March 2023

The

# MARKET CALL

## Capital Markets Research

FMIC and UA&P Capital Markets Research


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# Executive Summary

***Piercing through the perceived dark economic clouds opens up to a more sunny outlook based on the most recent economic data. Apart from the Manufacturing sector's fast growth in January and expansion implied by February PMI, employment losses mostly arose in the Agriculture, with the Services sector relatively spared. With NG deficit lower in 2022 from the prior year, debt-to-GDP ratio mildly rose to 60.9% from 60.5% earlier, suggesting available fiscal space, albeit not quite like those in pre-pandemic times. Thus, we expect NG infrastructure spending, together with major ongoing PPP projects, to bulk up in 2023. Inflation has seen its worst ugly head and should steadily slow, though not as fast as policymakers would want. All told, we expect a solid 7.1% GDP growth in Q1, buoyed further by personal income tax cuts and robust OFW remittances.***

# Bond Markets

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***Robust U.S. job growth in February and core inflation rising to 0.5% MoM (seasonally adjusted) from 0.4% a month earlier will likely persuade the Fed to continue with its policy rate hiking cycle. The collapse of the Silicon Valley Bank, not a "Systemically Important Bank" (SIB), will only temper the Fed to pursue the rate increases more gingerly with 25 bps upticks in March and May or June. This will provide an upward pressure on local bond yields. And despite local YoY inflation sliding, real 10-year bond yields will remain negative in H1 which should prove unsustainable. The external and domestic factors should keep those yields above 6% in H1.***

BTr raised a total of P283.7-B from its RTB-29 offering in February.• Investors turned defensive as the total tender-offer ratio (TOR) plunged to 1.468x in February from 3.312x in the previous month. • Trading volume in the secondary market declined by -20.1% to P429.5-B in February. • Yields rose across the curve with the 91-day papers gaining the most by 29.1 bps to 4.603%, the highest since May 2019. • Corporate bond trading rebounded by 15% MoM in February. • ROP's spread over equivalent U.S. Treasuries may have limited tightening scope due to greater risk aversion and volatility of interest rates.

# Macroeconomy

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***Beneath apparently negative headlines, the economy still shows signs of vitality as the Manufacturing sector posted double-digit output gain in January, job losses emanated largely in the Agriculture sector (75%) and fairly steady in the Services sector. We think inflation has hit a peak in January and is now on a downtrend which should ease worries about a slowdown in consumer spending. We think the latter shall find support in the personal income tax cut effective January 2023 and solid OFW remittances. We expect the BSP to hike policy rates by 25 bps in its March meeting to 6.25%, but this won't suffice to stem the depreciation tendency of the peso given the Fed's resolve to raise its policy rates by 25 bps in March and in May and PH's burgeoning trade deficits. The recent SVB bank failure in the U.S. won't derail those plans.***

Manufacturing output climbed by 10.6% YoY in January, the fastest in 10 months, while manufacturing PMI for February still exceeded 50-level.• Employment slumped in January, as usual, but key subsectors in Services sustained gains to offset losses ending only in 99,000 jobs lost. • Lower NG deficit in 2022 to 7.3% of GDP from 8.6% the previous year kept the debt ratio manageable at 60.9% from 60.5%. • While YoY inflation in February slid by only 0.1% percentage point to 8.6%, MoM seasonally adjusted inflation decelerated to 0.3% from 1% a month ago . • The other negative news came from the 13.9% slump in exports for January resulting in a trade deficit of $5.7-B, a 6-month high. The 0.2% peso appreciation in February eased the pain.

# Equities Market

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***The PSEi dipped up by -3.5% by the end of February. With likely tighter monetary policy in the U.S. and PH, equity investors largely exited in February. Nonetheless, the PSEi which had strong support at 6,500 pierced through it downward by March 14th to 6,393.33, as net foreign selling speeded up due to the SVB failure in the U.S. At this level, market price-to-earnings (PE) has dropped to 13.6x, some 12.5% lower than the 10-year average PE of 15.5x. This could become attractive for long-term investors, but during a period of strong risk aversion, that may convince only the brave.***

Four sectors landed in the negative territory, however the Financial sector and Industrial sector escaped the losses registering a +2.3% and 0.1% MoM gain, respectively.• San Miguel Corporation (SMC, +15.1% gain MoM) posted the best performance among PSEi-constituent stocks. • Globe Telecom (GLO) led the decliners with -12.1% dip MoM. • In the Mining and Oil sector, Semirara Mining & Power Corporation (SCC) dipped by -6.3%. • Foreigners switched to net sellers to the tune of P3.4-B a month ago.

| Economic Indicators (% change, latest month, unless otherwise stated) | Latest Period | Previous Period | Year-to-Date | 2021 (year-end) | 2022 (year-end) |
|---|---|---|---|---|---|
| GDP Growth (Q4-2022) | 7.2 | 7.6 | 7.6 | 5.8 | 7.2 |
| Inflation Rate (February) | 8.6 | 8.7 | 8.7 | 3.9 | 8.1 |
| Government Spending (December) | 13.6 | 10.2 | 11.9 | 12.8 | 10.2 |
| Gross International Reserves ($B) (February) | 99.3 | 100.7 | 100.0 | 107.1 | 95.1 |
| PHP/USD rate (February) | 54.78 | 54.99 | 54.89 | 48.88 | 55.68 |
| 10-year T-bond yield (end-February) | 6.34 | 6.13 | 6.13 | 4.16 | 6.98 |

*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*

# MACROECONOMY

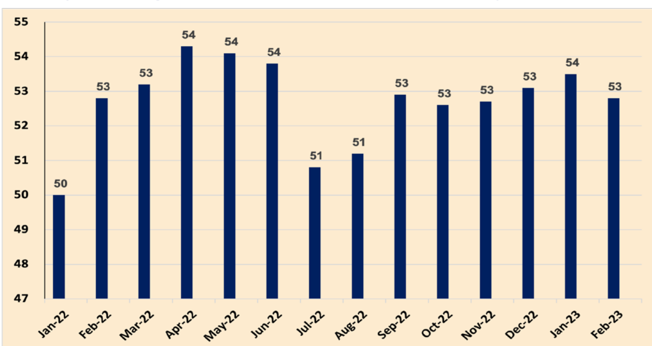
## RECENT ECONOMIC DATA BROADLY POSITIVE BY FEBRUARY

*Manufacturing, employment, and National Government (NG) data released in February emitted positive signals for economic growth, while inflation appeared to have peaked. The peso appreciated slightly while money growth remained tepid. Manufacturing's Volume of Production Index (VOPI) took off by 10.6% in January while PMI stayed in expansionary mode.NG spending in November-December showed a 35% jump from the first 10 months average, and whose effects should spillover into Q1-2023. Inflation may have seemingly eased only minimally to 8.6% in February from 8.7% a month ago, but seasonally adjusted data showed a substantial deceleration month-on-month (MoM).*

***Outlook**: While the data do not readily show blinking bright lights, digging a bit beneath the surface does provide sufficient basis for good expansion in Q1-2023. Add to that the real income effect of the personal income tax cuts and strong Overseas Filipino Workers (OFW) remittances at a higher exchange rate than a year ago, and so we see GDP growth of 7.1% in Q1-2023. This should prove sufficient to boost business and consumer confidence moving forward. The peso-dollar rate will remain challenged as the US Fed raises policy rates further despite the SVB collapse and PH trade deficits ballooning.*

**Figure 1 - Manufacturing PMI**

***Manufacturing PMI Slower at 52.7 in February 2023***




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

### Manufacturing PMI Still Expansionary, Production Index Up by 10.6% in January

S&P Manufacturing PMI for the country suggested continued expansion, albeit at a slower pace of 52.7 in February from 53.5 in January. While still saddled by supply chain issues, input requirements remained robust as producers anticipate sales upticks in the months ahead amid stronger demand and new orders.

The Volume of Production Index (VOPI) of the Manufacturing sector kicked off to a good start in 2023 with a double-digit year-on-year (YoY) growth of 10.6%, the fastest in 10 months. The expansion in output for 17 out of 22 major industry categories, fueled by the above-10% expansion in eight categories out of the seventeen.

**Table 1 - Labor Force Survey Summary**

| | December 2022 | January 2023 | MoM Change | |
|---|---|---|---|---|
| | | | Levels | % Change |
| **Labor Force** | **51,222** | **49,724** | **(1,498)** | **-2.9%** |
| **Employed** | **49,002** | **47,352** | **(1,651)** | **-3.4%** |
| **Underemployed** | **6,197** | **6,654** | **458** | **7.4%** |
| **Underemployment rate%** | **12.6** | **14.1** | **1.41** | **11.1%** |
| **Unemployed** | **2,220** | **2,373** | **153** | **6.9%** |
| **Unemployment rate%** | **4.3** | **4.8** | **0.44** | **10.1%** |
| **Labor Participation rate%** | **66.4** | **64.5** | **(1.90)** | **-2.9%** |
| **Not in Labor Force** | **25,931** | **27,380** | **1,449** | **5.6%** |
| | | | | |
| **Agriculture ('000)** | **11,761** | **10,515** | **(1,245)** | **-10.6%** |
| **Industry ('000)** | **8,381** | **8,073** | **(307)** | **-3.7%** |
| Mining and Quarrying | 3,750 | 217 | 47 | 27.6% |
| Manufacturing | 95 | 3,677 | (73) | -1.9% |
| Electricity, Gas, Steam, and Air-Conditioning Supply | 59 | 3,750 | 7 | 7.4% |
| Water Supply; Sewerage, etc. | 4,307 | 59 | 0 | 0.7% |
| Construction | 3,750 | 4,018 | (288) | -6.7% |
| **Services ('000)** | **28,861** | **28,763** | **(99)** | **-0.3%** |
| Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles | 10,930 | 10,555 | (375) | -3.4% |
| Transportation and Storage | 3,302 | 3,484 | 182 | 5.5% |
| Accomodation and Food Services Activities | 2,020 | 2,086 | 67 | 3.3% |
| Information and Communication | 475 | 556 | 81 | 17.1% |
| Financial and Insurance Services | 690 | 648 | (42) | -6.1% |
| Real Estate Activities | 210 | 303 | 93 | 44.3% |
| Professional, Scientific, and Technical Activities | 294 | 373 | 79 | 26.9% |
| Administrative and Support Services Activities | 2,565 | 2,350 | (215) | -8.4% |
| Public Administration and Defense; Compulsory Social Security | 2,839 | 2,888 | 50 | 1.8% |
| Education | 1,530 | 1,555 | 25 | 1.6% |
| Human Health and Social Work Activities | 503 | 687 | 185 | 36.7% |
| Arts, Entertainment, and Recreation | 402 | 426 | 25 | 6.1% |
| Other Service Activities | 3,103 | 2,848 | (255) | -8.2% |

*Source of Basic Data: Philippine Statistics Authority (PSA)*

## Employment Eased in January, but Up by 10.1% from 2022

As usual every January, the economy employed less people by 1.7-M to reach 47.4-M but still showed a 10.1% increase from the same month in 2022. Notably, the month-on-month job losses of 3.4-M from December 2022 to January 2023 paled in comparison to the -7% slump a year ago. Thus, unemployment rate moved up to 4.8% from 4.3% a month earlier. The underemployment rate also rose to 14.1% from 12.9% but still lower than 14.9% in January 2022.

Agriculture sector's jobs plunged by 1.2-M, accounting for 3/4 of job losses, while the Industry sector also yielded 0.3-M jobs. The balance of nearly 0.1-M came from the Services sector.

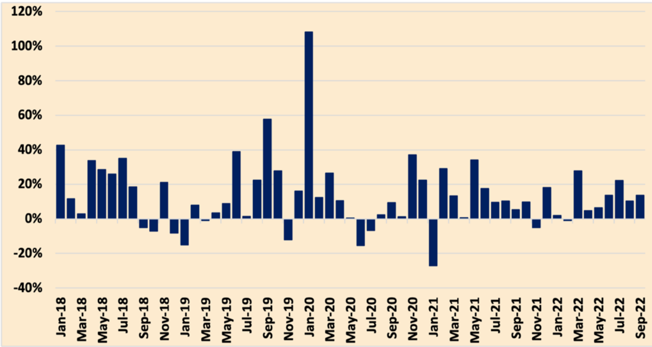
The post-Christmas holidays saw less people in the Construction sub-sector of Industry by 0.3-M and nearly 0.1-M in the Manufacturing sub-sector. Mining & Quarrying, however, added 47,000 jobs to ease the count.

