

MICROECONOMIC SNAPSHOT

First semester; bank lending grows 14.9% – BSP

The banking industry's total outstanding loans grew 14.9 percent to P2.95 trillion at the end of the first semester, faster than the pace of growth recorded in May, the Bangko Sentral ng Pilipinas (BSP) said in a monthly report. Including reverse repurchase (RRP) placements of banks with the BSP, lending activities slowed during the period, increasing 12.2 percent from 13.6 percent in the previous month. With RRP, total lending reached P3.17 trillion. The low interest rate environment is one of the concerns for the banking community and its impact on lending rate. The BSP overnight borrowing rate is now below four percent at 3.75 percent and 5.75 percent for overnight lending. Rates on term deposits and placements were also reduced. (Manila Bulletin)

Moody's cites PHL's bank pruning

The 723 banks of all types operating in the Philippines at present are seen to dwindle as a result of merger-friendly rules crafted for the purpose by the Bangko Sentral ng Pilipinas (BSP), New York-based Moody's Investor Service said on Thursday. Moody's analyst Simon Chen cited the BSP's recently revised Special Program for Rural Banks, more known as SPRB Plus, on account of its expanded coverage that would provide compulsion to merge. According to Chen, the sheer number of banks in the country compelled the BSP to provide an enabling environment for the 723 banks to consolidate on their own by acquiring each other. (BusinessMirror)

Floods have no significant impact on exports

The Department of Trade and Industry (DTI) said that the widespread flooding in the country caused by incessant monsoon rains has no significant impact in the country's export industry saying the floods spared the country's economic export zones, which account for 80 percent of the country's total exports, are located in flood-free areas. The Philippine Economic Zone Authority (PEZA), which oversees the operations of the country's ecozones, said all their ecozones have continued operations. There are a total of 258 ecozones scattered around the country hosting 2,700 locators and employing 915,260 Filipinos. (Manila Bulletin)

FINANCIAL TRENDS

Weak trading seen this week

Sluggish trading is seen to prevail this week with the onset of the so-called "ghost month" although second-quarter income reports can provide relief to selected stocks. Last week, the main-share Philippine Stock Exchange index shed 22.56 points, or 0.43 percent, to end at 5,263.35 on Friday as the worst flooding in Metro Manila and some parts of Luzon since 2009 was expected to cause an increase in commodity prices. (Philippine Daily Inquirer)

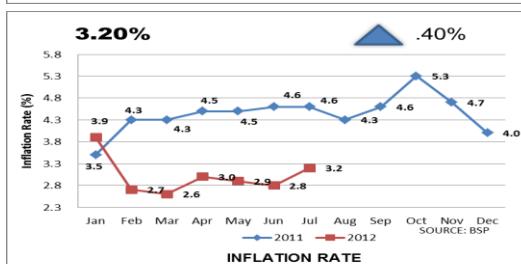
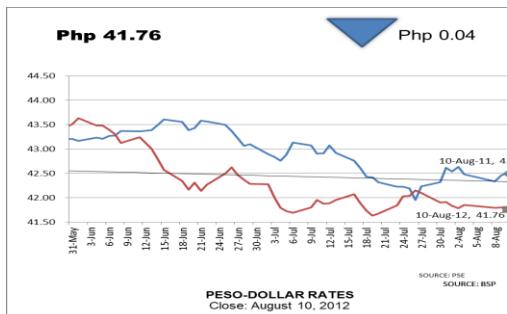
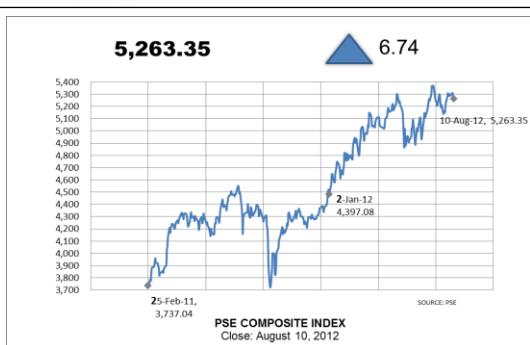
Peso seen tracking headlines

The peso is expected to be "headline-driven" this week as investors await strong leads from both onshore and offshore markets. The local unit slid by three-and-a-half centavos last Friday to close at P41.885 per dollar against its P41.85-per-dollar close the week before. Currency traders interviewed by phone last Friday said the peso may trade within the P41.60- to P42.10-per-dollar band this week. (BusinessWorld)

INDUSTRY BUZZ

Auto roadmap leads to best practices

The automotive roadmap setting the medium to long term plans for the industry is now being benchmarked with best practices of countries in ASEAN that have successful motor vehicle industries. The BOI, however, not wanting to be a copycat has formed a technical working group to flesh out the details of the new draft roadmap. A previous draft of the so-called Vision 2022 shows that compared to the rest of ASEAN, the Philippine domestic market lags behind its neighbors such as Thailand, Indonesia and Malaysia while Vietnam is fast catching up. The Philippines now has the lowest production volume among these countries, overtaken by Vietnam as early as 2007. The industry said while ASEAN countries use tariffs and taxes to support completely knocked down (CKDs), the Philippines has liberalized tariff and its tax policy which negatively affected the automotive industry. These include the aggressive import liberalization and tariff reduction beginning 1996 and the excise tax restructuring that affected the competitiveness of what could have been our niche, Asian utility vehicles. In the roadmap, the automotive industry presented specific targets over the medium and long-term but which had to be tweaked, specifically on the exports portion with the planned closure of Ford Motor Co. at the end of the year. (Malaya Business Insight)



	Friday, August 10 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	2.01%	2.15%	3.85%
Lending Rates	7.67%	7.73%	7.79%