

MACROECONOMIC SNAPSHOT

DBM expects 10% increase in revenue share next year

Local government units may expect bigger internal revenue allocation (IRA) shares next year due to higher tax collections in 2010, a local official of the Department of Budget and Management said. "This is good news to local government units. The official issuance may be out soon but LGUs should consider an increase in IRA shares in their investment planning for next year," said DBM Regional Director Imelda C. Laceras. Ms. Laceras said an increase of 10% to 11% is possible because of higher national tax collections in 2010. This would reverse the current situation, in which local governments are suffering from reduced internal revenue shares from the national government. (BusinessWorld)

FCDU resources increase to \$30.1B

The Bangko Sentral ng Pilipinas reported that foreign currency deposit units (FCDU) resources increased 1.4 percent year-on-year to \$30.1 billion at the end of 2011 with loans growing only moderately during the period. Profits-wise, FCDUs' income fell 1.08 percent to \$1.023 billion from 2010's \$1.034 billion. The big banks accounted for 96.3 percent or \$1 billion of net profit while thrift banks had 3.7 percent of total. Data showed that operating income increased to \$1.256 billion while non-interest expenses went up to \$534,547. Provision for bad debts including write offs amounted to \$30,445 at the end of 2011, which was a huge 94 percent increase year-on-year. The BSP said the main recipients of FCDU funds in 2011 were financial assets other than loans, which contributed about 53 percent or \$16 billion of total assets. This is only slightly higher in value terms compared to 2010's \$15.8 billion. (Manila Bulletin)

Gov't back to deficit in May

The government posted a deficit in May, a senior Budget official said ahead of the release of official data, citing an increase in public spending and waning revenue collections. "We recorded a deficit in May," Budget Undersecretary Laura B. Pascua said in a text message after the expected release of the government's latest fiscal report was put off. Following April's record P31.024-billion surplus, Ms. Pascua said public spending maintained its momentum while revenue agencies missed their targets. On the expenditure side, the government spent roughly P143 billion in May, some 17% more than the P122.244 billion notched in April, she explained. According to preliminary data, meanwhile, revenue collections faltered in May. (BusinessWorld)

FINANCIAL TRENDS

Local share prices buck global slump

Philippine stocks rose for a third straight session yesterday despite a slump in global stocks. At the Philippine Stock Exchange, the main composite index gained another 26.64 points to settle at 5,193.84 while the all shares index added 9.85 points to 3,411.45. "The approaching end of the second quarter raises anticipation on window-dressing, boosting near-term trades," said Jun Calaycay of Accord Capital Equities Corp. (Philippine Star)

Peso rises on reports of higher US homes sales

The peso led other key Asian currencies in appreciating against the US dollar on Tuesday following reports that US home sales rose and that the Philippine government boosted public spending in May. The local currency closed at 42.47 against the US dollar, up by 17 centavos from the previous day's finish of 42.64:\$1. (Philippine Daily Inquirer)

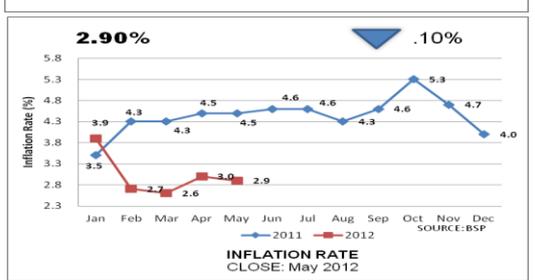
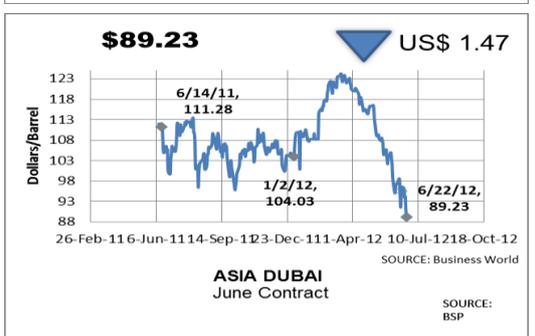
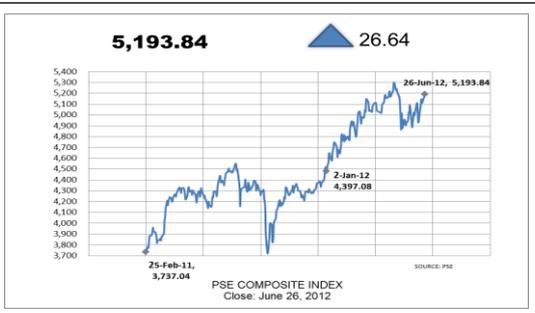
INDUSTRY BUZZ

Light cars are heavyweights in Japan

While Japan's domestic auto sales are about half their high of 1990, one car category is on its way to doubling its market share since then. More than a third of the vehicles sold in Japan are tiny, with engine sizes of 660 cubic centimeters or less. The problem for Japan's auto makers is that such cars' profit margins are as small as the cars themselves and the vehicles are too Japan-focused to export to major markets in significant numbers, industry executives say. What's worse, the customer base here for the vehicles—known as kei, or light cars—is aging rapidly, along with Japan's population. The average kei-car buyer is close to 50 years old, up from just over 42 at the start of the last decade, according to trade groups. (Wall Street Journal)

Nissan announces new \$800 million China factory

Nissan Motor Corp. says it will spend up to \$800 million on a new factory in China's northeast as part of efforts to expand sales in the world's biggest auto market. The Japanese automaker said Monday the factory in Dalian will have a production capacity of 150,000 vehicles by 2014. It will be Nissan's fourth manufacturing center in China. Nissan announced an \$8 billion expansion plan for China last year as part of a global strategy to focus on faster-growing emerging markets and reduce reliance on the United States. (Philippine Daily Inquirer)



	Wednesday, June 26 2012	Last Week	Year ago
Overnight Lending, RP	6.00%	6.00%	6.50%
Overnight Borrowing, RRP	4.00%	4.00%	4.50%
91 day T Bill Rates	2.17%	2.15%	3.85%
Lending Rates	7.78%	7.79%	7.79%

