 21.4% from P4.1-B in the previous year. The volume of the top five corporates amounted to P1.8-B or 35.8% of the total trades in August.

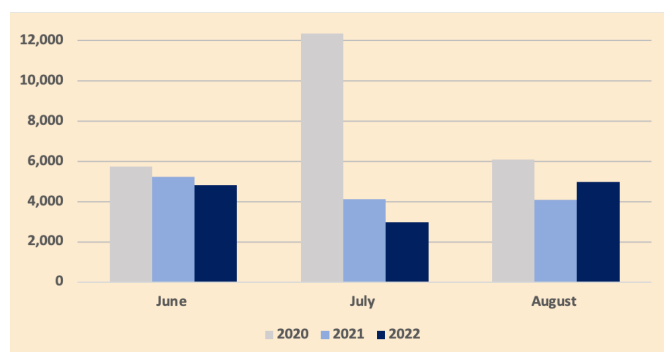
SM Prime Holdings, Inc. (SMPH) snatched the top position in August with P480.7-M as it took a huge leap by 214.5% from July's volume. In second place is SMC Global Power (SMCGP) with P446.4-M (down by -61.9% MoM), followed

**Figure 12 - Week-on-Week and Month-on-Month Changes on the GS Benchmark Bond Yield Curves**  
**Yields Came in Mixed in August**



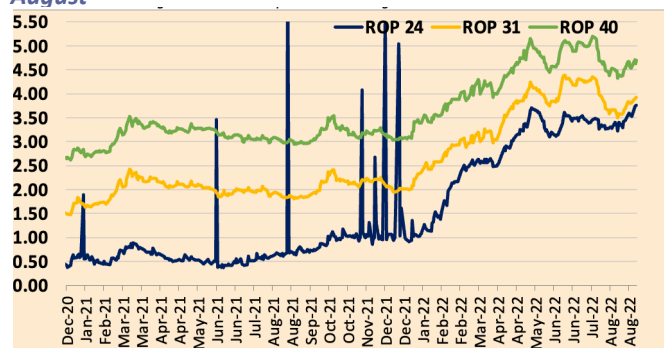
Source: Philippine Dealing Systems (PDS)

**Figure 13 - Total Corporate Trading Volume (in Billion Pesos)**  
**Trading Volume Rebounded by 67.6% MoM**



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

**Figure 14 - ROPs Daily Yields**  
**ROPs Yields Traded Rangebound with an Upward Bias in August**



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

(SMCGP) with P446.4-M (down by -61.9% MoM), followed by San Miguel Corporation (SMC) with P343.1-M or 242.3% higher MoM. Ayala Land, Inc. (ALI) dropped to the fourth position as its trades dove by -49.9% to P259.4-M. BDO Unibank (BDO) placed last despite gaining by 96.4% to P246.6-M in August.

In addition, Chinabank (CHIB) and Metropolitan Bank & Trust Co. (MBT) saw hefty trades amounting to P431.4-M and P1.0-B, respectively, in August.

**Corporate Issuances and Disclosures**

- Bank of Commerce (BNCOM) listed its first ever peso bond issuance amounting to P7.5-B due 2024, 2.5x oversubscribed than its original amount of P3.0-B. It carries a coupon rate of 5.0263%, to be paid quarterly.
- Megawide Construction Corporation (MWIDE) raised P4.0-B from its maiden listing of Fixed Rate Bonds Series A (due 2026) and Series B (due 2027). The bonds hold interest rates of 6.9506% and 7.9663%, respectively, payable quarterly. Proceeds will be used to fund its short-term debt, capital expenditures, and other general corporate requirements.

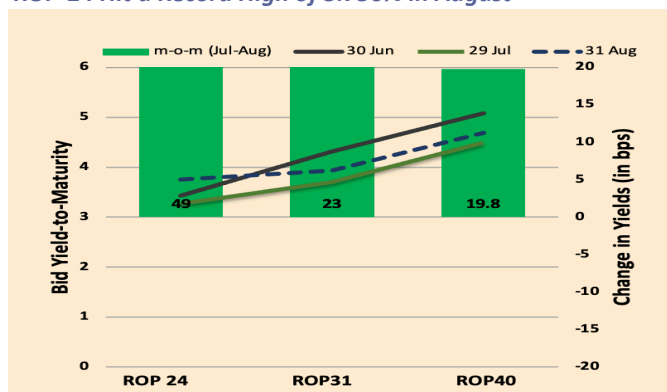
**ROPs: Yields Sprung Back to the Upside in August**

Yields of the Republic of the Philippines’ U.S. dollar-denominated bonds (ROPs) traded rangebound with an upward bias amid weak peso and global risk-off tone in August. ROP-24 jumped the most by 49 bps to a record high of 3.756% from 3.266% a month ago. Moreover, ROP-31 and ROP-40 grew by 23 bps to 3.928% from 3.698% and 19.8 bps to 4.693% from 4.495%, respectively.

The U.S. yield curve stayed inverted in August as recession fears lingered. Fed Chair Powell affirmed during the Jackson Hole symposium that the Fed would continue to raise rates to subdue inflationary pressures while inflicting “some pain” to the U.S. economy. The 3-year U.S. Treasuries shot up by 63 bps to 3.46% from 2.83% in the prior month. Meanwhile, the 10-year and 20-year tenors went up by 48 bps to 3.15% from 2.67% and 33 bps to 3.53% from 3.20%, respectively.

The spread between ROPs and its equivalent U.S. Treasuries narrowed ranging from -13.2 bps to -25 bps in August.

**Figure 15 - ROPs Yield, Month-on-Month Changes (bps)**  
**ROP-24 Hit a Record High of 3.756% in August**

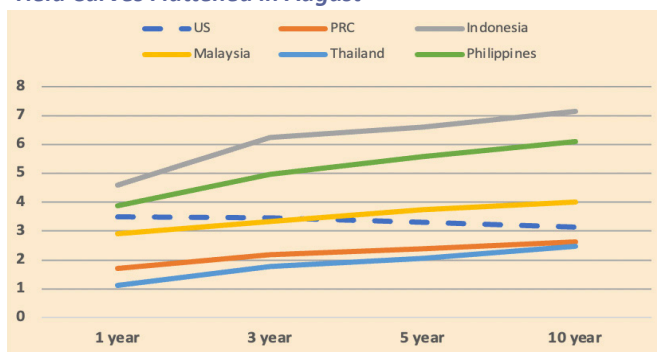


Sources: Bloomberg, First Metro Investment Corporation (FMIC)

**Table 8 - Spreads Between ROPs and U.S. Treasuries (bps)**

Spreads between ROPs and U.S. Treasuries (bps)			
Date	3-year	10-year	20-year
30-Jun	44.5	133.2	170.2
29-July	43.6	102.8	129.5
31-Aug	29.6	77.8	116.3

**Figure 16 - Comparative Yield Curve Between ASEAN per Tenor**  
**Yield Curves Flattened in August**



Sources: Asian Development Bank (ADB), Federal Reserve

**ASEAN+1: Yield Curve Movements Mixed, but Big Changes in Thailand, Indonesia Bonds**

**U.S.:** The economy generated 311,000 jobs in August, less than the revised July figure of 526,000 with professional services (i.e., computer systems design, health care) providing the biggest gains. Manufacturing PMI still showed expansion in August, albeit the slowest in 25 months. Headline inflation eased to 8.3% in August from 8.5% in July, but above market expectations as food (+11.4%) and electricity prices headed further north. Despite this, University of Michigan’s consumer sentiment showed gains in August and September while retail sales for August moved up by 0.3% MoM (seasonally adjusted) a recovery from -0.4% a month earlier. With inflation still elevated, markets expect Fed policy rate hike as high as 100 bps in September meeting. The yield curve became more inverted in August to -30 bps (10-year less 2-year yields) from -22 bps a month earlier.