The Service sector, which gave up 99,000 jobs, actually showed robustness, since the nine sub-sectors gains offset three major subsectors' losses. Human Health & Social Activities (+185,000) and Transportation & Storage (+182,000) provided the largest contributions to employment in the sector. Real Estate (+91,000), Information & Communication (+81,000), and Professional, Scientific, etc. (+79,000) also provided support to the job picture. More people eating out and travelling translated into 67,000 more employed persons in Accommodations and Food Services.

Fewer jobs in Trade (Wholesale & Retail, -375,000), Other Services (-255,000) and Administrative & Support Services (-215,000) pulled down the sector's job generation impulse.

The employment picture should improve starting February when the weather permits more travel, eating out, and construction work.

**Figure 2 - NG Expenditures Growth Rate, Year-on-Year**
*NG Spending Increased by 13.6% in December*




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

## NG Spending Rose by 13.6%, Full Year Budget Gap Slimmed to P1.6-T

The National Government (NG) registered a shortfall of P1.6-T in 2022 or 3.4% lower (P56.0-B) than a year ago as revenue growth (18%) surpassed the government's expenditures (10.4%). This brought the fiscal deficit to 7.3% of GDP, lower than 8.6% in 2021 but higher than the Development Budget Coordination Committee's (DBCC) target of 6.9%. In December alone, budget gap widened by 11.9% to P378.4-B on the back of higher expenses. Debt-to-GDP ratio rose only slightly to 60.9% from 60.5% in 2021 as tax revenues exceeded targets.

The government benefited from the economy's robust growth as full year (FY) revenues advanced by 18% YoY to P3.5-B and higher than the P3.3-T target for the year. Meanwhile, December collection climbed by 16% to P268.2-B from P231.3-B in the prior year.

The Bureau of Internal Revenue (BIR) amassed P179.3-B in December, 10.4% higher than previous year's P162.4-B. Its FY performance improved by 12.4% YoY to P2.3-T. Likewise, the Bureau of Customs (BOC) expanded by 21.4% to P73.2-B in December, bringing the overall amount to P862.4-B in 2022 or 34% higher from P643.6-B a year earlier. Income from the Bureau of the Treasury (BTr) in December surged by 38.3% to P6.6-B from P4.7-B in the previous year. Its FY collections went up by 23.5% to P154.8-B buoyed by higher remittances of dividends on shares of stocks, income from Bond Sinking Fund (BSF) investments, and interest on NG deposits.

Total NG expenditure in 2022 jumped by 10.4% to P5.2-T from P4.7-T in the prior year mainly driven by the larger National Tax Allotment shares of local government units, higher capital expenditures, defense modernization projects, personnel services expenses, and interest payments. In December, disbursements settled at P646.6-B or 13.6% higher from P569.3-B a month ago.

The huge chunk of NG spending (amounting to 90%) went to primary expenditures of about P603.0-B in December, up by 11.3% from P542.0-B in the previous year. For the FY 2022, it edged up by 9.7% to P4.7-T from P4.2-T last year. Furthermore, interest payments in December surged by 59.6% to P43.6-B from P27.3-B a year earlier amid higher interest rates both here and abroad as central banks address elevated inflation. The aggregate amount in 2022 increased by 17.1% to P502.9-B from P429.4-B in 2021.

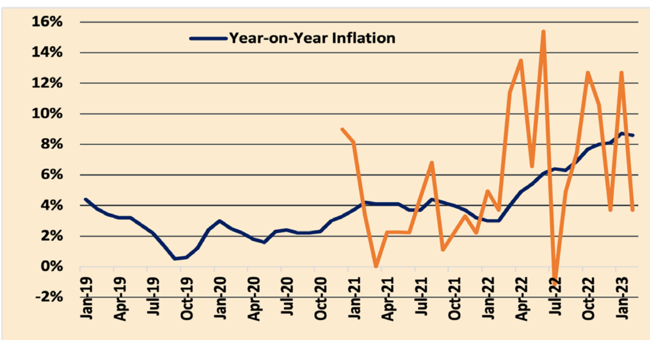
**Table 2 - Major Contributors to Year-on-Year Inflation**

| Inflation Year-on-Year Growth Rates | Jan-2023 | Feb-2023 | YTD |
|---|---|---|---|
| | **8.7%** | **8.6%** | 8.6% |
| **Food and Non-Alcoholic Beverages** | 10.8% | 10.8% | 10.8% |
| **Alcoholic Beverages and Tobacco** | 10.9% | 11.0% | 11.0% |
| **Clothing and Footwear** | 4.4% | 4.8% | 4.6% |
| **Housing, Water, Electricity, Gas, and Other Fuels** | 8.5% | 8.6% | 8.5% |
| **Transport** | 11.2% | 9.0% | 10.1% |
| **Restaurants and Accommodation** | 7.6% | 8.1% | 7.8% |
| **Personal Care & Miscellaneous Goods and Services** | 5.0% | 5.3% | 5.2% |

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)*

**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)*

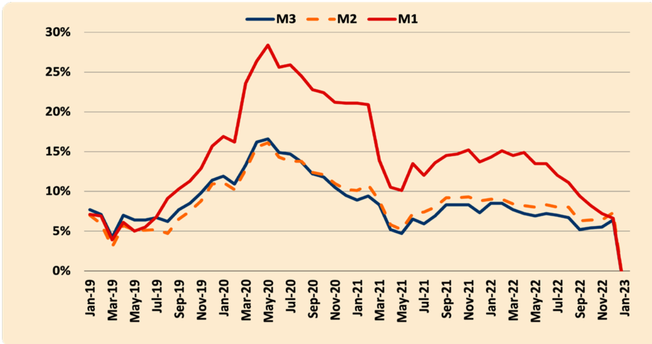
## Headline Inflation Slightly Down to 8.6% in February

Headline inflation slightly slid in February to 8.6% year-on-year (YoY) an apparently small easing from 8.7% a month earlier. Digging a little into the data, CPI came actually unchanged from the previous month, and the uptick arose from the low base in February 2022. CPI steadied as food prices and transport costs slipped during the month to offset the rise in other product categories. Thus, core inflation (which removes volatile food and fuel prices) hopped faster to 7.8% YoY from 7.4% in January.

On year ago YoY basis, Food and Non-alcoholic Beverages (FNAB) inflation remained elevated at 10.8% and accounted for nearly 60% of the month's YoY inflation. Within that category, only five took a faster pace led by Milk & Other Dairy Products & Eggs (+13.1% from +11.3%) and Fish & Other Seafoods (+9.9% from +6.7%), highlighted by the rapid rise of egg prices. Sugar, Confectionary & Desserts sub-index remained elevated at 37% from 38.8% a month earlier.

Transport cost which contributed some 18% to YoY inflation actually slowed by -0.3% MoM. Lower fuel prices from January 2023 pulled the sub-index down. Crude oil prices abroad had a yearly 15%-16% decline as West Texas Intermediate (U.S. benchmark) fell to $76.83/barrel (bbl) from $91.64 while Brent (European benchmark) slumped to $82.59/bbl from $97.13/bbl, both from a year ago.

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 Underperformed by -13.5% in January*


*Source of Basic Data: Philippine Statistics Authority (PSA)*

Table 3 - Exports Year-on-Year Growth Rates

| | Dec-2022 | Jan-2023 | YTD |
|---|---|---|---|
| **Total Exports** | **-9.7** | **-13.5** | **-13.5** |
| **Agro-Based Products** | **-30.5** | **-25.1** | **-25.1** |
| **Mineral Products, of which** | **11.6** | **1.9** | **1.9** |
| Copper cathodes | 69.1 | -39.0 | -39.0 |
| Others (incl. nickel) | 13.2 | 41.2 | 41.2 |
| **Manufactured Goods** | **-10.9** | **-15.3** | **-15.3** |
| Electronic Products | -13.9 | -19.2 | -19.2 |
| Other Electronics | -14.4 | 9.6 | 9.6 |
| Chemicals | -23.2 | -17.2 | -17.2 |
| Machinery and Transport Equipment | 12.4 | 20.7 | 20.7 |
| Processed Food and Beverages | -1.0 | -13.1 | -13.1 |
| Others | -5.7 | -12.0 | -12.0 |

*Source of Basic Data: Philippine Statistics Authority (PSA)*

## Money Supply (M3) Growth Slowed Down by 5.5% YoY in January

Domestic liquidity (M3) grew by 5.5% YoY to P16.0-T. On a MoM seasonally adjusted basis, M3 was broadly unchanged.

Net foreign assets in peso terms slightly decreased by -1% from December's -3.5%. The decline in bank's NFA position reflected lower bills payable.

Lending for production slowed to 9.2% YoY pace in January from 12.4% (revised) in December, as outstanding loans to key industries further decreased, specifically information and communication (+21.4%) and electricity, gas, steam, and air conditioning supply (+12.7%).

Wholesale and retail trade, repair of motor vehicles and motorcycles likewise saw a decrease in its loan availments.

Meanwhile, consumer loans slowed to 20.3% YoY in February from 25.1% (revised) in December.

With inflation likely to have peaked in January and price gains in the coming months much less than experienced in 2022, we think the BSP may opt for only a 25-bps increase in policy rate in its March meeting followed by another 25 bps in May. There is an upside risk in the March 21-22 meeting if the Fed hikes its policy rates by 50 bps. BSP will likely not want to extinguish the economic recovery momentum.

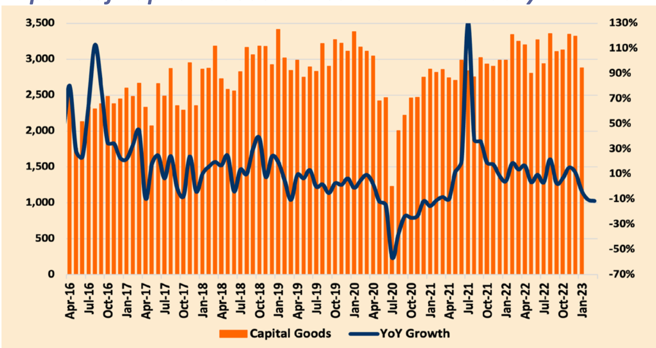
## Exports Plunged Deeper by -13.5% in January

With a gloomy global outlook amid higher interest rates and elevated inflation, outbound shipments experienced a deeper dive by -13.5% to $5.2-B in January from $6.0-B in the prior year. Similarly, it fell by -9.8% from $5.8-B a month earlier.

Four out of 10 major commodities recorded annual gains in January. Exports of Other Mineral Products surged by 41.2%, followed by Gold, and Machinery & Transport Equipment with 29.3% and 20.7%, respectively. The country's top export, Electronic Products, fell once more by -19.2% in January. Coconut Oil and Cathodes & Sections Of Cathodes, Of Refined Copper dropped much more by -39.1% and -39%, respectively.

By major type of goods, only Mineral Products grew by 1.9% in January driven by Gold exports (up by 29.3%). On the other hand, Petroleum Products plummeted by -51.6% while Forest Products slid by -29.3%. Furthermore, Total Agro-Based Products and Manufactured Goods edged down by -19.1% and -15.3%, respectively.

**Figure 6 - Imports of Capital Goods (in Million USD)**
*Imports of Capital Goods Inched Down in January*




*Source of Basic Data: Philippine Statistics Authority (PSA)*

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

| | Dec-2022 | Jan-2023 | YTD |
|---|---|---|---|
| **Total Imports** | **-9.9** | **3.9** | **3.9** |
| **Capital Goods** | **-11.4** | **-1.3** | **-1.3** |
| Power Generating and Specialized Machines | 2.0 | 2.0 | 2.0 |
| Office and EDP Machines | -37.0 | -26.5 | -26.5 |
| Telecommunication Equipment and Electrical Machines | 0.2 | 5.0 | 5.0 |
| Land Transport Equipment excluding Passenger Cars and Motorized cycle | 16.5 | -7.0 | -7.0 |
| Aircraft, Ships and Boats | -85.4 | -20.1 | -20.1 |
| Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods | -5.4 | 16.4 | 16.4 |
| **Raw Materials and Intermediate Goods** | **-22.0** | **-12.0** | **-12.0** |
| **Mineral Fuels, Lubricant and Related Materials** | **13.4** | **70.6** | **70.6** |
| **Consumer Goods** | **5.2** | **10.3** | **10.3** |

*Source of Basic Data: Philippine Statistics Authority (PSA)*

Japan emerged the top export destination in January with receipts amounting to $866.3-M or 4.6% higher than $828.3-M in the previous year, accounting for 16.6% of total exports. Outward shipments to the U.S. declined by -21% to $738.3-M or 14.1% of total volume. Lastly, China constituted 12.7% share or $667.0-M worth of exports. Shipments to China may increase in the coming months due to China's reopening.

