

MACROECONOMIC SNAPSHOT

Gov't readies incentives bill

A fiscal incentives bill approved by the House of Representatives is being streamlined by the Finance department under a version being prepared for deliberations at the Senate. "We are looking at narrowing the benefits granted by the House bill and strategically focusing them," Finance Assistant Secretary Ma. Teresa S. Habitan said. The issuance of tax exemptions should be more targeted in order to minimize revenue erosion, she claimed, adding that incentives should also be granted only to enterprises most in need of such. "We want the concentration of the fiscal incentives bill to be chiefly for exporters, so they can be more competitive in the global markets," Ms. Habitan told. House Bill 4935 or the proposed Investment and Incentives Code of the Philippines granted the most tax breaks to export-oriented enterprises – those with 70% of their production for export. The measure, however, also granted perks to domestic enterprises, strategic domestic enterprises identified under the annual Investments Priorities Plan and those located in Mindanao and the 30 poorest provinces in the country. (BusinessWorld)

Gov't keeps growth target for 2012

The Philippines will not lower its economic growth target (in terms of gross domestic product or GDP) despite lingering global uncertainties. The country may in fact have "a pleasant surprise" if efforts to boost construction and services go as planned, according to Economic Planning Secretary Cayetano W. Paderanga Jr. The Aquino administration is aiming for a slightly higher GDP growth of 5 to 6 percent this year from 4.5 to 5.5 percent in 2011. The government is set to release growth figures for 2011 on January 30. Paderanga, who is also director general of the National Economic and Development Authority, said that reforms in project implementation and a P72-billion stimulus spending program since October might have yielded economic benefits starting in the fourth quarter of 2011. The public-private partnership (PPP) program is also expected to gain momentum this 2012, Paderanga added. (Philippine Daily Inquirer)

FINANCIAL TRENDS

Stocks seen in tight range

Local stocks are expected to trade in a tight range this week given the absence of fresh leads as investors keep an eye on developments overseas. "We see the main index trading tightly next week, the next resistance should be at 4,545, while support is at 4,377, both of which is based on Fibonacci levels," said Gregg Adrian R. Ilag of AB Capital Securities. The Philippine Stock Exchange index (PSEi) finished strong on the first week of trading for the year, gaining 2.41 percent as investors cheered the slower-than-expected December inflation. (The Philippine Star)

Peso weakness to extend on risk aversion

The peso is expected to further slide against the dollar this week as risk aversion persists due to euro zone worries. Currency traders interviewed last Friday said the peso may trade for P44 to P44.50 per dollar this week. The local currency shed 29 centavos to close at P44.13 per dollar last Friday — its weakest since Dec. 15 — against its P43.84-per-dollar finish the previous week. (BusinessWorld)

Stock market index forecast to reach 5,400 pts by yearend

Local stocks seem to be headed for choppy waters given the unraveling debt mess in Europe but the Aquino administration's hardline efforts to pump-prime the economy will provide smooth sailing for investors that could take the market to the 5,400 range by yearend, leading online brokerage Citiseconline said. Last year, the Philippine Stock Exchange index (PSEi) closed at 4,371.96, up by only four percent from the year earlier figure. April Lee Tan, research head at Citiseconline, said while the near-term outlook for equities remains risky, she is optimistic on the medium and long-term outlook given a resilient domestic economy. (The Philippine Star)

INDUSTRY BUZZ

FairTrade lobbies for stay of ban on importation of used vehicles

Multi-sectoral group Fair Trade Alliance (FairTrade) is persuading lawmakers to junk several proposed measures that would remove the ban on the importation of used vehicles. FairTrade, in a letter to Rep. Albert Garcia, chairman of the Committee on Trade and Industry, stressed that based on past experience, the entry of second hand vehicles caused a drop in the sales of locally produced vehicles, "resulting in decreased production and fewer workers." The group also raised environmental and safety concerns —and the possibility of smuggling. With this, FairTrade wants lawmakers to ensure the ban on used vehicle importation will be retained in any law that will be enacted. The group particularly supported House Bill 5279, (an Act Establishing the Comprehensive Motor Vehicle Development Act) authored by Quezon Rep. Lorenzo R. Tanada III, which is now being deliberated by the House Committee on Trade and Industry. (BusinessMirror)



	Friday, January 6 2011	Year ago
Overnight Lending, RP	6.50%	6.00%
Overnight Borrowing, RRP	4.50%	4.00%
91 day T Bill Rates	0.919%	3.85%
Lending Rates	7.5238%	7.79%