**CHINA:** China’s inflation rate slowed to 2.5% in August from a 2-year high of 2.7% in July due to stabilizing pork prices. Furthermore, the Caixin China Manufacturing PMI unexpectedly went down to 49.5 in August from 50.4 a month ago, pointing to the first contraction since May. Export growth also slowed for the first time in four months to 7% or \$314.9-B in August amid disruptions in factory output on Covid-19 restrictions and weak foreign demand. Similarly, import growth eased to 0.3% or \$235.5-B owing to reduced consumption following the recent surge in Covid cases. As a result, China’s trade surplus declined to a 3-month low of \$79.4-B in August.

The People's Bank of China (PBoC) trimmed its lending rate to 2.75% from 2.85% as an attempt to revive credit demand and support the economy hurt by the extended pandemic lockdowns and lingering property crisis. The mild rise in inflation (still within the target of 3% for 2022) gives PBoC room to stay accommodative.

The spread between 10-year and 2-year bond yields (steepness measure) remained unchanged at 59 bps in August.



**INDONESIA:** Indonesia's Manufacturing PMI climbed to a 4-month high of 51.7 from 51.3 in the prior month on the back of further economic recovery. On the inflation front, CPI decelerated to 4.7% in August from last month's near 8-year high of 4.9% as prices of food (7.7% vs 9.4% in July) and transport (6.6% vs 6.7%) fell. Exports and imports in August saw double digit increases of 30.2% to \$27.9-B and 32.8% to \$22.2-B, respectively. Its trade surplus widened to a 4-month high of \$5.8-B from \$4.8-B a year ago.

Bank Indonesia (BI) decided to raise its benchmark interest rate by 25 bps to 3.75% in August, the first hike since 2018, in a preemptive move to mitigate rising inflation ahead of the government's plan to increase fuel prices. BI Governor Warjiyo added that the monetary tightening is aimed at stabilizing the currency in the face of high uncertainty in global financial markets. Despite higher rates, the yield curve flattened by 35 bps to 142 bps in August.

**MALAYSIA:** The country's inflation rate sharply rose to a 14-month high of 4.4% in July (vs 3.4% in June) buoyed by upward pressures in food (6.9% vs 6.1%), housing (3.8% vs 1.2%), and transport (5.6% vs 5.4%). The upsurge also chanced on a lower base effect from a year ago amid the electricity bill discount. On the other hand, PMI eased to 50.3 in August from 50.6 a month earlier, marking the weakest growth since May.

Inward shipments soared to 41.9% to MYR 118.6-B (~\$26.2-B) in July while outward shipments jumped to 38% to MYR 134.1-B (~\$29.6-B). Consequently, trade surplus increased to MYR 15.5-B (~\$3.4-B) from MYR 13.8-B (~\$3.0-B) in the prior year.

Bank Negara Malaysia (BNM) lifted its policy rate by 25 bps to 2.50% in September, the third consecutive rate hike for the year as inflationary pressures remain high. Going forward, BNM announced that further adjustments will be gradual to support economic recovery. This drove the yield curve to steepen by 13 bps to 70 bps in August.

**THAILAND:** Manufacturing PMI reported a record high of 53.7 in August from 52.4 in the previous month. Moreover, annual inflation in August surged to a 14-year high of 7.9% from 7.6% a month earlier mainly driven by food and electricity costs. Export growth slowed sharply to 4.3% or \$23.6-B in July from last month's 11.9% gain. Meanwhile, imports grew by 23.9% to \$27.3-B in July. As imports advanced faster than exports, Thailand registered its largest trade gap of \$3.7-B, marking the fourth straight month of deficit.

The Bank of Thailand (BoT) kicked off its tightening cycle as it raised its interest rates by 25 bps to 0.75% in August, the first hike in nearly four years, as part of scaling back its pandemic support and price stabilization. Furthermore, BoT signaled a gradual pace of monetary tightening and an unlikely aggressive stance. Because of this, the spread between 10-year and 2-year bond yields expanded by 19 bps to 90 bps in August.

**Table 9 - Spreads Between 10-year and 2-year T-Bonds**

Spreads between 10-year and 2-year T-Bonds									
Country	2-year Yields	10-year Yields	Projected Inflation Rates	Real 10-Year Yield	10-Year and 2-Year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					Jul-22	Aug-22			
U.S.	3.45	3.15	7.9	(4.75)	(22)	(30)	(8)	2.50	-5.40
PRC	2.04	2.63	2.4	0.23	59	59	0	2.75	0.35
Indonesia	5.72	7.14	4.9	2.24	177	142	(35)	3.75	-1.15
Malaysia	3.30	4.00	3.1	0.90	57	70	13	2.50	-0.60
Thailand	1.57	2.47	6.0	(3.53)	71	90	19	0.75	-5.25
Philippines	4.66	6.11	5.4	0.71	146	145	(1)	3.75	-1.65

Sources: Asian Development Bank (ADB), The Economist & UA&P

\*1-year yields are used for PH because 2-year papers are illiquid

## Outlook

Perhaps more than the unexpected mini-rally in the bond market in August, the fears of higher U.S. interest rates and stubbornly elevated inflation in the U.S. and other advanced economies reignited in the second half of the month and worsened in September. Inflation did not seem to peak as U.S. August inflation hit 8.3% above expectations of 8.1%.

- The Fed made a strong declaration in the Jackson Hole workshop that they intend to aggressively pound down inflation to their long-term target even if it may cause some “pain.” This convinced the Fed to hike policy rates by 75 bps in its September 20-21 meeting. After all, U.S. Treasury yield curve has continued to invert (i.e., 10-year less 2-year steepness measure negative at -0.42 by mid-September). From the current 2.25% to 2.50% policy rate, the 75 bps hike brought it to 3% to 3.25%. FOMC projections reveal that the Fed may bring it up further by another 100-125 bps to 4% to 4.5% by year-end to ensure a more drastic inflation slowdown, even if some "pain" sets. With the Fed firmly bent on beating down inflation to its 2% long-term target, it may even bring the rate all the way to 5% by end-2023.
- With an additional P754.3-B cash YTD July and another P311.9-B from RTB-28 in August, NG can meet to finance its budget deficit for the rest of the year. Since we don't think NG will reach the target P1.65-T deficit in 2022, its borrowing program should normalize for the rest of the year and would not provide an added reason for 10-year bond yields to rise.
- However, inflation which may still rise from its August pace, as NG hikes transport fares, that would push real 10-year T-bond yields into negative territory unless yields also move up further. With the Fed's latest moves above and the need to stabilize the FX rate, the BSP did raise policy rates by 50 bps in its September 22 meeting and we expect another 25 bps before the end of the year if inflation remains above 6.5%
- We don't see much change in spread between ROPs and equivalent U.S. Treasuries, but a slight downward bias exists due to the rapid rise in ROP yields until mid-September.