### Imports Revived by 3.9% in January

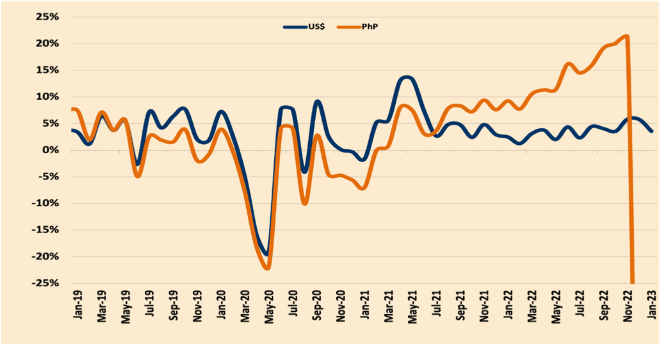
After a -9.6% drop in January, inward shipments rebounded by 3.9% to $11.0-B in January from $10.6-B a year earlier. On the contrary, imports of capital goods trekked down by -1.3% to $3.2-B in January or $41.1-B lower from the previous year.

For capital goods, imports of Professional Scientific & Control Instrumentation, Photographic Equipment & Optical Goods led the gains with a 16.4% YoY expansion in January, followed by Telecommunication Equipment & Electrical Machinery and Power Generating & Specialized Machines with 5% and 2%, respectively. Meanwhile, Office and EDP Machines plunged the most by -26.5% in January.

Despite a -12.9% loss in Electronic Products (the country's top export product) in January, total imports improved due to mammoth gains in Metalliferous Ores and Metal Scrap at 333.5% and Mineral Fuels, Lubricants & Related Materials with 70.6%.

Trade deficit hit a 6-month high of $5.7-B in January. It widened by 27.2% from $4.5-B a year ago as imports outgrew exports.

**Figure 7 - OFW Remittances Growth Rates, Year-on-Year**
***Personal Remittances Grew to $3.0-B in January***




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

**Figure 8 - Dollar-Peso Exchange Rates and Moving Averages**
***Philippine Peso Closed at P55-Level by end-February***


*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 | | | |
|---|---|---|---|
| | Jan-2023 | Feb-2023 | YTD |
| AUD | -2.8% | 0.7% | -2.1% |
| CNY | -2.6% | 0.6% | -2.1% |
| INR | -0.8% | 1.0% | 0.2% |
| IDR | -2.0% | -0.8% | -2.8% |
| KRW | -4.0% | 2.7% | -1.5% |
| MYR | -1.9% | 0.6% | -1.3% |
| PHP | -1.2% | -0.4% | -1.6% |
| SGD | -2.0% | 0.5% | -1.5% |
| THB | -4.3% | 2.2% | -2.2% |

Note: Green font - means it depreciated, weaker currency
Red font – means it appreciated, stronger currency

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

## OFW Remittances Increased by 3.5% in January 2023

Personal remittances of Overseas Filipino Workers (OFW) grew by 3.5% YoY to $3.0-B in January. This brought the YTD remittances to $3.0-B, a 3.5% uptick from $2.9-B in January 2023. The increase in personal transfers during the year benefitted from land-based workers which rose by 3.9% to $2.3-B from $2.2-B in the same period last year; and sea-land based workers which rose by 2.1% to $0.63-B a year ago. On the other hand, cash remittances from OFWs coursed through banks grew by 3.5% to $2.7-B in the same month a year ago.

The increase in cash remittances from the United States (U.S.), Saudi Arabia, Japan, and Singapore led the growth in the remittances in January of 2023. As for the country origin (reflecting foreign banks effecting the remittance), the U.S. registered the highest share of overall remittances at 41.9%, followed by Singapore, Japan, Saudi Arabia, United Kingdom, United Arab Emirates, Canada, Taiwan, Qatar, and Malaysia. The consolidated remittances from these top 10 countries accounted for 79.8% of total cash remittances in January.

## Philippine Peso Appreciated Further by 0.4% in February

The peso-dollar exchange rate (USDPHP) strengthened a bit more by 0.4% to average P54.78/$ in February from P54.99/$ a month prior. However, market sentiment reversed by month-end, bringing the peso to the P55/$ level as investors priced in a higher Fed terminal rate. With this, the U.S. Dollar Index (DXY) rose to a 7-week high of 105 in the last week of February amid strong economic data and still elevated January inflation.

The volatility measure trekked down to 42.7% in February from 53.1% a month earlier as the local currency traded between a low of P53.77/$ and a high of P55.31/$.

The actual FX rate settled above the 30-day moving average (MA), suggesting weakness in the short term. While the 200-day MA remained above actual FX rate, the 30-day MA appears headed towards it, and so with higher U.S. interest rates, the short-term outlook for the peso remains on the depreciation side.

## Outlook

Despite high inflation and negativity that troubles many minds, we think the economy is far from being down and out. Rather, the robustness remains until some more dramatic (unlikely) negative event(s) demolishes it.

- The Manufacturing sector's double-digit gain in January and PMI still above-50 (i.e., expansionary) and the likely comeback of infrastructure spending in the New Year provide us with sufficient grounds to retain our sanguine view.

- Employment has dropped in January, as seasonally driven, but minor slippages in the Services sector, as sustained gains in two previously battered sub-sectors, Transport & Storage, and Accommodations & Food Services, as well as Real Estate Activities, etc. kept the sectoral job situation relatively unscathed.

- NG has sufficient fiscal space, with debt-to-GDP only at 60.9% as 2022 ended. It can pursue its ambitious infrastructure spending, which PPP projects should support as well. Major ongoing PPP projects like the MRT-7, Calamba-Laguna Expressway (CALAX), the second NLEX-SLEX Connector Road should provide a boost to this type of spending. Besides, key NG projects like the Metro Manila Subway, the North-South Commuter Rail, and the South Luzon Expressway (SLEX) extension, have gained traction.

- Elevated inflation remains a concern as it tracked at 8.6% YoY in February only apparently slightly slower than 8.7% a month earlier. The fact that CPI level remained unchanged from December could easily fall below the analysts' radar. Actually, the Food price index and the Transport & Communications index fell in February to blunt the climb in prices of other commodities. Despite core inflation YoY rising faster in February, we should not lose sleep over it since food and transport prices, in the Philippines, have a lagged effect on "non-volatile" items.

- While USDPHP rate bucked the region's currency depreciation mode in February, this won't last long due to the Fed's renewed policy rate hiking and our country's ballooning trade deficits, which hit a six-month high in January. Besides, the graph above would show that the USDPHP rate "unexplicably" did not catch up to U.S. dollar's strength from April to October and again since January 2023.

# FIXED INCOME SECURITIES

## BOND RALLY LOSES STEAM IN FEBRUARY AS HIGHER INTEREST RATES LOOM

*The bond rally in the start of the year proved short lived as local yields jumped across the curve as fear-struck investors recoiled from the January inflation at a 14-year high of 8.7% and prospects of a higher U.S. Fed and BSP terminal policy rate. The risk sentiment reversal translated into a drop in tender-offer ratio (TOR) of 1.468x in February auctions from 3.312x in the previous month. Furthermore, secondary market trading volume plunged by -20.1% to P429.5-B in February. The 91-day and 10-year tenors rose by 29.1 bps to 4.603% (the highest since May 2019) and 22.4 bps to 6.325%, respectively. Yields of Republic of the Philippines dollar-denominated bonds (ROPs) also climbed up to 55.5 bps with ROP-24 providing higher yields than ROP-33, mimicking the yield curve inversion in the U.S.*

***Outlook**: With still strong job creation in February, MoM seasonally adjusted (s.a.) core inflation bouncing back to 0.5% in February (from 0.4% a month ago) and after upward adjustments to the last four months of 2022, the Fed will still pursue its rate hiking cycle. However, the SVB failure may temper this and so we are projecting a 25 bps hike in March and May or June. That would still provide opportunities for carry trade in U.S. dollars and keep the latter strong. Domestically, despite inflation's peak in January, sharper monthly improvements would likely bring average inflation in Q2 to above-7%. The latter would imply negative real 10-year yields which would not hold for long and so we still see upward pressure on those yields after the dust settles over the SVB fiasco in the U.S. by Q2.*

**Table 6 - Auction Results**

| Date | T-Bond/ T-Bill | Offer (Php B) | Tendered (Php B) | Accepted (Php B) | Tendered ÷ Offered | Ave. Yield | Change bps |
|---|---|---|---|---|---|---|---|
| 27 Feb | 91-day | 20.000 | 27.071 | 13.550 | 1.354 | 4.413 | 26.1 |
| | 182-day | 20.000 | 37.386 | 19.100 | 1.869 | 5.177 | 30.2 |
| | 364-day | 20.000 | 58.488 | 20.000 | 2.924 | 5.577 | 22.3 |
| **Subtotal** | | **60.000** | **122.945** | **52.650** | **2.049** | | |
| 7 Feb | 5.5 year RTB 29 | 200.000 | 196.109 | 162.180 | 0.981 | 6.125 | 37.5 |
| 21 Feb | 10 year FXTN 10-69 | 35.000 | 92.254 | 35.000 | 2.636 | 6.258 | 34.5 |
| 28 Feb | 7 year FXTN 07-67 | 25.000 | 58.599 | 25.000 | 2.344 | 6.172 | -62.4 |
| **Subtotal** | | **260.000** | **346.962** | **222.180** | **1.334** | | |
| ***All Auctions*** | | **320.000** | **469.807** | **274.830** | **1.468** | | |

*Source: Bureau of the Treasury (BTr)*

**Table 7 - Auction Results**

| | Total | New | Bond Exchange |
|---|---|---|---|
| Feb 7 award | 162.2 | 162.2 | - |
| Follow-on to Feb 17 | 121.5 | 89.9 | 31.7 |
| Totals | 283.7 | 252.0 | 31.7 |

*Source: Bureau of the Treasury (BTr)*

### Primary GS Market: BTr Raised P283.7-B From RTB-29 Offering

The Bureau of the Treasury (BTr) priced the new 5.5-year Retail Treasury Bond (RTB-29) at a handsome rate of 6.125%, higher than the 5-year yields in the secondary market of 5.889% on day of the rate-setting auction on February 7. This came after the inflation surprise of 8.7% in January which exceeded BSP's forecast of 7.5-8.3%. Furthermore, its coupon rate is higher by 37.5 bps from the last RTB issuance of 5.750% in August 2022.

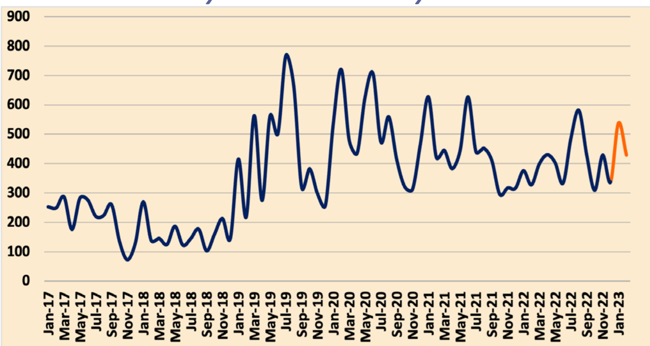
Aside from local inflation at a 14-year high, news of the U.S. adding a whopping 517,000 new jobs (vs expected 188,000) and higher than expected January inflation at 6.4% swayed the market to turn defensive in February, a reversal from previous month's risk on sentiment.

