



MACROECONOMIC SNAPSHOT

No changes seen in BSP policy rates

Capital inflows continue to be the biggest concern of the Bangko Sentral ng Pilipinas (BSP), which ahead of its policy meeting this week, reiterated the economy remains on good footing without the need for further monetary support. "The strong economic growth was achieved with inflation remaining low and stable. This tells us that our monetary policy settings remain supportive of non-inflationary economic growth," BSP Governor Amando Tetangco Jr. told the banking community last Friday. "Now, our challenge is dealing with this apparent success. In particular, surges in capital inflows," he added. BSP's policymaking Monetary Board will conduct its first rate meeting for the year on Jan. 24 with analysts expecting no changes to the overnight borrowing and lending rates of 3.5 percent and 5.5 percent, respectively. (The Philippine Star)

Deficit targets to be achieved – Purisima

Fiscal consolidation will remain a priority given the medium-term goal of keeping the budget deficit at 2% of gross domestic product (GDP) from this year onwards, a Cabinet official said. "We stick to our medium-term fiscal consolidation program that we announced... to have [the deficit] at 2% and maintain it at 2% of GDP from 2013 onwards," said Finance Secretary Cesar V. Purisima, speaking last Friday at the sidelines of a central bank event. "We've shown that we've been able to do it and we're confident that [the deficit for] 2012 will come in within the 2.6% cap," he added. (BusinessWorld)

BOP surplus hit \$9.24-B in end 2012

The country's external liquidity remained solid in 2012, with the balance of payments registering another surplus and the foreign-exchange reserves hitting an all-time high, the Bangko Sentral ng Pilipinas has reported. Citing official figures, the BSP said the surplus in the country's BOP hit \$9.24 billion at the end of the year (compared with the initial estimate of \$8.9 billion), due largely to a sustained increase in remittances sent by overseas Filipinos, a surge in foreign portfolio investments and higher foreign investments in the services sector. The BOP surplus for 2012, however, was 9-percent lower than the \$10.18 billion recorded the previous year. (Philippine Daily Inquirer)

FINANCIAL TRENDS

Week starts with new peak

The bourse started the week with renewed strength, approaching the 6,200 mark in the middle of trades, with its main index closing at the year's ninth record high. The Philippine Stock Exchange index (PSEi) gained 32.49 points or 0.53% to close at 6,171.70. It also hit a new intraday high of 6,193.25. Year to date, the main index was up 6.19% from its close of 5,812 on Dec. 28 -- the last trading day of 2012. (BusinessWorld)

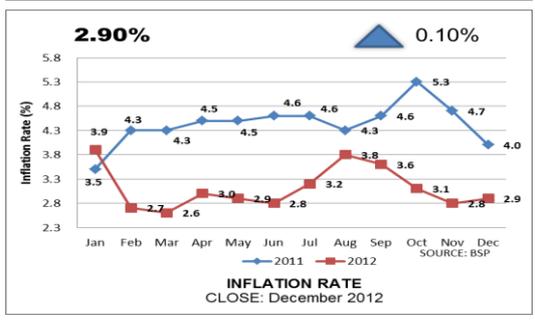
Peso falls as BSP fends off speculative investments

The peso fell on the first trading day of the week after the Bangko Sentral ng Pilipinas stressed it would not tolerate currency-appreciation pressures resulting from speculative portfolio investments. The local currency closed at 40.70 against the US dollar, down by 12.5 centavos from Friday's finish of 40.575:\$1. (Philippine Daily Inquirer)

INDUSTRY BUZZ

NMPI urges special manufacturing support

Nissan Motor Philippines Inc. (NMPI), which assembles most of its motor vehicles in the country, has urged government to provide special support to manufacturing companies that maintain their domestic operations despite high cost of manufacturing and in spite of being at the mercy of cheap imports. Company president and CEO Allen Chen told reporters as the Taiwanese-owned company has added new model -- Almera - to its product line up that would substantially beef up its local CKD (completely knocked down) assembly operation to much as 90 percent as against imported CBU (completely built-up) units share of only 10 percent. Cheng said NMPI invested additional P10 million for some retooling of its plant for the assembly of Almera. "The main concern is for the Board of Investments to grant special support for CKD operations and other manufacturing industries. The high electric power cost and the very cheap CBU imports because of the zero tariff of imports coming from ASEAN, these are not good for local manufacturing so the government should consider granting special support for manufacturing," Chen said. Chen, however, refused to specifically say what special support the government should provide to the manufacturing sector in order to help offset the high cost of manufacturing in the country. (Manila Bulletin)



	Monday, 21 January 2013	Last Week	Year ago
Overnight Lending, RP	5.50%	5.50%	6.50%
Overnight Borrowing, RRP	3.50%	3.50%	4.50%
91 day T Bill Rates	0.05%	0.20%	3.85%
Lending Rates	7.08%	7.10%	7.79%