# EQUITY MARKETS

## DESPITE INFLATION FEARS, PSEi BEATS OTHER ASEAN BOURSES IN AUGUST

Despite fears of higher inflation gripping advanced economies like the U.S. and EU in August, Asian stocks generally fared better, with the PSEi beating other ASEAN bourses. Even with net foreign selling to the tune of P8.5-B, PSEi climbed by 4.2% as local investors again supported the buy side as the 30-PSEi constituent stocks reported an out-sized 44.6% YoY earnings growth in Q2-2022. All sectors posted gains with the Property sector leading the race with a 6.8% uptick, followed by 5.2% for the Industrial sector. Jollibee Foods Corporation (JFC) took the pole position with its 19.1% gain, followed by Monde Nissin (MONDE) with 15.9% and Ayala Land Inc. (ALI) with 13.5%.

Outlook: With the economic recovery gaining traction based on robust domestic demand and earnings growth staying on the upside, the outlook for local equities remains constructive. As in the past election years, the economy may tend to slow down in H2, but positive factors will likely offset negative ones. Elevated inflation at above 6% may cut some consumer spending, but the peso depreciation which benefits some 70% of the population should offset much of that negativity. Earnings growth will also fare well as infrastructure and private construction spending and the financial sector boost bottom lines.

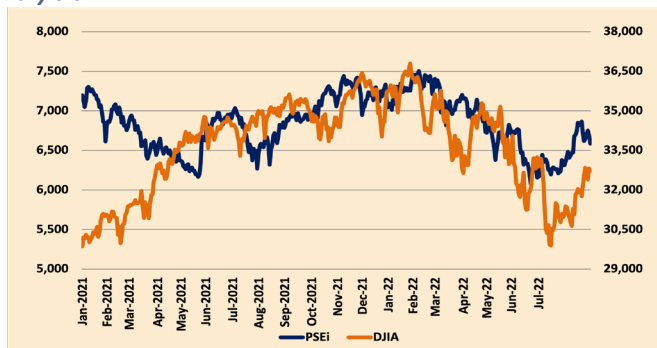
Table 10 - Global Equities Markets Performances

Global Equities Markets Performances				
Region	Country	Index	August M-o-M Change	2022 % Change
Americas	US	DJIA	-4.1%	-13.3%
Europe	Germany	DAX	-4.8%	-19.2%
	London	FTSE 101	-1.7%	-1.2%
East Asia	Hong Kong	HSI	-1.0%	-14.7%
	Shanghai	SSEC	-1.6%	-12.0%
Asia-Pacific	Japan	NIKKEI	1.0%	-2.4%
	South Korea	KOSPI	0.8%	-17.0%
	Australia	S&P/ASX 200	0.6%	-6.1%
Southeast Asia	Indonesia	JCI	3.3%	9.1%
	Malaysia	KLSE	1.2%	-3.7%
	Thailand	SET	4.0%	-1.1%
	Philippines	PSEi	4.2%	-7.6%

Sources: Bloomberg and Yahoo Finance

Figure 17 - PSEi vs DJIA

PSEi vs DJIA Correlation in August Improved to 0.6 from July's 0.1

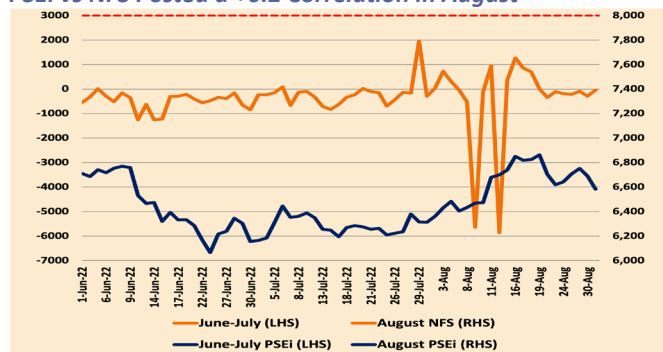


Sources: Wall Street Journal, Bloomberg

**Global Picture.** After a bullish July, investors suffered a few losses in August. Nonetheless, Philippines' PSEi recorded the highest gain in share prices during the period. PSEi dominated as it peaked by +4.2% month-on-month (MoM) in August after recording a +2.6% gain a month ago. PSEi rose along as investors weighted economic data released, as traction accelerated among investors in telecommunications, property and consumer companies, and as BSP Governor Felipe Medalla signaled smaller rate hikes in the long-run. Thailand's SET followed suit, ending the month with a +4% MoM increment, a significant increase a month ago, at only a recorded gain of +0.5%, led by expectations of increase in international tourist arrivals, providing a key support for the nation's economic recovery. Meanwhile, Germany's DAX recorded the steepest loss of -4.8% MoM. The contributors to its decline is the HelloFresh SE (HFGG) which fell by 4.3%, Henkel & Co KGaA AFG Pref (HNKG\_p) which declined by 3.3%, and Porsche Automobile Holding SE (PSHG\_p) which was down by 3.1%.

**PSEi and DJIA.** The Dow Jones Industrial Average (DJIA) closed a highly volatile month of trading. DJIA ended August at 32,726.82 from July's close of 32,845.13. Meanwhile, PSEi finished to close July at 6,583.65. The correlation between the two indices in August rose to +0.6 from July's +0.1 even though PSEi saw volatile performance towards month-end, while DJIA showcased a last minute gain.

**Figure 18 - PSEi vs Net Foreign Selling**  
**PSEi vs NFS Posted a +0.2 Correlation in August**



Sources: Bloomberg & Yahoo Finance

**Table 11 - Monthly Turnover (in Million Php)**

Monthly Turnover (in Million Pesos)				
Sector	Total Turnover		Average Daily Turnover	
	Value	% Change	Value	% Change
Financial	23,554.23	25.7%	1,070.65	20.0%
Industrial	34,815.52	-14.4%	1,582.52	-18.3%
Holdings	40,556.34	54.9%	1,843.47	47.8%
Property	34,621.38	50.1%	1,573.70	43.3%
Services	26,938.28	7.0%	1,224.47	2.1%
Mining and Oil	9,198.28	6.6%	418.10	1.8%
<b>Total</b>	<b>169,684.01</b>	<b>19.1%</b>	<b>7,712.91</b>	<b>13.7%</b>
Foreign Buying	69,660.22	69.0%	3,166.37	61.3%
Foreign Selling	78,157.11	70.9%	3,552.60	63.2%
Net Buying (Selling)	(8,496.89)	89.1%	(386.22)	80.5%