Investor cautious mood manifested itself in BTr auctions as the tender-offer ratio (TOR) plunged to 1.468x in February from 3.312x in the previous month. For treasury bills (T-bills), the 91-day paper yields jumped by 26.1 bps to 4.413% from 4.152% a month ago. Additionally, it fully rejected 91-day T-bill bids in its last February auction as yields, if awarded, would have reached 4.864% . Furthermore, the 182-day and 364-day debt papers vaulted by 30.2 bps to 5.177% from 4.875% and 22.3 bps to 5.577% from 5.354%, respectively.

In the Treasury bonds (T-bonds) space, the 10-year tenors spiked by 34.5 bps to 6.258% in February from 5.913% a month earlier. In contrast, 7-year T-bond yields plummeted by -62.4 bps to 6.172% from 6.796% in January as BTr offered only P25.0-B this month from its usual P35.0-B.

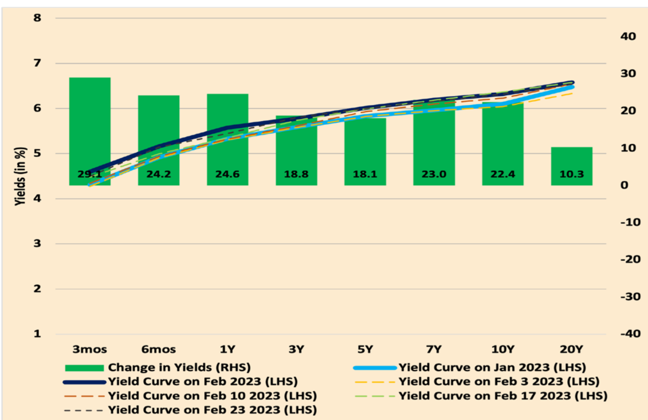
Regarding RTB-29, BTr issued a total of P283.7-B throughout the offer period from February 7 to 15.

**Figure 9 - Monthly Total Turnover Value (in Billion Pesos)**
*Volume Declined by -20.1% in February*



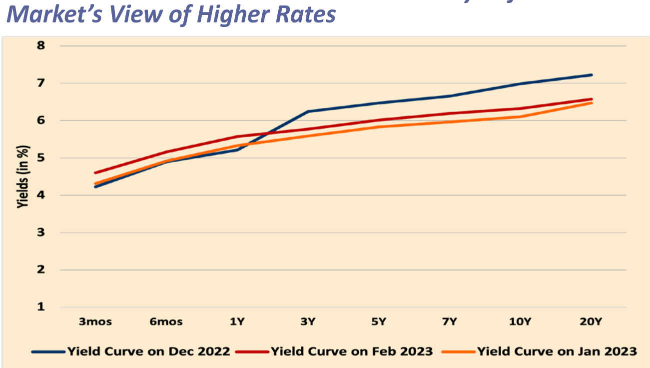

*Source: Philippine Dealing Systems (PDS)*

**Figure 10 - Week-on-Week and Month-on-Month Changes on the GS Benchmark Bond Yield Curves (bps)**
*Higher Yields Across the Curve, Reversal from Last Month's Trend*




*Sources: Bloomberg, First Metro Investment Corporation (FMIC)*

**Figure 11 - Year-end Yield Curve in 2022 and Latest Yield Curve Versus Previous Month in 2023**
*Elevated Yields in the Front End in February Reflect Market's View of Higher Rates*




*Sources: Bloomberg, First Metro Investment Corporation (FMIC)*

They accumulated P162.2-B B during its initial offering, P31.7-B through the bond exchange, and an additional P89.9-B for the follow-on duration. BTr obtained P252.0-B in new money from the RTB-29 issuance which will help the country's various programs for economic resiliency such as those under the agriculture, infrastructure, education, and healthcare sectors.

## Secondary Market: Higher Yields Amid Persistently High Inflation

The strong rally in January proved short lived as yields across the curve went back to the upside in February. The supersized gains in U.S. jobs data, scorching hot local inflation at 8.7% in January, and higher-than-expected U.S. January inflation at 6.4% spooked investors resulting in lower trading volume in the secondary market. It dropped by -20.1% to P429.5-B from P537.7-B a month earlier.

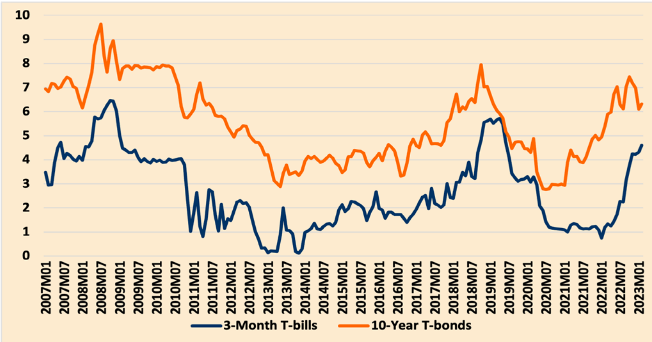
On February 16, BSP raised policy rates by 50 bps to 6%, the highest level in nearly 16 years. The strong monetary response aims to reduce the risk of higher inflation breach in 2024 and signaled more to come as inflationary pressures remain large.

Consequently, the 91-day T-bills advanced the most by 29.1 bps to 4.603%, the highest since May 2019, from 4.312% in the prior month. The 6-month and 1-year debt papers went up by 24.2 bps to 5.161% from 4.919% and 24.6 bps to 5.577% from 5.331%, respectively.

Similarly, investors stayed away from longer tenors as the 3-year and 5-year tenors climbed by 18.8 bps to 5.775% in February from 5.587% and 18.1 bps to 6.013% from 5.832%, respectively. From its sharp downfall in January, the 10-year securities shot up by 22.4 bps to 6.325% from 6.101%. Moreover, 7-year and 20-year T-bonds rose by 23 bps to 6.192% from 5.962% and 10.3 bps to 6.577% from 6.474%, respectively.

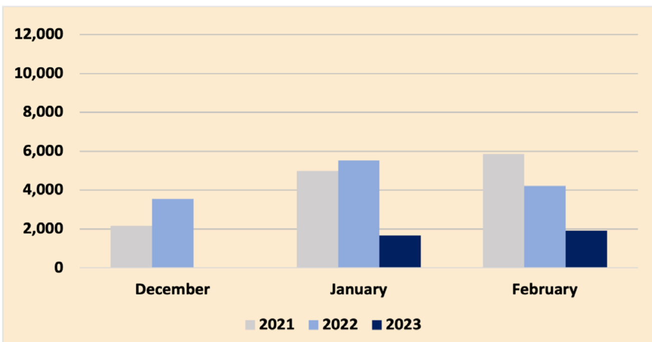
The spread between 10-year and 2-year bond yields contracted by -6.2 bps to 68.2 bps in February. The January inflation of 8.7% suggested a stickier inflation path which would cause the BSP to tighten more than expected. BSP Medalla also shared that if inflation breaches 9% in February, BSP would deliver another 50-bps hike in its March meeting. However, February inflation came in at 8.6%, below consensus of 8.9%, thus a 25 bps hike looms more likely, providing respite to the yields' upward momentum.

**Figure 12 - 3-month T-bills and 10-year T-bonds Yields**
***Spread Contracted by -6.6 bps MoM in February 2023***



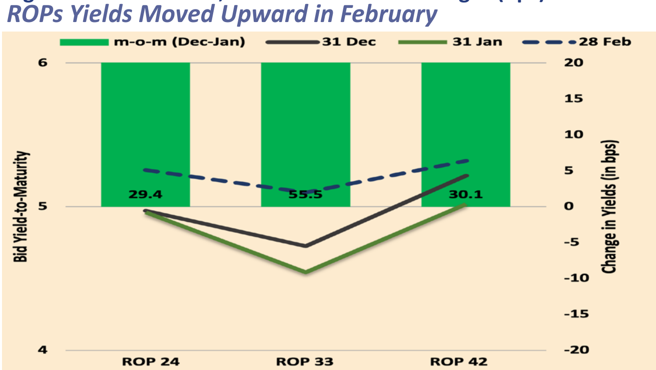

*Source: Philippine Dealing Systems (PDS)*

**Figure 13 - Total Corporate Trading Volume (in Billion Pesos)**
***Trading Volume Rose by 15% MoM***



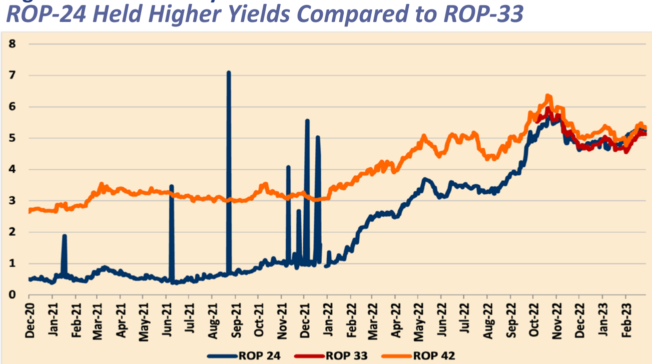

*Sources: Bloomberg, First Metro Investment Corporation (FMIC)*

**Figure 14 - ROPs Yield, Month-on-Month Changes (bps)**
***ROPs Yields Moved Upward in February***




*Source: Philippine Dealing Systems (PDS)*

**Figure 15 - ROPs Daily Yields**
***ROP-24 Held Higher Yields Compared to ROP-33***




*Sources: Bloomberg, First Metro Investment Corporation (FMIC)*

### Corporate Bonds: Volume Improved by 15% in February

Trading of corporate securities expanded by 15% to P1.9-B in February from P1.7-B a month prior. Meanwhile, it plummeted by -54.6% from P4.2-B on a YoY basis. Additionally, Philippine Dealing & Exchange Corp. (PDEx) noted that corporate bond listings may reach close to P300.0-B this year, sharply lower than last year's volume of P508.0-B.

The volume of the top five corporates inched down by -3.6% to P707.9-M, accounting for 37% of the total trades in February. Moreover, Bank of the Philippine Islands (BPI) scored hefty trades in February amounting to P832.2-M, which we excluded from the top 5 corporate trading below.

Still at first place, SM Prime Holdings, Inc. (SMPH) stood at P221.2-M despite lower volume by -42.6% MoM in February. SMC Global Power (SMCGP) and BDO Unibank (BDO) climbed up to second and third place with P176.1-M (up by 174.9% MoM) and P148.6-M (+286.6%), respectively. Volume of Ayala Land, Inc. (ALI) edged down by -9% to P112.5-M. Lastly, San Miguel Corporation (SMC) held the bottom position with P49.5-M or -59.7% lower MoM.

### Corporate Issuances and Disclosures

- Citicore Energy REIT Corporation ("CREIT"), the country's first Renewable Energy REIT, raised P4.5-B from its ASEAN Green Bonds due 2028 with a coupon rate of 7.0543%, payable quarterly. Proceeds will be used for acquisition of real estate properties and Solar Rooftops Systems.

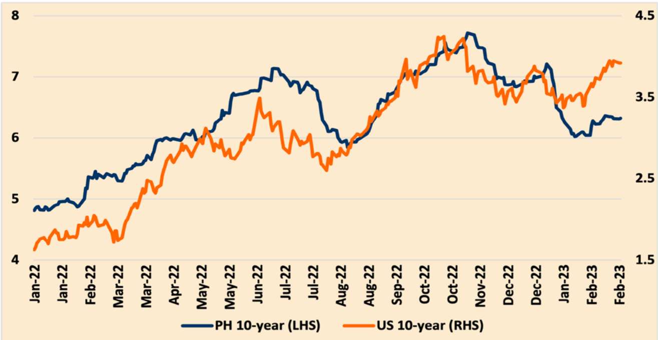
### ROPs: Yields Fell Despite Supply Pressure in January

Yields of the Republic of the Philippines' U.S. dollar-denominated bonds (ROPs) soared in February as market sentiment turned sour on the possibility of a "higher for longer" Fed Funds rate amid still elevated U.S. inflation in January and tight labor market. Domestically, persistently high inflation at 8.7% also contributed to its uptrend.

