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Merits of local marts touted

LEADERS of government and the business community highlighted stability of capital markets and strength of governance in the country during a briefing for global fund managers yesterday.

Some visiting fund managers expressed surprise at how well-run the Philippine economy was, saying they were “very optimistic” about the country despite stiff competition for investments in the region.

“The Philippines has a favorable macroeconomic environment that is supportive and accommodative to capital market growth,” First Metro Investment Corp. (FMIC) President Roberto Juanchito T. Dispo said in his speech at the Philippine Investment Summit for Global Fund Managers 2011 held in Makati City.

The central bank has balanced growth and inflation control at the center of its monetary policy, while the Finance department has contained the fiscal deficit to cut down on government debt, Mr. Dispo said.

The country’s debt is also being rebalanced to favor local borrowings in order to avoid volatility now plaguing foreign markets, he added.

Government has lengthened the maturity of its debt as well, with most obligations falling due in the long-term, cutting the need for refinancing.

“The government has also taught the market to invest in long-term securities. The most actively traded tenors right now are the 20- and 25-year papers,” Mr. Dispo noted.

The FMIC president urged investors to venture into the country’s government securities, noting the wide range of instruments available, such as global bonds and retail Treasury bonds.

“In the pipeline also are inflation-indexed bonds, probably to be issued in the first part of 2012. The government is also contemplating yuan bonds, to complement its euro, yen and dollar bonds,” Mr. Dispo said.

Investors can enjoy “ease of entry and exit” in the fixed-income market since government securities have a fast turnover in the secondary market, he added.

Top executives of about 45 global funds -- including asset funds, hedge funds and sovereign wealth funds, among others -- participated in the summit yesterday, the country's first-ever gathering of international fund managers.

They were also invited to invest in the country's stock market by Philippine Stock Exchange (PSE) President and Chief Executive Officer Hans B. Sicat.

"The Philippine Stock Exchange index has increased year-on-year, posting the highest improvement in Asia, bested only by Indonesia," Mr. Sicat said in his speech. "Philippine equities are also relatively cheaper compared to Asian counterparts, but their yields are at par."

Mr. Sicat outlined programs of the local bourse to deepen the stock market, particularly to lure roughly P1.6 trillion now parked in the central bank's Special Deposit Accounts. One move is to strictly impose the minimum public ownership rule, which mandates listed firms to have a float of at least 10% by end-November. PSE also extended trading hours, improved market education and encouraged new products to be traded, he added.

A particular concern of the bourse though, is that companies have shied away from conducting initial public offerings. "We are trying to push closely held companies to go over the line by advising them, talking to their stakeholders and processing their applications," Mr. Sicat said.

Heavyweights like Ayala Corp.; Aboitiz Equity Ventures, Inc.; First Pacific Co. Ltd.; SM Investments Corp.; and DMCI Holdings, Inc. also presented their corporate profiles and projects in the pipeline to gathered global fund managers.

For his part, Metropolitan Bank & Trust Co. Executive Vice-President Fernand Antonio A. Tansingco encouraged foreign fund managers to consider the Philippines as a part of their diversification strategy as they move away from traditional markets.

"The Philippines has consumption-led growth, which makes its growth path stable and predictable. We also have low reliance on exports," Mr. Tansingco said in his speech at the summit. "Our bond and foreign exchange markets are fairly liquid too."

'Paralysis by analysis'

However, more than securities and equities, an investment opportunity the Philippines has yet to optimize is infrastructure, University of Asia and the Pacific economist Bernardo M. Villegas said.

Infrastructure projects give investors long-term, high-yielding investments, since they can put only so much funds in the fixed-income and stock markets, he explained.

"However, the PPP (public-private partnership) program is suffering paralysis by analysis. The government is so worried about corruption that nothing has moved forward after a year," Mr. Villegas said.

Some of the foreign fund managers reacted positively, hinting in separate interviews that country could even edge out its competitors.

“Outside the Philippines, we know very little of the stability of the country, the level of debt and its economic management. This is very impressive compared to the rest of the world,” said Cristiano Esclapon, founder of Italian venture firm SiamoSoci.

For his part, Ken Atchison of Australia-based Atchison Consultants hailed the Aquino administration’s commitment to rid the government of corruption. “Some of the government presentations are very good. The issue of governance structures being more transparent is very important to investors because that’s what was lacking in the past,” he said.

Mr. Atchison said that, arrayed against some of its peers in the region, “there’s some very real positives about the Philippines and its people.”

Vietnam has run into inflationary problems, he noted.

But Indonesia is “intriguing” because it has made huge strides to impose transparency in government, making it a “country to watch and observe and learn from,” Mr. Atchison said.

“There is competition, but not all countries can do well. The Philippines is one of the more interesting countries to invest in,” Mr. Esclapon added.

At the same time, however, the government was pressed to simplify its tax system on financial instruments in order to lure more investors.

“Navigating through the Philippine taxation system is like going through a maze. There is income tax, final withholding tax, gross receipts tax, documentary stamps tax, depending on the financial instrument,” FMIC’s Mr. Dispo said.

Tax levels are at par with other countries, but rules are much more complex, Mr. Esclapon noted.

Finance Secretary Cesar V. Purisima said in his speech that he was open to rationalizing the tax on financial instruments, but it would likely be done “down the line.”

“The priority of the government right now is to widen the country’s tax base,” he stressed.

“Streamlining taxes before a proper structure is put in place, we risk a drop in revenue collections.”