Source of Basic Data: PSE Quotation Reports

**Table 12 - Top Foreign Buy in August (in Million Php)**

Top Foreign Buy	
Company	Total Value
JFC PM Equity	1,000.82
MONDE PM Equity	930.69
SMC PM Equity	803.92
AC PM Equity	790.34
ALI PM Equity	781.36
<b>Total Buy Value</b>	<b>4,307.13</b>

Source of Basic Data: Bloomberg, First Metro Investment Corporation (FMIC)

**Table 13 - Top Foreign Sell in August (in Million Php)**

Top Foreign Sell	
Company	Total Value
MER PM Equity	-778.05
ICT PM Equity	-746.84
SECB PM Equity	-480.70
SMPH PM Equity	-405.91
CNVRG PM Equity	-367.40
GLO PM Equity	-237.68
<b>Total Sell Value</b>	<b>-3,016.58</b>

Source of Basic Data: Bloomberg, First Metro Investment Corporation (FMIC)

**Net Foreign Buying/Selling.** The PSEi experienced yet another volatile month, as it fluctuated in August due to poor market sentiment as the U.S. Fed is expected to continue raising interest rates and due to settlement adjustments due to suspension of work in government offices which may likewise have affected trade. The correlation between net foreign selling (NFS) and PSEi in August remained flat at 0.2.

PSE trading volume increased by +19.1%, reversing the previous month's -16.5% loss. Five sectors landed on the green, with the Holdings sector observing the biggest volume of +54.9%. The Property sector followed suit with the second biggest volume increase of +50.1%. Meanwhile, only the Industrial sector landed on the red taking the cut of -14.4% from its recorded gain of +36.8% a month ago.

The top five favorite stocks (net buying) of foreign investors amounted to P4.3-B, with Jollibee Foods Corporation (JFC) (P1.0-B) and MONDE Nissin Corporation (MONDE) (P930.1-M) leading the list. The top five most sold stocks (net selling) in August amounted to P3.0-B with Meralco (MER) (P778.0-M) and International Container Terminal Services, Inc. (ICT) (P746.8-M) in the front rows.

Despite the lower U.S. equity markets as the U.S. Fed continues to raise interest rates to curb inflation, coupled with peso depreciation, all six sectors of PSEi outperformed the previous month's figures. Notably, the Property sector led the sub-indexes gainers with +6.8% MoM, probably due to the gradual shift to hybrid set-up in both office and school settings, thus individuals considering to acquire nearby living spaces for convenience and accessibility, among other reasons.

**Table 14 - Monthly Sectoral Performance**

Monthly Sectoral Performance					
Sector	29-July-2022		31-Aug-2022		2022 YTD
	Index	% Change	Index	% Change	
PSEi	6,315.93	2.6%	6,583.65	4.2%	-7.6%
Financial	1,532.38	6.2%	1,606.85	4.9%	0.0%
Industrial	9,262.41	1.7%	9,739.44	5.2%	-6.4%
Holdings	5,934.73	3.7%	6,200.19	4.5%	-8.9%
Property	2,832.21	-0.1%	3,024.91	6.8%	-6.0%
Services	1,674.25	1.5%	1,676.95	0.2%	-15.6%
Mining and Oil	11,442.61	1.8%	11,631.58	1.7%	21.1%

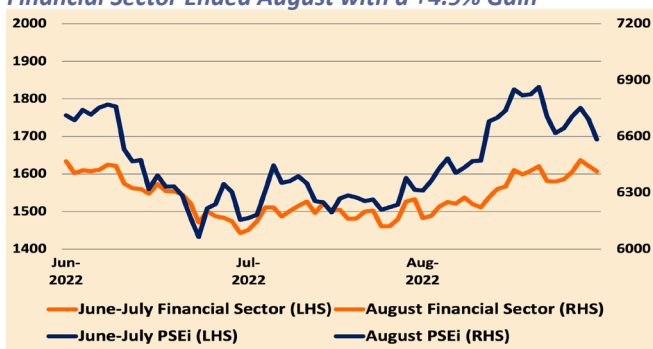
Source of Basic Data: PSE Quotation Reports

**Table 15 - Financial Sector Constituent Stocks**

Company	Symbol	7/29/2022 Close	8/31/2022 Close	M-o-M % Change	2022 YTD
Metropolitan Bank and Trust Company (MBT)	MBT	48.60	52.60	8.2%	-5.6%
BDO Unibank, Inc.	BDO	119.50	128.80	7.8%	6.7%
Bank of the Philippine Islands	BPI	93.00	94.45	2.1%	3.0%

Source of Basic Data: PSE Quotation Reports

**Figure 19 - Financial Sector Index (May 2022 - August 2022)**  
**Financial Sector Ended August with a +4.9% Gain**



Source of Basic Data: PSE Quotation Reports

Ranking third highest in the sectoral race, the Financial sector ended August with a +4.9% MoM gain, after a +6.2% MoM increment in July, with all of its PSEi-constituent stocks landing on the green.

Metropolitan Bank & Trust Company’s (MBT) share prices led the sector as it rebounded by +8.2% gain as it registered a +1.7% MoM gain in July. MBT’s core net income in Q2-2022 soared by 94.5% to P7.6-B from P3.9-B Q2-2021. The rising interest rate environment should benefit larger banks such as MBT since a big chunk of deposits won’t follow the upward move of lending rates.

BDO Unibank, Inc. (BDO) share prices followed suit as its share prices showed a +7.8% uptick on top of its +8.1% MoM gain in July. BDO generated core net income of P12.1-B in Q2-2022, 10.2% higher than P11.0-B in the same quarter a year ago. This pushed its H1 net income to P23.9-B, up by 11.6% YoY. Meanwhile, BDO’s nonperforming loans (NPL) declined to 2.39% while its NPL cover increased to 138%.

Bank of the Philippine Islands (BPI) shares inched up by +2.1% MoM in August, following its +9.7% gain a month ago. In Q2-2022, BPI posted core net income of P8.7-B, up 28% from P6.7-B in H1 a year ago. This enabled BPI to report a double-digit increase of 41.5% in core earnings to P16.1-B in H1-2022. BPI attributed its strong performance to robust growth in both net interest income and non-interest income.

The Industrial sector added 5.2% MoM in August to its +1.7% gain a month ago.

Jollibee Foods Corporation (JFC) share prices led the sector as it rebounded by +19.1% MoM in August, after contracting by -1.2% a month ago. Investors got a lift from JFC’s Q2-2022 core earnings of P4.5-B, a mammoth 370.4% upswing from P1.0-B a year earlier.

This boosted its H1 core net income to P5.1-B also a huge 351.7% vault from P1.1-B in H1-2021. JFC also reported that its international business grew by 6.9% despite decline in China business’ store sales.