ROP-24 jumped by 29.4 bps to 5.254% in February from 4.960% a month ago. ROP-33 and ROP-42 escalated by 55.5 bps to 5.099% from 4.544% and 30.1 bps to 5.319% from 5.018%, respectively. Notably, ROP-24 provided higher yields versus ROP-33 as these mimicked the inverted yield curve in the U.S.

The current policy rate in the U.S. sits in between the 4.5-4.75% band. With the outsized gains in jobs and stubbornly high January inflation, the market ramped up their bets on future tightening. As a result, the U.S. Treasury yields headed north with the 1-year tenor up by 34 bps to 5.02% from 4.68% in the previous month.

**Figure 16 - PH and US 10-year Daily Yields**
***PH 10-year Moved Upwards in February After Sharp Descent in January***



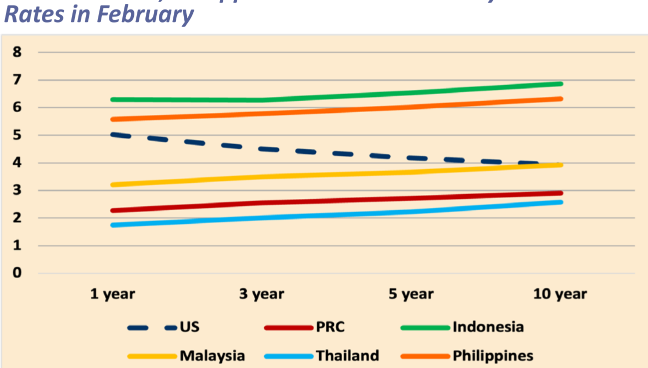

*Source: Bloomberg*

**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 |
| 31-Dec | 24.2 | 84.5 | 107.6 |
| 31-Jan | 28.0 | 102.4 | 123.8 |
| 28-Feb | 23.4 | 117.9 | 121.9 |

*Sources: UA&P Direct Estimates from Federal Reserve Board, Philippine Dealing & Exchange Corp. (PDEx)*

**Figure 17 - Comparative Yield Curve Between ASEAN per Tenor**
***ASEAN+1: U.S., Philippines Raised Their Policy Rates in February***




*Sources: Asian Development Bank (ADB), Federal Reserve Board*

Additionally, 10-year and 20-year U.S. Treasuries surged by 40 bps to 3.92% from 3.52% and 32 bps to 4.10% from 3.78%, respectively.

Spreads between ROPs and equivalent U.S. Treasuries showed mixed movements. The spread between ROP-24 and ROP-42 and their equivalent U.S. Treasuries contracted by -4.6 bps to 23.4 bps and -1.9 bps to 121.9 bps, respectively, in February. In contrast, the spread between ROP-33 and U.S. 10-year widened by 15.5 bps to 117.9 in February.

## ASEAN+1: Further Flattening of Yield Curves in New Year

**U.S.:** Its economy remained robust as it created 311,000 jobs in February from a revised 504,000 (downward from 517,000 earlier estimated) a month ago. Despite this, the unemployment rate inched up to 3.6% from 3.4% a month earlier, as the labor force participation rate improved by 0.1% percentage. Manufacturing PMI improved to 47.3 in February from 46.9 a month earlier, but remained contractionary (i.e., below-50). The spillover of demand from the 3% MoM (s.a.) increase in retail sales likely contributed to the improvement. Besides, Consumer Confidence also rose to 67.0 from 64.7 in February with a likely positive impact. Housing starts, however, declined by 4.5% MoM (s.a.) which brought it to the lowest level since June 2020.

The yield curve inverted further in February to -89 bps (10-year less 2-year yields) from -69 bps in prior month.

**CHINA:** Following the shift of COVID-19 policy, factory activity improved in February as the Caixin Manufacturing PMI jumped to 51.6 from 49.2 in January, marking the first expansionary mode since July. China's inflation rate decelerated to a 1-year low of 1% in February from 2.1% a month ago.

For the first two months of the year, both exports and imports tumbled down amid gloomy global outlook affecting both domestic and foreign demand. The former dipped by -6.8% YoY to $506.3-B while the latter declined by -10.2% to $389.4-B. This resulted in an all-time high trade surplus of $116.8-B in January-February from $109.5-B a year prior.

The People's Bank of China (PBoC) maintained its key lending rates at 2.75% for the 6th consecutive month in February. Moreover, the spread between 10-year

**INDONESIA:** Its Manufacturing PMI dropped by a tad to 51.2 in February from a 3-month high of 51.3 a month earlier. Meanwhile, February inflation climbed to 5.5% (vs 5.3% in January) ahead of Ramadan.

Exports and imports in January grew by 16.4% to $22.3-B and 1.3% to $18.4-B, respectively. As exports rose faster than imports, trade surplus surged to $3.9-B in January from $1.0-B in the previous year.

Bank of Indonesia (BI) retained its 7-day reverse repurchase rate at 5.75% in February as they found the current rate sufficient to maintain core inflation within the 3.0% ±1% target band. The yield curve flattened by 43 bps to 39 bps in February.

**MALAYSIA:** Still in contractionary mode, PMI improved to 48.4 in February from 46.5 in the prior month. On the inflation front, CPI slowed down to a 7-month low of 3.7% in January (vs 3.8% in December) mainly due to the lower transport prices (4% vs 4.9%) and food & non-alcoholic beverages (6.7% vs 6.8%).

Outward shipments rose the least in over 2-year by 1.6% to MYR 112.8-B ($24.9-B) in January amid weakening global demand and moderating commodity prices. Similarly, inward shipments experienced an uptick of 2.3% to MYR 94.7-B ($20.9), bringing the trade surplus to slightly slipped to MYR 18.2-B ($4.0-B) from MYR 18.6-B ($4.1-B) a year ago.

Bank Negara Malaysia (BNM) left policy rates steady at 2.75% in March to remain supportive of its economy as BNM flagged concerns of a slowdown in global growth. In this regard, the government expects the economy to grow by 4.5% in 2023, down from a 22-year high of 8.7% in 2022. The spread between 10-year and 2-year bond yields widened by a tiny 3 bps to 57 bps in February.

**THAILAND:** The economy expanded by 1.4% in Q4 2022, below consensus of 3.5%, due to the decline in exports (-10.5% YoY) and government consumption (-8% YoY). Additionally, PMI soared to the second highest on record of 54.8 in February from 54.5 a month earlier. February inflation eased to 3.8% from 5% in the previous month on the back of further slowdown in Food & Non-Alcoholic Beverages (5.7% vs 7.7%) and Non-Food Products (2.5% vs 3.2%).

After a -14.6% drop in December, exports trekked down by -4.5% to $20.3-B in January. Surprisingly, imports increased by 5.5% to $24.9-B buoyed by improving local demand. Consequently, the trade deficit widened to $4.7-B from $2.5-B a year earlier.

The current interest rate is at 1.5% as there was no policy meeting in February. The yield curve flatted by 8 bps to 71 bps in February.

**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 |
| | | | | | Jan-23 | Feb-23 | | | |
| U.S. | 4.81 | 3.92 | 3.5 | 0.42 | (69) | (89) | (20) | 4.75 | 1.25 |
| PRC | 2.44 | 2.91 | 2.2 | 0.71 | 50 | 47 | (3) | 2.75 | 0.55 |
| Indonesia | 6.47 | 6.86 | 3.9 | 2.96 | 82 | 39 | (43) | 5.75 | 1.85 |
| Malaysia | 3.36 | 3.93 | 2.3 | 1.63 | 54 | 57 | 4 | 2.75 | 0.45 |
| Thailand | 1.87 | 2.58 | 2.2 | 0.38 | 79 | 71 | (8) | 1.50 | -0.70 |
| Philippines | 5.64 | 6.32 | 6.1 | 0.23 | 74 | 68 | (6) | 6.00 | -0.10 |

*Sources: Asian Development Bank (ADB), The Economist & UA&P*
**1-year yields are used for PH because 2-year papers are illiquid*

### Outlook

The specter of higher interest rates in the U.S. and in PH has spooked bond investors as market analysts had previously penciled in lower rates. A rebound in MoM seasonally adjusted U.S. inflation to 0.5% in January from 0.1% a month earlier amid bond traders' earlier conviction that inflation had peaked and on a clear downtrend. Correspondingly, and with a huge gain in employment, Fed officials came out publicly that more rate hikes to a higher terminal rate would be needed to curb inflation and practically rule out rate cuts in 2023.

- Early March showed the U.S. economy creating 313,000 jobs (i.e., more than 50% above a "normal" 190,000), although less than in January. MoM seasonally adjusted inflation for February came in at market expectations of 0.4%, only slightly lower than in January. The failed SVB [not a Systemically Important Bank (SIB) or not "too big to fail"] has unsettled financial markets. In the wake of the SVB failure, but with core inflation MoM rising by 0.5% from 0.4% a month ago, Fed will likely more gingerly raise policy rates by 25 bps in its March 21-22 meeting coupled with another 25 bps in May or June. Thus, the terminal rate may now reach 5%-5.25%, or 50 bps from end-February, with no cuts in 2023.

- The U.S. Treasuries' yield curve became more inverted (i.e., 10-year less 2-year yields, more negative) into March show market perceptions that recession (usually signaled by yield curve inversion) may prove inevitable as the Fed raises policy rates further. The "recession view" has driven 10-year yields lower to 3.703% by March 10th down by some 13 bps from end-February, and slumped further to hover around 3.5% by March 15th as the SVB failure dogged bond markets. This and the above should push the domestic yield curve flatter, with more gains in yields at the short end.

- Domestic inflation likely has peaked (in January) and the downswing should ensue, albeit not as fast as policy makers would like since it will likely remain above-8% in Q1 and above-7% in Q2. The YoY inflation slows down to below 6% late in Q3 especially considering the high base in 2022 where the inflation rate accelerated from March to December. Real 10-year bond yields may start becoming positive by early Q3 and so nominal yields will likely remain above 6% for the rest of H1.

- Preparations for corporate bond issuances should accelerate in Q2 as firms may expect 10-year yields to peak in Q2, even though actual pricing and issuances may wait for Q3.

- ROP's spread over equivalent U.S. Treasuries may have limited tightening scope due to greater risk aversion and volatility of interest rates.

# EQUITY MARKETS

## EQUITY INVESTORS EXIT MARKET IN FEBRUARY AMID TIGHTER MONETARY POLICY OUTLOOK

*With tighter monetary policy looming in the horizon for the U.S. and the Philippines, equity investors largely exited in February. Advanced economies, like Hong Kong (-8.9%), U.S. (-4.2%), and Australia (-3.4%) saw large falls in share prices while ASEAN, led by the Philippines (-3.5%), Thailand (-2.9%), Malaysia (-2%) and Indonesia (barely above water by 0.1%) got dragged into the loss column. PSEi tripped into negative territory as four out of the six sectoral indexes posted large drops, while the Financial sector escaped the carnage. San Miguel Corporation (SMC) posted the best performance (+15.1%), followed by Meralco's (MER) 13.3% uptick. Globe Telecom (GLO) dropped the most (-12.1%) with AC Energy Corporation (ACEN) taking the next slot (- 9.3%).*

***Outlook**: The negative sentiment overflowed into March as Fed officials issued more hawkish statements and the jobs report for February still proved robust (i.e., more than 50% higher monthly addition compared to 2012-2019 average). However, the PSEi seemed to have strong support at 6,500, but pierced through it due to SVB woes in the U.S. ending at 6,393.33 as Foreign Selling in March 1-16 reached $552.8-M. But not being a "too big to fail" bank in the U.S., and core inflation higher in February, this black swan event will not likely upset the Fed's policy rate hiking cycle. PSEi at 6,393.33 level translates into the PE of around 13.6x, some 12.5% below the 15.5x 10-year average and objectively looks attractive for brave long-term investors. Early indications of Q1-2023 earnings releases in April and May will likely tip the balance—north or south—in Q2.*

