



## MACROECONOMIC SNAPSHOT

### Strong peso seen a threat to manufacturing sector

The appreciating peso poses a threat to the recovery of the manufacturing sector and the jobs it generates, private economists said. The National Statistics Office's recent report that manufacturing output grew at a faster pace in 2012 (7.2 percent) than the previous year's rate of 1.1 percent indicated recovery in the sector, Dr. Victor Villegas of the University of Asia and the Pacific said in a text message. "This is a recovery. It can be sustained at least for another year or two, since government infrastructure spending and private construction of residences will remain robust, and the election spending will provide an additional boost. But the appreciation of the peso constitutes a grave threat to longer term sustainability," Villegas said. (Philippine Daily Inquirer)

### Philippines has room for more forex reserves – IMF

The Philippines has room for more foreign exchange reserves, the International Monetary Fund (IMF) indicated, even as the country's gross international reserves have reached a new record high in January. Reserves, which cushion the impact of external risks, reached \$85.760 billion in January, hitting a fresh historic high and just a notch below the \$86-billion official forecast for the year. In a recent policy paper, the IMF warned emerging markets against holding too many reserves as it carries the risk of incurring more costs on the part of central banks and promoting global fund imbalances. However, the continued increase in reserves should not also be taken against the Bangko Sentral ng Pilipinas (BSP), Peiris said, noting that such is a "by-product of the BSP's policy framework." (The Philippine Star)

### Philippines eyes more trade with Israel

The Philippines hopes to triple its trade with Israel as it tries to lure more investors from the Middle Eastern country to set up shop here and do more business with Filipinos. The Philippine Chamber of Commerce and Industry (PCCI) hosted a 15-member delegation from Israel for business matching sessions and a forum. "Two way trade between us and Israel is unfortunately just at \$200 million to \$250 million last year. We intend to triple that," said Miguel B. Varela, PCCI president during the forum. He added much of the trade between Israel and the Philippines is mostly in favor of Israel. (BusinessWorld)

## FINANCIAL TRENDS

### Stocks rise in heavy volume

Local share prices rose to record highs anew as more companies released full-year results for 2012, fueling optimism from investors looking for new opportunities amid low interest rates. The main Philippine Stock Exchange index (PSEi) tore through the 6,600-mark Tuesday to finish at 6,620.72 points, up 0.85 percent or 55.49 points. The broader All-Shares index was also up 0.52 points, even though decliners outnumbered advancers, 94 to 75, while 52 issues were unchanged. (Philippine Daily Inquirer)

### P/\$ rate stands at P40.62/\$1

The peso exchange rate stands at P40.62 to the US dollar on Monday at the Philippine Dealing & Exchange Corp. (PDEx). The weighted average rate stands at P40.632. (Manila Bulletin)

## INDUSTRY BUZZ

### New license plates to curb car smuggling via ecozones

The finance department wants transportation officials to issue differently colored license plates for cars imported via economic zones, saying this would help improve tax compliance and curb smuggling. Firms located in ecozones are currently allowed to import vehicles tax-free as long as the units are for their own use and kept within ecozone premises. Finance Secretary Cesar V. Purisima, however, said some were abusing the tax perk by selling the vehicles to outsiders. Differently colored license plates, he explained, will help authorities detect cars that have been imported duty-free. The program, once enacted, will be the latest step in improving tax compliance and stamp out car smuggling. (BusinessWorld)

### Mitsubishi Motors expands RP presence

Mitsubishi Motors Corp. of Japan yesterday announced a \$20 million, approximately P812 million, investments in new transmission assembly for exports as well as plans to assemble two new models in the country – a box-type commercial vehicle and Mirage sedan model – as the company enhances production capacity to 50,000 units in two years and 100,000 units in five years from the current 15,000 units in actual annual production. Masuko said the new transmission project, which is equipped with MMC's newest technology, will produce 60,000 units annually for export to Thailand to be used on a future vehicle model for exports. (Manila Bulletin)

	Tuesday, 19 February 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	7.33%	7.14%	7.79%