**Table 16 - Industrial Sector Constituent Stocks**

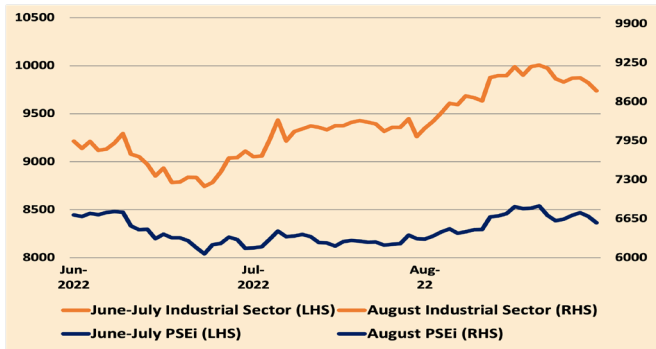
Company	Symbol	7/29/2022 Close	8/31/2022 Close	M-o-M % Change	2022 YTD
Meralco	MER	340.00	301.20	-11.4%	2.0%
Aboitiz Power	AP	32.65	31.30	-4.1%	5.4%
Jollibee Foods Corporation	JFC	201.20	239.60	19.1%	10.7%
Universal Robina Corporation	URC	111.00	122.00	9.9%	-4.7%
AC Energy Corporation	ACEN	8.37	7.50	-10.4%	-31.9%
Emperador Inc.	EMI	18.88	19.80	4.9%	-4.9%
Monde Nissin Corporation	MONDE	14.24	16.50	15.9%	1.9%

Source of Basic Data: PSE Quotation Reports

Monde Nissin Corporation (MONDE) share prices hit the high ground with a +15.9% MoM climb in August, after gaining 9.5% a month ago. MONDE's core earnings skyrocketed by 925.5% to P3.4-B for Q2-2022 alone, contributing much to its H1-2022 net income of P4.3-B, above the expectations of the company. MONDE saw its H1-2022 revenues grow by 10.1% YoY to P37.2-B driven by pricing and volume increases in its APAC BFB domestic business.

Universal Robina (URC) share prices ranked third in the sub-index's increase as its share prices stayed on the green by +9.9% MoM in August, after ending flat in the previous month. For Q2-2022, URC's core net income reached P1.9-B a 62.4% jump from P1.2-B in the same period last year. However, its earnings of P5.4-B in H1-2022 fared only 3.7% higher than P5.2-B a year ago, since it didn't do very well in Q1-2022. URC recently announced its partnership with Asahi Beverages Philippines (ABP), wherein they are to enter the P6.5-B cultured milk category.

**Figure 20 - Industrial Sector Index (May 2022 - August 2022)**  
Industrial Sector Grew by 5.2% in August



Source of Basic Data: PSE Quotation Reports

Manila Electric Company (MER) share prices suffered the largest sectoral loss as it decreased by -11.4% in August, further tumbling from -5.6% MoM in July. MER's disclosed net income of P7.5-B in Q2-2022, a 6% uptick from P7.0-B a year ago. However, H1-2022 earnings heaved by 14.8% to P13.1-B. Besides, MER reported a decrease in its overall power rate for August by P0.2087 centavos to P9.54 per kWh from P9.75 per kWh in the previous month.

AC Energy Corporation (ACEN) share prices recorded the second steepest decline as it dropped by -10.4% MoM in August. After all, ACEN saw earnings in Q2-2022 slipped by -4.5% from the same period last year. However, ACEN's overseas power projects surged by 48% to 1,268 GWh in H1-2022, H1-2022 earnings slumped even more by -18.8% YoY to P2.2-B.

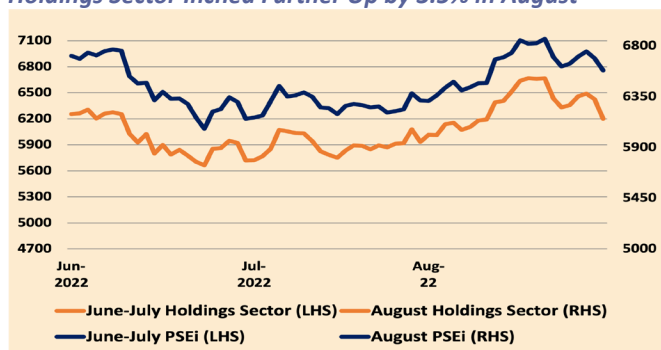
From its recorded 10.7% gain the previous month, Aboitiz Power (AP) share prices slightly declined by -4.1% MoM in August. In contrast, AP's reported net income reached P6.3-B in Q2-2022, a 61.3% YoY surge from P3.9-B, while for H1, AP's core net income had a

**Table 17 - Holdings Sector Constituent Stocks**

Company	Symbol	7/29/2022 Close	8/31/2022 Close	M-o-M % Change	2022 YTD
Ayala Corporation	AC	620.00	702.00	13.2%	-15.5%
Metro Pacific Investments Corporation	MPI	3.69	3.73	1.1%	-4.4%
SM Investments Corporation	SM	775.50	831.00	7.2%	-11.9%
Aboitiz Equity Ventures	AEV	57.05	56.15	-1.6%	3.1%
GT Capital Holdings, Inc.	GTCAP	453.40	482.00	6.3%	-10.7%
San Miguel Corporation	SMC	105.50	95.55	-9.4%	-16.8%
Alliance Global Group, Inc.	AGI	9.89	10.04	1.5%	-14.9%
LT Group Inc.	LTG	8.80	8.84	0.5%	-10.7%
JG Summit Holdings, Inc..	JGS	51.50	51.20	-0.6%	-3.4%

Source of Basic Data: PSE Quotation Reports

**Figure 21 - Holdings Sector Index (May 2022 - August 2022)**  
Holdings Sector Inched Further Up by 3.5% in August



Source of Basic Data: PSE Quotation Reports

disappointing 8.9% fall to P9.2-B from P10.1-B in the same period last year. AP attributed its gains to the contributions of GNPower Dingin Ltd. Co. (GNPD) Units 1 and 2, higher availability of the GN Power Mariveles Energy Center Ltd. Co. (GMEC) facility, timing windfall on the account of higher indices, and higher water inflows.

The Holdings sector index ranked fourth in sectoral gains with a +4.5% MoM in August, a similar pace from a month ago, specifically with six out of nine PSEi constituent firms landing in positive territory.

Ayala Corporation (AC) share prices climbed by another +13.2% MoM in August after its +3.3% rebound in the previous month. AC reported P22.9-B consolidated net income in H1-2022, up by 76%. In Q2-2022, AC's reported net income reached P8.5-B from P6.1-B, up by 38.7% YoY. This brought H1-2022 earnings to P16.3-B a 22.3% increase from P13.3-B a year earlier. AC associated the increase to BPI's reduced loan loss provisioning and gains from a property sale, strong leasing revenues from Ayala Land Inc. (ALI), and higher revenues and partial sale of data center business from Globe Telecom (GLO).

SM Investments Corporation (SM) share prices ended August with a +7.2% increase, after slumping by -0.8% in the previous month. SM showed a 27.5% YoY increase in Q2-2022 core net income to P13.5-B from P10.6-B in the same period last year. This boosted H1-2022 earnings to P25.5-B, a 26.9% YoY jump from a year earlier. SM also reported plans to increase its stake from 35% to 51% in the AIC Group of Companies Holding Corporation, which operates Airspeed, an end-to-end logistics solutions provider existing for over 35 years to date.