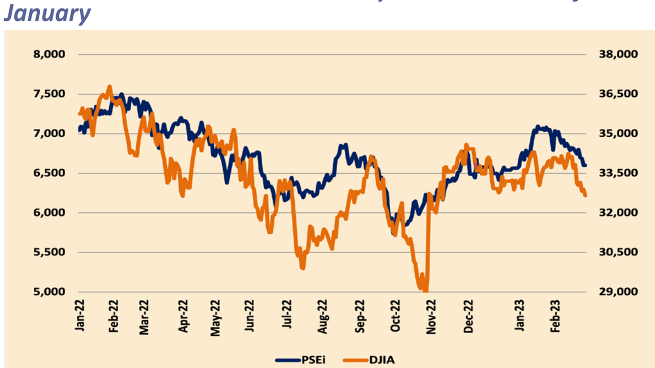
**Table 10 - Global Equities Markets Performances**

| Global Equities Markets Performances | | | | |
|---|---|---|---|---|
| Region | Country | Index | February M-o-M Change | 2023 % Change |
| Americas | US | DJIA | -4.2% | -1.5% |
| Europe | Germany | DAX | 1.6% | 10.4% |
| | London | FTSE 101 | 1.3% | 5.6% |
| East Asia | Hong Kong | HSI | -8.7% | 0.8% |
| | Shanghai | SSEC | 0.1% | 5.5% |
| | Japan | NIKKEI | 0.4% | 5.1% |
| | South Korea | KOSPI | -0.5% | 7.9% |
| Asia-Pacific | Australia | S&P/ASX 200 | -3.4% | 2.6% |
| Southeast Asia | Indonesia | JCI | 0.1% | -0.1% |
| | Malaysia | KLSE | -2.0% | -2.7% |
| | Thailand | SET | -2.9% | -2.8% |
| | Philippines | PSEi | -3.5% | 0.5% |

*Sources: Bloomberg and Yahoo Finance*

**Figure 18 - PSEi vs DJIA**

***PSEi vs DJIA Correlation in February Increased to 0.8 from January***

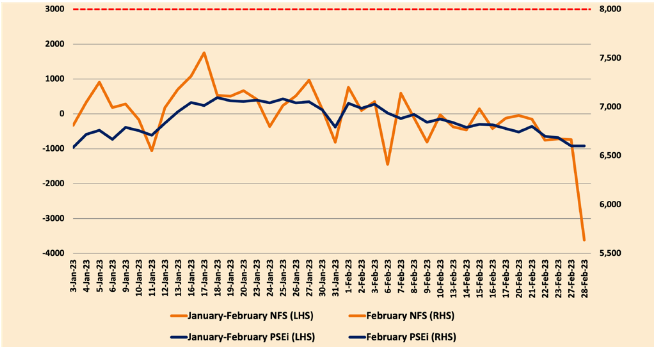



*Sources: Wall Street Journal, Bloomberg*

**Global Picture.** Investors delivered a fairly bearish February, as the different global equities landed on the green while others landed on the red. Germany DAX recorded the highest upswing, ending the month with a +1.6% month-on-month (MoM) increment. Surprisingly, Hong Kong HSI recorded the steepest loss with -8.7% MoM. Alongside, Philippines' PSEi recorded a -2.9% MoM loss to end January at 6,599.34, a reversal of the +3.5% gain a month earlier.

**PSEi and DJIA.** The Dow Jones Industrial Average (DJIA) closed a volatile month of trading. DJIA ended February at 32,656.70 from January's close of 34,086.04. Meanwhile, PSEi finished to close February at 6,599.34 from the previous month's close of 6,793.25. The correlation between the two indices in January increased to 0.8, as PSEi and DJIA continued to be in its recovery mode.

**Figure 19 - PSEi vs Net Foreign Selling**
***PSEi vs NFS Posted a 0.6 Correlation in February***




*Sources: Bloomberg & Yahoo Finance*

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

| Monthly Turnover (in Million Pesos) | | | | |
|---|---|---|---|---|
| | Total Turnover | | Average Daily Turnover | |
| Sector | Value | % Change | Value | % Change |
| Financial | 28,521.02 | -28.0% | 1,501.11 | -20.4% |
| Industrial | 39,407.43 | 3.2% | 2,074.08 | 14.1% |
| Holdings | 29,783.81 | -10.0% | 1,567.54 | -0.5% |
| Property | 24,876.20 | 36.1% | 1,309.27 | 50.4% |
| Services | 27,151.89 | -15.4% | 1,429.05 | -6.5% |
| Mining and Oil | 3,712.03 | -21.1% | 195.37 | -12.8% |
| **Total** | **124,805.62** | -14.7% | **6,568.72** | -5.8% |
| Foreign Buying | 69,740,613.00 | 7.1% | 3,670,558.58 | 39.2% |
| Foreign Selling | 77,580,095.00 | 32.9% | 4,083,162.89 | 46.8% |
| Net Buying (Selling) | (7,839.48) | | (412.60) | |

*Source of Basic Data: PSE Quotation Reports*

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

| Top Foreign Buy | |
|---|---|
| Company | Total Value |
| BDO PM Equity | 1,702.37 |
| MER PM Equity | 1,023.69 |
| UBP PM Equity | 937.36 |
| JFC PM Equity | 387.57 |
| DMC PM Equity | 383.77 |
| **Total Buy Value** | **4,464.76** |

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

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

| Top Foreign Sell | |
|---|---|
| Company | Total Value |
| GLO PM Equity | -3,866.42 |
| ACEN PM Equity | -1,106.77 |
| SM PM Equity | -1,066.67 |
| ALI PM Equity | -1,029.15 |
| AC PM Equity | -1,023.09 |
| **Total Sell Value** | **-8,092.09** |

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

**Net Foreign Buying/Selling.** PSE trading volume decreased by -14.7% from the previous month's -33.9% loss. Two sectors landed on the green, with the Property sector posting the largest volume uptick of +36.1%. Meanwhile, four sectors landed on the red, with the Financial sector suffering a -28% loss, reversing its +155.2% uptick a month ago.

For the second month in a row, foreigners took profits resulting in larget net selling in February to the tune of P7.8-B from P7.0-B a month earlier.

The top five favorite stocks (net buying) of foreign investors amounted to P4.4-B with BDO Unibank, Inc. (BDO) (P1.7-B) and Meralco (MER) (P1.0-B) leading the list.

The top five most sold stocks (net selling) in February amounted to P8.0-B with Globe Telecom (GLO) (P3.9-B) and AC Energy Corporation (ACEN) (P1.1-B) in the front rows.

Four sectors of PSEi turned in negative performance which resulted to a -3.5% dip by PSEi MoM in February. Nonetheless, the Financial sector rose by +2.3% MoM, resulting as the best performing sector in February. Likewise, the sector shows the best YTD performance with its +11.3% MoM increase.

**Table 14 - Monthly Sectoral Performance**

| Monthly Sectoral Performance | | | | | |
|---|---|---|---|---|---|
| | 31-Jan-2023 | | 28-Feb-2023 | | 2023 YTD |
| Sector | Index | % Change | Index | % Change | |
| PSEi | 6,793.25 | 3.5% | 6,556.20 | -3.5% | -0.2% |
| Financial | 1,790.40 | 8.8% | 1,831.15 | 2.3% | 11.3% |
| Industrial | 9,622.62 | 2.9% | 9,636.11 | 0.1% | 3.0% |
| Holdings | 6,636.51 | 3.2% | 6,240.81 | -6.0% | -3.0% |
| Property | 2,953.03 | 0.8% | 2,800.97 | -5.1% | -4.4% |
| Services | 1,692.63 | 3.6% | 1,613.09 | -4.7% | -1.3% |
| Mining and Oil | 10,816.27 | 0.1% | 10,725.03 | -0.8% | -0.8% |

*Source of Basic Data: PSE Quotation Reports*

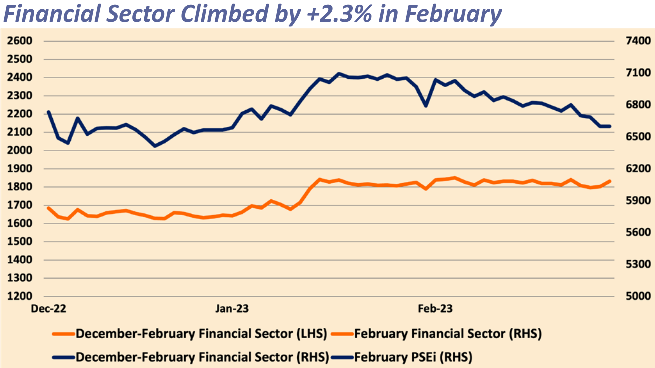
**Table 15 - Financial Sector Constituent Stocks**

| Company | Symbol | 1/31/2023 Close | 2/28/2023 Close | M-o-M % Change | 2023 YTD |
|---|---|---|---|---|---|
| Metropolitan Bank and Trust Company | MBT | 57.25 | 58.20 | 1.7% | 7.8% |
| BDO Unibank, Inc. | BDO | 122.80 | 123.40 | 0.5% | 16.7% |
| Bank of the Philippine Islands | BPI | 105.00 | 109.80 | 4.6% | 7.6% |
| Unionbank of the Philippines | UBP | 96.65 | 87.95 | -9.0% | -9.0% |

*Source of Basic Data: PSE Quotation Reports*

**Figure 20 - Financial Sector Index (December 2022 - February 2023)**

***Financial Sector Climbed by +2.3% in February***




*Source of Basic Data: PSE Quotation Reports*

The Financial sector placed first in the sectoral race, as it climbed by +2.3% in February, albeit at a slower pace than +8.8% MoM in the previous month.

Bank of the Philippine Islands (BPI) share prices led the sector as it climbed up by +4.6% MoM in February, after recording its +2.9% gain a month ago. BPI reported that its net income declined by -10.3% to P9.0-B in Q4-2022, however the bank still registered a 41.4% YoY growth overall. BPI attributed its performance to acceleration of its operating expenses, steady growth in revenues, volumes, and customers. BPI likewise reported a net income of P39.6-B in FY-2022, above their estimate and attributed to their strong loan growth, higher net interest margin and lower NPL provisions.

Metropolitan Bank & Trust Company's (MBT) share prices followed suit as it showed a +1.7% uptick in February from its +2.9% increase a month ago. MBT reported that its net income rose by 55% to P9.3-B in Q4-2022, resulting to a 48% increase YoY to P32.8-B. MBT attributed its performance to better corporate and consumer lending businesses, healthy fee income, subdued operating expense growth, and lower NPL provisions on stable asset quality.

BDO Unibank, Inc. (BDO) share prices inched up by +0.5% in February, after recording a +16.2% gain a month ago, as it corrected from the huge gain in January.

Recently added in the top 30 PSEi-listings, UnionBank of the Philippines (UBP) share prices contracted by -9% MoM in February. UBP reported net income of P12.7-B in FY-2022, below their estimates. Nonetheless, UBP's revenues reached an all-time high of P52.2-B, resulting to a 16% YoY, attributed to expansion of net interest income, higher proportion of consumer loans, and robust growth of low-cost CASA deposits.

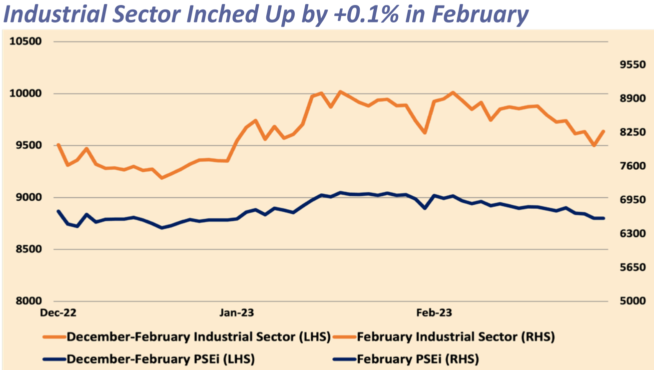
**Table 16 - Industrial Sector Constituent Stocks**

| Company | Symbol | 1/31/2023 Close | 2/28/2023 Close | M-o-M % Change | 2023 YTD |
|---|---|---|---|---|---|
| Meralco | MER | 280.60 | 317.80 | 13.3% | 6.4% |
| Aboitiz Power | AP | 36.20 | 37.85 | 4.6% | 11.2% |
| Jollibee Foods Corporation | JFC | 238.00 | 240.00 | 0.8% | 4.3% |
| Universal Robina Corporation | URC | 137.80 | 136.50 | -0.9% | 0.4% |
| AC Energy Corporation | ACEN | 7.00 | 6.34 | -9.4% | -16.8% |
| Emperador Inc. | EMI | 20.50 | 20.80 | 1.5% | 1.0% |
| Monde Nissin Corporation | MONDE | 13.20 | 12.06 | -8.6% | 8.8% |

*Source of Basic Data: PSE Quotation Reports*

**Figure 21 - Industrial Sector Index (December 2022 - February 2023)**

***Industrial Sector Inched Up by +0.1% in February***




*Source of Basic Data: PSE Quotation Reports*

The Industrial sector index ranked second in the sectoral race, with a +0.1% MoM uptick in February from its +2.9% gain a month earlier.