GT Capital (GTCAP) share prices recouped most of its -7.3% drop in July with the +6.3% MoM increment in August. In Q2-2022 alone, GTCAP's core net income reached P3.7-B, a 55.8% YoY jump from P3.5-B in Q2-2021. This enabled GTCAP to disclose a 39.7% growth in its core net income to P8.1-B for H1-2022 from P5.8-B in the same period last year. Higher earning contributions came from subsidiaries Metropolitan Bank & Trust Company (MBT), Toyota Motor Philippines, and Federal Land, Inc.

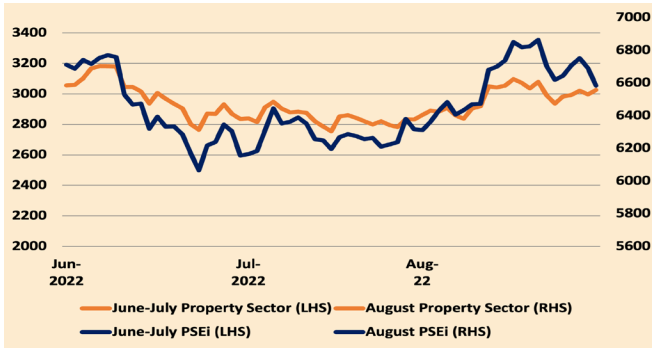
After its +4.5% uptick in July, Metro Pacific Investments Corporation (MPI) share prices rose slower by +1.1% MoM in August. In Q2-2022, MPI's core net income

**Table 18 - Property Sector Constituent Stocks**

Company	Symbol	7/29/22 Close	8/31/22 Close	M-o-M % Change	2022 YTD
Ayala Land, Inc.	ALI	25.25	28.65	13.5%	-21.9%
SM Prime Holdings, Inc.	SMPH	36.60	37.85	3.4%	11.7%
Robinsons Land Corporation	RLC	17.00	18.80	10.6%	-2.1%
Megaworld Corporation	MEG	2.26	2.50	10.6%	-20.6%

Source of Basic Data: PSE Quotation Reports

**Figure 22 - Property Sector Index (May 2022 - August 2022)**  
**Property Sector Posted Highest Growth by 6.8% in August**



Source of Basic Data: PSE Quotation Reports

reached P4.4-B a 24.9% YoY improvement from P3.5-B a year ago. Similarly, MPI showed a 25% YoY increase in its consolidated core net income to P7.5-B in H1-2022 from P6.0-B.

San Miguel Corporation (SMC) stock prices took the biggest hit with a further slump of -9.4% MoM in August after its -2.2% MoM loss in July. Nonetheless, based on their press release, SMC reported a 24% increase in its recurring consolidated net income for H1-2022 to P32.5-B. Meanwhile, SMC's operating income also increased by 41% YoY to P85.9-B due to performance of its fuel and oil subsidiary; alongside, its food, beverage, packaging, and infrastructure business subsidiaries.

Aboitiz Equity Ventures (AEV) stock prices shed -1.6% in value in August from huge +20% gain in July. AEV reported core earnings of P5.2-B, a 7.5% YoY climb from P4.8-B last year. However, for H1-2022, it recorded a 33.1% drop in its core profits to P9.1-B due to lower contributions from its power, banking, and food subsidiaries. On the other hand, AEV disclosed plans to borrow from the domestic bond market by seeking a P30.0-B replenishment of its bond shelf registration.

The Property sector shares led the sectoral gains as these climbed by +6.8% MoM, after back-to-back shedding of -0.1% and -7% in value in July and June, respectively. All of its PSEI-constituents landed on the green in August.

Ayala Land, Inc. (ALI) share prices grabbed the top spot in August within the sector with a +13.5% MoM gain. After all, ALI posted a 60.1% YoY increase in its core net income to P4.9-B in Q2-2022 from P3.1-B a year ago. This performance enabled ALI to hike its core earnings by 35% YoY to P8.1-B in H1-2022 driven by recovery of malls, hotels, and heightened demand for commercial lots, with the latter's sales soaring by 87% YoY. ALI also reported its launch of 12 projects worth P34.9-B in H1-2022, with five projects valued at P17.9-B in Q2-2022 alone.

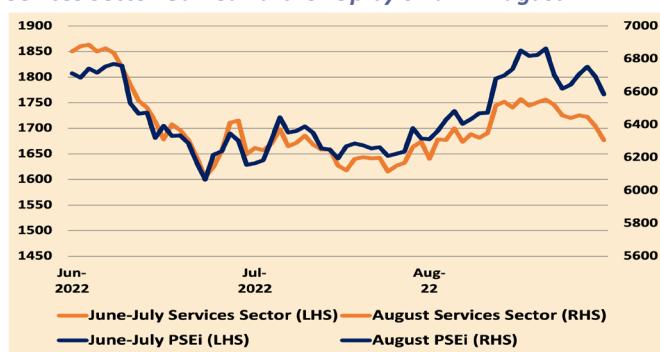
Both Robinsons Land Corporation (RLC) and Megaworld Corporation (MEG) share prices grabbed the second spot as its share prices showed a +10.6% jump, respectively. RLC reported a 41.9% YoY increase in core net income to P3.6-B from P2.5-B in the same period last year. However, due to weak performance in Q1, total earnings in H1 slightly slipped by -1.6% YoY to P5.3-B

**Table 19 - Services Sector Constituent Stocks**

Company	Symbol	7/29/2022 Close	8/31/2022 Close	M-o-M % Change	2022 YTD
Philippine Long Distance Telephone Co.	TEL	1,656.00	1,679.00	1.4%	-7.3%
Globe Telecom	GLO	2,062.00	2,098.00	1.7%	-36.8%
Converge ICT Solutions, Inc.	CNVRG	19.00	17.40	-8.4%	-45.5%
Puregold Price Club Inc.	PGOLD	30.20	34.25	13.4%	-12.8%
Wilcon Depot, Inc.	WLCON	27.65	29.95	8.3%	-1.8%
International Container Terminal Services, Inc.	ICT	194.20	181.20	-6.7%	-9.4%

Source of Basic Data: PSE Quotation Reports

**Figure 23 - Services Sector Index (May 2022 - August 2022)**  
**Services Sector Gained Further Up by 0.2% in August**



Source of Basic Data: PSE Quotation Reports

from P5.4-B a year ago. RLC also raised P15.0-B from their recent bond offerings, due to strong market demand.

Meanwhile, MEG earnings expanded by 6.7% YoY in Q2-2022 from P2.6-B in 2021. Improved residential sales, mall and office rentals, and hotel operations provided the boost. For H1, MEG grew its core net income by 17.7% to P5.9-B from P5.0-B a year ago. MEG likewise plans to launch its third residential condominium worth P2.8-B in San Fernando, Pampanga.

SM Prime Holdings, Inc. (SMPH) share prices recovered with a +3.4% MoM gain in August after inching up by +0.1% in the previous month. Notably, SMPH performance improved in Q2-2022 as it expanded earnings by 31.4% to P6.7-B from P5.1-B in the same period last year. Thus, SMPH also posted a 21.6% increase in its first semester earnings to P14.1-B from P11.6-B in the same period last year. Notably, SMPH benefitted from higher mall revenues which surged by 92% YoY to P20.6-B in H1.