Meralco (MER) share prices climbed up by +13.3% MoM in February wiping out its -6.1% loss in January. MER reported a net income of P8.4-M in Q4-2022 and ended FY-2022 with a net income of P28.4-B in FY-2022, ahead of its estimate and attributed to the increase of its energy sales volume and significant earnings from its power generation business in Singapore. Its consolidated distribution utility (DU) energy sales volumes grew to 48,916 gigawatt-hours (GWh) due to sustained growth across all of MER's customer segments.

Aboitiz Power (AP) share prices ranked second in the sub-index's increase as its share prices rose by +4.6% MoM in February on top of its +6.3% gain in the previous month. AP recently signed a Memorandum of Understanding (MOU) with Japan's largest power generation firm, JERA Co., Inc. to explore 'greener fuel' technology to existing coal-fired power plants which will then result in a reduction of carbon dioxide emission by up to 50%. In return, this collaboration will support Aboitiz's efforts to advance technology development in the Philippines in terms of decarbonization efforts.

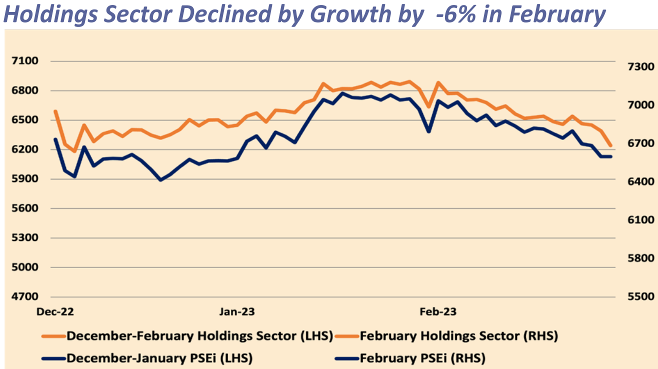
AC Energy Corporation (ACEN) share prices recorded the steepest loss as it slumped by -9.4% in February, adding on to its -8.1% fall in January. Nonetheless, ACEN remains committed to its strategy of increasing solar and wind plant capacities, while reducing inefficiencies and waste. To do this, ACEN implemented S/4HANA on Azure to create a unified digital business platform which covers finance, procurement, inventory, and asset maintenance across multiple entities.

**Table 17 - Holdings Sector Constituent Stocks**

| Company | Symbol | 1/31/2023 Close | 2/28/2023 Close | M-o-M % Change | 2023 YTD |
|---|---|---|---|---|---|
| Ayala Corporation | AC | 707.00 | 625.00 | -11.6% | -10.1% |
| Metro Pacific Investments Corporation | MPI | 4.04 | 4.08 | 1.0% | 19.3% |
| SM Investments Corporation | SM | 920.00 | 852.00 | -7.4% | -5.3% |
| Aboitiz Equity Ventures | AEV | 56.85 | 54.00 | -5.0% | -6.4% |
| GT Capital Holdings, Inc. | GTCAP | 510.00 | 519.00 | 1.8% | 19.3% |
| San Miguel Corporation | SMC | 99.90 | 115.00 | 15.1% | 23.7% |
| Alliance Global Group, Inc. | AGI | 12.50 | 12.58 | 0.6% | 5.7% |
| LT Group Inc. | LTG | 10.08 | 10.50 | 4.2% | 14.1% |
| JG Summit Holdings, Inc. | JGS | 53.55 | 49.30 | -7.9% | -2.0% |
| DMCI Holdings, Inc. | DMC | 11.00 | 10.56 | -4.0% | -4.0% |

*Source of Basic Data: PSE Quotation Reports*

**Figure 22 - Holdings Sector Index (December 2022 - February 2023)**
***Holdings Sector Declined by Growth by -6% in February***




*Source of Basic Data: PSE Quotation Reports*

The Holdings sector index ranked last in overall sector rankings in February with a -6% MoM decline eclipsing its +3.2% gain in January. Four of its PSEi-constituent shares landed on the red in February.

As the sector's best performer, San Miguel Corporation (SMC) share prices climbed by +15.1% on top of its +7.5% gain a month ago. SMC reported nearing final agreement for its Cavite-Batangas Expressway (CTBEX) Project worth P27.0-B PPP project with the Cavite government. The CTBEX project is expected to decongest an average of 23,000 vehicles daily from nearby thoroughfares, also considering that Cavite and Batangas are rapidly growing provinces, thus showing the need for the expressway.

GT Capital (GTCAP) share prices ended February with a +1.8% MoM gain after its +17.2% MoM gain a month ago. Investors seem to await further developments in the automotive industry, after January 2023 sales soared by 42.1% YoY.

Metro Pacific Investments Corporation (MPI) share prices inched up by +1% after its +18.1% gain a month ago. Nonetheless, MPI reported its desire to boost presence in agribusiness industry, with the aim of providing aid to the Philippines' food security. Specifically, the agriculture arm of MPI has bought a 34.76% stake (P5.3-B) in coconut products maker Axelum Resources Corporation. MPI hopes to provide more income opportunities for coconut farmers, as well as contribute to the broader landscape of Philippine agriculture.

Aboitiz Equity Ventures (AEV) share prices declined by -5% in February after its -1.5% loss a month ago. Nonetheless, AEV recently received a total of P20.5-B loan from Metrobank, for two of its business units, namely Therma Luzon, Inc. and LIMA Land Inc. The loan will aid the two business units in its refinancing and general corporate requirements, as well as bankrolling of the expansion of its real estate business.

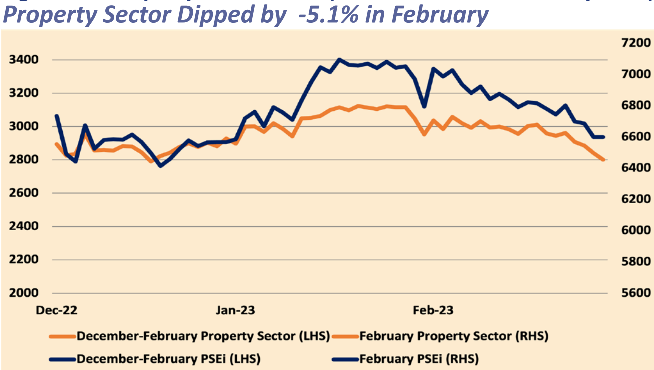
SM Investments Corporation (SM) share prices ended February with a -7.4% loss, reversing its +2.2% gain a month ago. Nonetheless, SM stands by its aim to expand its footprint across regions to serve more Filipinos, as it proved to innovate and improve efficiencies in FY-2022. In line with this, SMIC reported a net income of P18.8-B in Q4-2022 and ended FY-2022 with a net

**Table 18 - Property Sector Constituent Stocks**

| Company | Symbol | 1/31/2023 Close | 2/28/2023 Close | M-o-M % Change | 2023 YTD |
|---|---|---|---|---|---|
| Ayala Land, Inc. | ALI | 29.30 | 28.50 | -2.7% | -7.5% |
| SM Prime Holdings, Inc. | SMPH | 36.90 | 34.05 | -7.7% | -4.1% |

*Source of Basic Data: PSE Quotation Reports*

**Figure 23 - Property Sector Index (December 2022 - February 2023)**
***Property Sector Dipped by -5.1% in February***




*Source of Basic Data: PSE Quotation Reports*

**Table 19 - Services Sector Constituent Stocks**

| Company | Symbol | 1/31/2023 Close | 2/28/2023 Close | M-o-M % Change | 2023 YTD |
|---|---|---|---|---|---|
| PLDT, Inc. | TEL | 1,342.00 | 1,285.00 | -4.2% | -2.4% |
| Globe Telecom | GLO | 2,020.00 | 1,775.00 | -12.1% | -18.6% |
| Converge ICT Solutions, Inc. | CNVRG | 17.48 | 16.26 | -7.0% | 2.4% |
| Puregold Price Club Inc. | PGOLD | 33.50 | 31.50 | -6.0% | -9.7% |
| Wilcon Depot, Inc. | WLCON | 31.95 | 31.60 | -1.1% | 7.1% |
| International Container Terminal Services, Inc. | ICT | 207.40 | 199.80 | -3.7% | -0.1% |

*Source of Basic Data: PSE Quotation Reports*

income of P61.7-B, recording a 52.7% growth YoY. SM attributed its growth for FY-2022 to strong consumer activity and non-food sales in Q4-2022.

Ayala Corporation (AC) showed the steepest loss in share prices by -11.6% MoM from its +1.7% gain a month ago. Nonetheless, AC's subsidiary ACEN is reported to acquire shares in a listed company Solar Philippines Power Project Holdings, Inc. Specifically, ACEN has already signed an agreement for the acquisition of 500-M shares in SP New Energy Corporation (SPNEC) owned by Solar Philippines.

The Property sector ended February with a -5.1% MoM dip, after its +0.8% upswing in the previous month.

SM Prime Holdings, Inc. (SMPH) led the decliners as its share prices contracted by -7.7% in February, overwhelming its +3.9% gain a month ago. Nonetheless, SMPH reported a consolidated revenue of P105.8-B in FY-2022 from P82.3-B in the previous year, resulting to a 38% increase YoY in its net earnings to P30.1-B from P21.8-B. SMPH likewise reported that its performance is aligned with its estimates and attributed their growth to the increase of its mall segment revenues amid the resumption of full rental fees across the company's domestic malls.

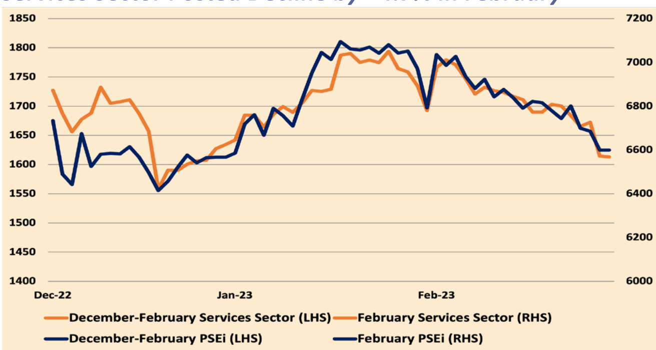
Ayala Land, Inc. (ALI) share prices registered the least loss as it contracted by -2.7% MoM in February. Meanwhile, ALI reported a net income of P18.6-B in FY-2022, resulting to a 19% increase YoY which is above consensus estimates. ALI attributed its growth to the increase in property development revenues to P81.2-B (+7% YoY), the increase of commercial leasing revenues to P33.4-B (+62% YoY), and double-growth of revenues from shopping centers.

The Services sector recorded the second least decline in the sectoral race, as it dipped by -4.7% in February.

Globe Telecom (GLO) share prices led the sector as it slumped by -12.1% MoM in February, after its -7.3% loss a month ago. GLO reported a net income of P34.6-B in FY-2022, below its estimates. Nonetheless, the Company reported that it spent 84% of its total CAPEX for their data infrastructure improvements and reported that its CAPEX spending will drop by 2024.