The Services sector slightly gained by +0.2% MoM in August, after its +1.5% uptick in July.

Puregold Price Club Inc. (PGOLD) share prices edged up by +13.4% in August. PGOLD saw its consolidated net income grow by 4.2% YoY to P2.1-B in Q2-2022 from P2.0-B in the same period last year bolstered by 7.9% YoY sales growth for the quarter. Correspondingly H1-2022 earnings climbed by +5.4% YoY to P4.2-B a year ago, driven by continuous organic expansion of PGOLD's grocery retail outlets, strategic cost management and sustained strong consumer demand.

Wilcon Depot, Inc. (WLCON) share prices performed second best in the sector as it ended August +8.3% higher MoM. In Q2-2022, WLCON's net income grew by 56.4% YoY to P1.0-B supported by a 12.1% sales expansion. H1 earnings likewise jumped by 48.8% YoY to P1.9-B, as WLCON kept on track to meet its expansion target of opening eight (8) new depots by end-2022.

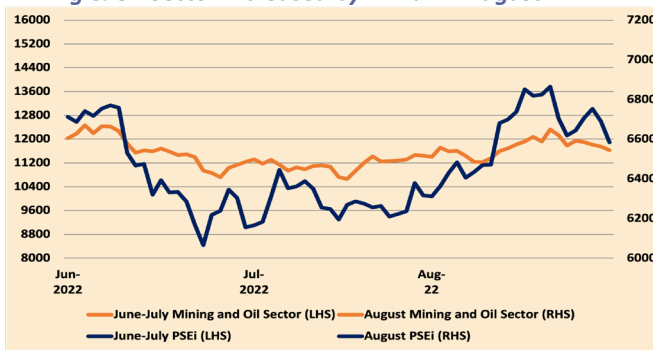
The two telecom giants Globe Telecom (GLO) and Philippine Long Distance Telephone Co. (TEL) showed modest increases in share prices of 1.7% and 1.4% MoM, respectively. Despite this, GLO's performance achieved the third highest gain in the sector as it recovered from its -9.1% MoM decline in the previous month. GLO turned in core net income of P5.9-M in Q2-2022, up 2.3% from P5.8-B a year ago. It reported a 51% increase in total net income to P19.7-B in H1-2022,

**Table 20 - Mining and Oil Sector Constituent Stock**

Company	Symbol	7/29/2022 Close	8/31/2022 Close	M-o-M % Change	2022 YTD
Semirara Mining and Power Corporation	SCC	41.50	41.10	-1.0%	02.5%

Source of Basic Data: PSE Quotation Reports

**Figure 24 - Mining & Oil Sector Index (May 2022 - August 2022)**  
Mining & Oil Sector Increased by +1.7% in August



Source of Basic Data: PSE Quotation Reports

although removing asset sales, H1-2022 core earnings actually fell by -16.6% to P11.0-B from P13.2-B in the first semester of 2021. GLO’s total number of consumers likewise expanded 87.4-M while its mobile wallet GCash has 66.0-M registered users and an estimate of P3.0-T in gross transaction value, which is expected to grow further to P6.0-T by end of 2022.

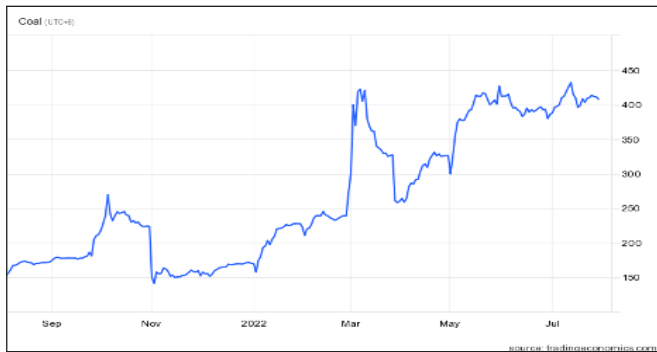
TEL share prices ended August with a +1.4% MoM gain reversing a -1.4% MoM loss a month ago. TEL reported core net income increase of 12.5% to P8.8-B in Q2-2022 from P7.8-B a year earlier. The company reported a 10.9% jump in H1-2022 earnings to P17.0-B from P15.3-B a year ago. TEL jumpstarted the construction of its 11th data center in Sta. Rosa Laguna and likewise fired up its U.S.-Transatlantic Jupiter Cable System, enabling the Philippines to be connected to the rest of the world, and promising to deliver a faster connection to businesses and households.

Converge ICT Solutions, Inc. (CNVRG) suffered the largest setback with a -8.4% MoM loss in August, following its -10.2% decline a month ago. Nonetheless, for Q2-2022, CNVRG reported core net income of P1.9-B in Q2-2022, an increase of 16.3% YoY from P1.7-B in the same period last year. For H1, CNVRG also turned in double-digit growth of 21.5% YoY to P3.9-B, from P3.3-B a year earlier. CNVRG expressed its commitment of focused investments to reach unserved and underserved communities in dire need of reliable and quality internet connectivity, as they installed nearly 650,000 new fiber-to-the-home (FTTH) ports as of Q2-2022.

International Container Terminal Services, Inc. (ICT) share prices tumbled by -6.7% after its +5.5% upswing in July. In contrast, ICT propelled its core earnings by 60.5% to P8.2-B from P5.1-B in the same period last year. ICT’s core net income soared by 64.3% to P15.6-B in H1-2022 from P9.5-B a year ago. ICT associated the strong performance mainly with improved operating income, net foreign exchange gains and equity share in net profit of joint ventures, and contribution from new terminals. Recently, ICT announced its launch of a mobile application which can enable port users to monitor the movement of trucks, containers and vessels, all of which is expected to enhance logistics efficiency.



Figure 25 - New Castle Coal Features



Source of Basic Data: Trading Economics

The Mining & Oil sector rose by +1.7% practically erasing its +1.8% gain in the previous month. Semirara Mining and Power Corporation (SCC) share prices corrected from its peak and declined by -1% in August after its +18.6% jump in July. This occurred despite SCC's earnings growth of 171% YoY in Q2-2022 to P10.8-B from P4.0-B in the same period last year.

Admittedly, the uptick slowed from Q1-2022 when earnings skyrocketed by 552%. With all-time high coal selling prices, alongside higher electricity sales volume at elevated prices, SCC's H1-2022 earnings zoomed up by 311% to P25.8-B in H1-2022 from P6.3-B a year ago, Meantime, coal prices reverted to above-\$400/MT levels in early September.