**Figure 24 - Services Sector Index (December 2022 - February 2023)**

***Services Sector Posted Decline by -4.7% in February***




*Source of Basic Data: PSE Quotation Reports*

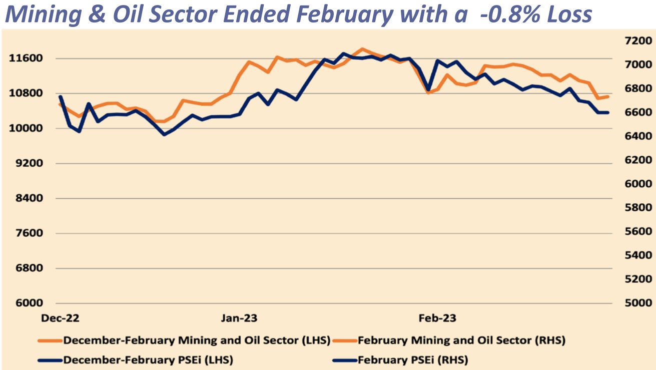
**Table 20 - Mining and Oil Sector Constituent Stock**

| Company | Symbol | 1/31/2023 Close | 2/28/2023 Close | M-o-M % Change | 2023 YTD |
|---|---|---|---|---|---|
| Semirara Mining and Power Corporation | SCC | 32.00 | 30.00 | -6.3% | -13.0% |

*Source of Basic Data: PSE Quotation Reports*

**Figure 25 - Mining & Oil Sector Index (December 2022 - February 2023)**

***Mining & Oil Sector Ended February with a -0.8% Loss***




*Source of Basic Data: PSE Quotation Reports*

Converge ICT Solutions, Inc. (CNVRG) share prices ended February with a -7% dip slicing part of its +10.1% climb a month ago. CNVRG reported tying up with South Korea's KT Corporation (formerly, Korea Telecom) to support the digital transformation of local businesses by providing innovative enterprise technologies. Besides, CNVRG reported that it remains committed to scale up the reliability of its underwater cable systems to improve internet services.

PLDT, Inc. (TEL) share prices showed a -4.2% MoM decline in February after its +1.9% rise a month ago. Nonetheless, TEL reported a sharp increase in demand in its international network capacity, which will in turn advance the country's emerging digital economy (financial technology), attract global markets, and future-proof its infrastructure.

Wilcon Depot, Inc. (WLCON) followed suit as its share prices showed a -1.1% MoM loss, slightly cutting its +8.3% gain a month ago. Moving forward, however, WLCON expects to have 100 stores a year ahead of its end-2025 target due to strong demand for new stores in areas outside Metro Manila. That said, the new stores should contribute to the increase of WLCON's sales and net income.

The Mining & Oil sector ranked third in the sectoral race as it dipped by -0.8% in February. Semirara Mining and Power Corporation (SCC) share prices sank by -6.3% in February after its -7.2% loss in January. SCC reported that its net income declined by -34% to P3.9-B in Q4, 2022 due to high base effect, increased cash costs, and lower electricity sales. Nonetheless, SCC ended FY-2022 with a net income of P39.9-B attributed to coal production (+81%) and SCPC growth (+13%). Therefore, SCC was able to garner the highest earnings and return on equity at 73% among its power peers.

# Recent Economic Indicators

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

| | 2020 | | 2021 | | 4th Quarter 2021 | | | 4th Quarter 2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Levels | Annual G.R. | Levels | Annual G.R. | Levels | Quarterly G.R. | Annual G.R. | Levels | Quarterly G.R. | Annual G.R. |
| Production | | | | | | | | | | |
| Agri, Hunting, Forestry and Fishing | 1,818,007 | 1.9% | 1,954,345 | 7.5% | 580,203 | 33.8% | 5.2% | 525,393 | 31.7% | -0.3% |
| Industry Sector | 5,151,945 | -11.8% | 5,607,009 | 8.8% | 1,760,803 | 50.2% | 11.4% | 1,700,272 | 45.1% | 4.8% |
| Service Sector | 10,963,799 | -6.6% | 11,849,213 | 8.1% | 3,321,517 | 10.8% | 9.8% | 3,351,674 | 12.5% | 9.8% |
| Expenditure | | | | | | | | | | |
| Household Final Consumption | 12,911,851 | -8.0% | 13,456,531 | 4.2% | 3,923,916 | 20.9% | 7.5% | 4,199,819 | 19.8% | 7.0% |
| Government Final Consumption | 2,652,447 | 10.0% | 2,839,963 | 7.1% | 683,320 | -1.4% | 7.8% | 705,806 | 1.0% | 3.3% |
| Capital Formation | 3,382,434 | -33.5% | 4,060,997 | 20.1% | 1,144,071 | 25.0% | 14.2% | 1,190,179 | 14.8% | 4.0% |
| Exports | 4,735,076 | -31.8% | 5,128,006 | 8.3% | 1,251,031 | -7.2% | 7.7% | 1,433,336 | -6.2% | 14.6% |
| Imports | 6,146,212 | -21.2% | 6,947,443 | 13.0% | 1,814,149 | 4.8% | 14.3% | 1,920,922 | -5.8% | 5.9% |
| GDP | 17,530,785 | -9.5% | 18,538,053 | 5.7% | 5,201,501 | 17.5% | 7.8% | 5,577,338 | 17.1% | 7.2% |
| NPI | 1,325,383 | -30.4% | 642,515 | -51.5% | 226,214 | 50.2% | 16.0% | 356,364 | 21.3% | 57.5% |
| GNI | 18,856,166 | 62.3% | 19,180,570 | 1.7% | 5,427,716 | 18.6% | 8.1% | 5,933,702 | 17.3% | 9.3% |

*Source: Philippine Statistics Authority (PSA)*

## NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

| | 2020 | | 2021 | | November-2022 | | | December-2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Levels | Growth Rate | Levels | Growth Rate | Levels | Monthly G.R. | Annual G.R | Levels | Monthly G.R. | Annual G.R |
| Revenues | 2,855,959 | 0.2% | 3,005,539 | 0.2% | 331,061 | 14.6% | 16.6% | 268,193 | -19.0% | 15.9% |
| Tax | 2,504,421 | -2.4% | 2,739,350 | -2.4% | 312,892 | 19.9% | 16.2% | 253,889 | -19.1% | 13.6% |
| BIR | 1,951,023 | 0.0% | 2,078,108 | 0.0% | 237,143 | 27.0% | 12.5% | 179,287 | -24.4% | 10.4% |
| BoC | 537,687 | -9.3% | 643,563 | -9.3% | 75,724 | 0.9% | 30.7% | 73,173 | -3.4% | 21.4% |
| Others | 15,711 | -24.7% | 18,157 | -24.7% | 25 | 1,018.2% | -31.5% | 1,429 | 29.1% | 70.5% |
| Non-Tax | 351,412 | 23.6% | 265,357 | 23.6% | 18,057 | -37.0% | 23.7% | 14,249 | -16.1% | 81.5% |
| Expenditures | 4,227,406 | 24.0% | 4,675,639 | 10.6% | 454,990 | 17.3% | 10.2% | 646,559 | 42.1% | 13.6% |
| Allotment to LGUs | 804,546 | 39.8% | 892,698 | 39.8% | 86,233 | -0.3% | 28.3% | 107,511 | 144.0% | 11.2% |
| Interest Payments | 380,412 | 8.9% | 429,432 | 8.9% | 26,092 | -21.4% | -16.4% | 43,605 | 67.1% | 59.6% |
| Overall Surplus (or Deficit) | -1,371,447 | 145.7% | (1,670,100) | 145.7% | (123,929) | 25.1% | -3.7% | (378,366) | 205.3% | 11.9% |

*Source: Bureau of the Treasury (BTr)*

## POWER SALES AND PRODUCTION INDICATORS
## Manila Electric Company Sales (In Gigawatt-hours)

| | 2021 | | October-2022 | | | November-2022 | | |
|---|---|---|---|---|---|---|---|---|
| | Annual Levels | Growth Rate | Levels | Y-o-Y G.R. | YTD | Levels | Y-o-Y G.R. | YTD |
| TOTAL | 45,524.20 | 5.7% | 4,111.00 | 7.1% | 6.2% | 4,085.90 | 2.1% | 5.8% |
| Residential | 16,906.10 | 2.6% | 1,437.00 | 0.6% | 1.3% | 1,413.30 | -2.5% | 1.0% |
| Commercial | 14,950.30 | 3.2% | 1,490.70 | 18.7% | 14.2% | 1,498.50 | 11.7% | 13.9% |
| Industrial | 12,897.30 | 12.4% | 1,117.20 | 1.6% | 4.3% | 1,106.20 | -3.6% | 3.5% |

*Source: Meralco*

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

| | 2020 | | 2021 | | 4th Quarter 2021 | | 3rd Quarter 2022 | |
|---|---|---|---|---|---|---|---|---|
| | Levels | Annual G. R. | Levels | Annual G. R. | Levels | Annual G. R. | Levels | Annual G. R. |
| I. CURRENT ACCOUNT | | | | | | | | |
| Balance of Trade | 11,578 | -480% | -6,922 | -160% | -3,953 | -224.1% | -5,800 | 282.4% |
| Balance of Goods | 33,775 | -32% | 53,781 | 59% | 16,533 | 75.0% | 19,426 | 41.1% |
| Exports of Goods | 48,212 | -10% | 54,169 | 12% | 13,799 | 4.0% | 14,558 | 1.9% |
| Import of Goods | 81,987 | -20% | 107,950 | 32% | 30,332 | 33.5% | 33,984 | 21.1% |
| Balance of Services | -13,866 | 6% | -14,174 | 2% | -3,751 | -8.0% | -4,387 | 10.6% |
| Exports of Services | 31,822 | -23% | 33,627 | 6% | 9,214 | 10.1% | 10,942 | 25.7% |
| Import of Services | 17,956 | -36% | 19,453 | 8% | 5,463 | 27.2% | 6,555 | 38.3% |
| Current Transfers & Others | | | | | | | | |
| II. CAPITAL AND FINANCIAL ACCOUNT | | | | | | | | |
| Capital Account | 63 | -50% | 80 | 26% | 24 | 19.3% | 18 | -8.1% |
| Financial Account | -6906 | -14% | -6,942 | 1% | -4,973 | -34.3% | -2,756 | 0.4% |
| Direct Investments | - 3,260 | -39% | -8,116 | 149% | -2,138 | 328.9% | -843 | -64.2% |
| Portfolio Investments | -1680 | -32% | 8,046 | -579% | 161 | -104.7% | 1,435 | 50.6% |
| Financial Derivatives | -199 | 15% | -603 | 203% | -195 | 178.6% | -276 | 67.2% |
| Other Investments | - 6,268 | 255% | -8,152 | 30% | -2,801 | 0.0% | -3,072 | 161.1% |
| III. NET UNCLASSIFIED ITEMS | 1245 | -149% | 361 | -71% | 965 | 0.0% | -1,704 | -6,761.2% |
| OVERALL BOP POSITION | 16,022 | 104% | 1,345 | -92% | 2,009 | -78.0% | -4,730 | -471.2% |
| Use of Fund Credits | | | | | | | | |
| Short-Term | | | | | | | | |
| Memo Items | | | | | | | | |
| Change in Commercial Banks | 7,713 | 378% | 294 | -96% | -2,256 | -21.3% | -2,756 | -204.8% |
| Net Foreign Assets | 7,665 | 384% | 433 | -94% | -2,286 | -20.2% | -2,775 | -207.2% |
| 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 | | November-2022 | | December-2022 | |
|---|---|---|---|---|---|---|
| | Average Levels | Annual G. R | Average Levels | Annual G.R. | Average Levels | Annual G.R. |
| RESERVE MONEY | 3,303,261 | 8.8% | 3,520,795 | 6.2% | 3,780,532 | 5.1% |
| Sources: | | | | | | |
| Net Foreign Asset of the BSP | 6,296,263 | 39.5% | 6,287,794 | -1.5% | 6,267,776 | -3.5% |
| Net Domestic Asset of the BSP | 14,211,531 | 26.7% | 16,320,382 | 11.0% | 16,969,539 | 12.7% |
| MONEY SUPPLY MEASURES AND COMPONENTS | | | | | | |
| Money Supply-1 | 5,659,905 | 52.6% | 6,365,514 | 7.2% | 6,610,527 | 6.9% |
| Money Supply-2 | 13,795,976 | 30.2% | 15,157,161 | 6.4% | 15,841,525 | 7.4% |
| Money Supply-3 | 14,432,021 | 30.4% | 15,644,073 | 5.6% | 16,326,499 | 6.5% |
| MONEY MULTIPLIER (M2/RM) | 4.18 | | 4.31 | | 4.19 | |

*Source: Bangko Sentral ng Pilipinas (BSP)*

## CONTRIBUTORS


| | |
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FIRST METRO INVESTMENT CORPORATION Metrobank Group

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