# Recent Economic Indicators

## NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2020		2021		4th Quarter 2021			2nd Quarter 2022		
	Levels	Annual G.R.	Levels	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.
<b>Production</b>										
Agri, Hunting, Forestry and Fishing	1,818,007	1.9%	1,954,345	7.5%	580,203	33.8%	5.2%	480,456	-3.9%	5.8%
Industry Sector	5,151,945	-11.8%	5,607,009	8.8%	1,760,803	50.2%	11.4%	1,649,022	11.3%	15.1%
Service Sector	10,963,799	-6.6%	11,849,213	8.1%	3,321,517	10.8%	9.8%	3,264,614	11.0%	13.1%
<b>Expenditure</b>										
Household Final Consumption	12,911,851	-8.0%	13,456,531	4.2%	3,923,916	20.9%	7.5%	3,401,517	-2.1%	8.6%
Government Final Consumption	2,652,447	10.0%	2,839,963	7.1%	683,320	-1.4%	7.8%	903,920	34.3%	11.1%
Capital Formation	3,382,434	-33.5%	4,060,997	20.1%	1,144,071	25.0%	14.2%	1,383,303	34.6%	20.5%
Exports	4,735,076	-31.8%	5,128,006	8.3%	1,251,031	-7.2%	7.7%	1,355,710	-0.1%	4.3%
Imports	6,146,212	-21.2%	6,947,443	13.0%	1,814,149	4.8%	14.3%	2,005,024	6.2%	13.6%
GDP	17,530,785	-9.5%	18,538,053	5.7%	5,201,501	17.5%	7.8%	4,990,139	8.2%	7.4%
NPI	1,325,383	-30.4%	642,515	-51.5%	226,214	50.2%	16.0%	256,388	13.4%	64.8%
GNI	18,856,166	62.3%	19,180,570	1.7%	5,427,716	18.6%	8.1%	5,246,527	8.4%	9.3%

Source: Philippine Statistics Authority (PSA)

## NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2020		2021		June-2022			July-2022		
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R.	Levels	Monthly G.R.	Annual G.R.
<b>Revenues</b>										
Tax	2,504,421	-2.4%	2,739,350	-2.4%	250,887	-12.1%	17.5%	281,908	12.4%	22.7%
BIR	1,951,023	0.0%	2,078,108	0.0%	173,540	-19.9%	8.9%	197,390	13.7%	15.5%
BoC	537,687	-9.3%	643,563	-9.3%	76,201	15.0%	46.1%	83,596	9.7%	46.2%
Others	15,711	-24.7%	18,157	-24.7%	1,146	-56.8%	-46.6%	922	-19.5%	-53.1%
Non-Tax	351,412	23.6%	265,357	23.6%	39,300	106.7%	23.4%	26,408	-32.8%	1.3%
<b>Expenditures</b>										
Allotment to LGUs	4,227,406	24.0%	4,675,639	10.6%	505,791	12.0%	27.9%	395,395	-21.8%	4.8%
Interest Payments	804,546	39.8%	892,698	39.8%	89,478	0.6%	22.3%	86,406	-3.4%	29.7%
	380,412	8.9%	429,432	8.9%	36,752	8.6%	22.8%	52,091	41.7%	-11.7%
Overall Surplus (or Deficit)	-1,371,447	145.7%	(1,670,100)	145.7%	(215,523)	46.8%	43.8%	(86,763)	-59.7%	-28.4%

Source: Bureau of the Treasury (BTr)

## POWER SALES AND PRODUCTION INDICATORS

### Manila Electric Company Sales (In Gigawatt-hours)

	2021		May-2022			June-2022		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
<b>TOTAL</b>	45,524.20	5.7%	4,212.90	5.0%	6.4%	4,952.40	15.3%	8.1%
Residential	16,906.10	2.6%	1,567.90	-0.5%	3.0%	1,613.20	-3.8%	1.7%
Commercial	14,950.30	3.2%	1,468.90	16.1%	11.5%	1,707.20	23.2%	13.7%
Industrial	12,897.30	12.4%	1,123.40	2.2%	5.5%	1,632.00	41.2%	12.0%

Source: Meralco

## BALANCE OF PAYMENTS (In Million U.S. Dollar)

	2020		2021		4th Quarter 2021		2nd Quarter 2022	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
<b>I. CURRENT ACCOUNT</b>								
Balance of Trade	11,578	-480%	-6,922	-160%	-3,953	-224.1%	-7,922	457.7%
Balance of Goods	33,775	-32%	53,781	59%	16,533	75.0%	19,232	53.7%
Exports of Goods	48,212	-10%	54,169	12%	13,799	4.0%	13,945	6.4%
Import of Goods	81,987	-20%	107,950	32%	30,332	33.5%	33,177	29.5%
Balance of Services	-13,866	6%	-14,174	2%	-3,751	-8.0%	-2,975	-4.0%
Exports of Services	31,822	-23%	33,627	6%	9,214	10.1%	9,177	16.1%
Import of Services	17,956	-36%	19,453	8%	5,463	27.2%	6,202	28.9%
Current Transfers & Others								
<b>II. CAPITAL AND FINANCIAL ACCOUNT</b>								
Capital Account	63	-50%	80	26%	24	19.3%	18	-8.2%
Financial Account	-6906	-14%	-6,942	1%	-4,973	-34.3%	-2,870	-13.4%
Direct Investments	-3,260	-39%	-8,116	149%	-2,138	328.9%	-1,375	-13.7%
Portfolio Investments	-1680	-32%	8,046	-579%	161	-104.7%	29	-102.8%
Financial Derivatives	-199	15%	-603	203%	-195	178.6%	-273	89.8%
Other Investments	-6,268	255%	-8,152	30%	-2,801	0.0%	-1,250	130.4%
<b>III. NET UNCLASSIFIED ITEMS</b>	1245	-149%	361	-71%	965	0.0%	1,439	-242.7%
<b>OVERALL BOP POSITION</b>	16,022	104%	1,345	-92%	2,009	-78.0%	-3,596	-497.2%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Commercial Banks	7,713	378%	294	-96%	-2,256	-21.3%	-1,592	976.3%
Net Foreign Assets	7,665	384%	433	-94%	-2,286	-20.2%	-1,587	-2995.9%
Basic Balance	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source: Bangko Sentral ng Pilipinas (BSP)

## MONEY SUPPLY (In Million Pesos)

	2021		June-2022		July-2022	
	Average Levels	Annual G. R.	Average Levels	Annual G. R.	Average Levels	Annual G. R.
<b>RESERVE MONEY</b>	3,303,261	8.8%	3,333,660	3.5%	3,506,011	6.4%
<b>Sources:</b>						
Net Foreign Asset of the BSP	6,296,263	39.5%	6,523,074	5.6%	6,493,065	-0.5%
Net Domestic Asset of the BSP	14,211,531	26.7%	15,628,848	9.9%	15,748,732	11.5%
<b>MONEY SUPPLY MEASURES AND COMPONENTS</b>						
Money Supply-1	5,659,905	52.6%	6,379,128	13.5%	6,287,934	12.0%
Money Supply-2	13,795,976	30.2%	14,879,889	8.4%	14,822,043	8.0%
Money Supply-3	14,432,021	30.4%	15,440,503	7.3%	15,377,977	7.0%
<b>MONEY MULTIPLIER (M2/RM)</b>	4.18		4.46		4.23	

Source: Bangko Sentral ng Pilipinas (BSP)

**CONTRIBUTORS**

Jose Patricio A. Dumlao	President, FMIC
Dr. Victor A. Abola	Senior Economist, UA&P
Michaela Nicole Meriño	Research Assistant, UA&P
Kristine Roy Lauren Mulliken	Research Assistant, UA&P

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