

NEWS AT A GLANCE

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Unemployment and inflation

Unemployment Is Low. Inflation Is Falling. But What Comes Next?

Economists have mixed views on the state of the US economy, with recent data indicating a strong economy, including employment levels returning to their pre-pandemic state, and lower inflation levels. However, some economists warn of a possible recession due to uncertainties around the impact of the collapse of Silicon Valley Bank and upheaval in the banking system. They argue that the Fed may also cause a recession as it tries to rein in inflation. The Fed is working to strike a balance between bringing down inflation and preventing a severe pullback in borrowing and spending that could lead to widespread job cuts and a recession, with economists noting the difficulty in making decisions based on preliminary and incomplete data.

Some economists argue that the Fed has little choice but to continue raising rates until inflation definitively retreats, while others argue that the momentum may not continue if the Fed doesn't do more. Critics say that the recovery of the US job market over the past three years could be lost if the Fed goes too far in fighting inflation, and that the workers benefiting most from the labor market's current strength will be the ones who suffer most from a recession.

Source: [Unemployment Is Low. Inflation Is Falling. But What Comes Next?](#) (April 14, 2023), New York Times

China's economic growth

China's Growth Finally Rebounds

China's economy grew by 4.5% in Q1 2023, exceeding the expectations of economists, due to the dismantling of strict Covid-19 controls and a resurgence in consumer activity. The growth was also fueled by government investment in infrastructure and a pickup in exports. The result puts the Chinese economy on track to achieve Beijing's goal of expanding by approximately 5% in 2023, offering some support to energy producers, tourist destinations, and trading partners that depend on Chinese demand. However, economists warn that China's recovery may not save the global economy this year as the benefits will likely be felt more domestically than internationally. Additionally, the durability of China's recovery is uncertain as exports may

suffer, the real-estate sector is weak, and consumption may decline if households don't see the necessary improvements in the labor market and the broader economy to boost confidence in spending.

Source: [China's Economy Rebounds After Three Years of Zero-Covid Isolation](#) (April 17, 2023), Wall Street Journal

Chinese trade

Chinese Exports Surge as Trade With Russia and Southeast Asia Jumps

China's exports grew by 14.8% in March from a year earlier, reversing the decline recorded in the first two months of 2023 and ending a nearly half-year string of such drops stretching back to October, according to data from China's customs bureau. The result handily topped economists' forecast of a 7% contraction. The unexpected growth was attributed to greater demand in Asia and Europe as well as improved supply chain conditions. Another major reason behind the strong result was a more than doubling of Chinese exports to Russia in March from a year earlier, highlighting warming economic ties between the two countries.

Chinese exports to Russia more than doubled in March from a year earlier to a record \$9 billion, compared with a roughly 20% gain during the first two months of this year. The unexpectedly strong figures also reflect Beijing's growing economic ties with Moscow as its tensions with the West escalate. In the longer term, however, economists and Chinese officials remain cautious about how much trade can power China's overall economy through the end of the year. Any weakness on the trade front would complicate Beijing's efforts to ensure a smooth post-Covid recovery following an initial snapback after the lifting of restrictions, led by strong signs of life in the services sector.

Source: [Chinese Exports Surge as Trade With Russia and Southeast Asia Jumps](#) (April 13, 2023), Wall Street Journal

Global car manufacturing

Why The World Should Welcome Competition From Chinese Carmakers

China's car industry is poised to take over the global market, with Chinese automakers producing more cars than any other country and leading the future of the industry with their electric car production. Chinese car manufacturers, tech firms, and the government are focusing on revolutionizing how people get around with various innovations, including car-ride-hailing apps, autonomous vehicles, bike- and scooter-sharing schemes, smart public transport, and

more. Although China's car industry has had a mediocre track record in the past, the government sees the lack of a domestic car industry as an opportunity for industrial development and export earnings. In the 1980s, the government allowed foreign companies to establish joint ventures with state-run firms such as FAW and SAIC. The joint-venture strategy enabled Chinese carmakers to produce 23 million cars last year, surpassing Europe and putting America in the shade. Some Chinese firms are now looking at exports to the West, and the government is planning to foster consolidation and attract investment by allowing foreign carmakers to take full control of their Chinese joint ventures and encouraging successful independent firms to invest in state-owned companies.

Source: [Why the world should welcome competition from Chinese carmakers](#) (April 20, 2023), The Economist

The financial system

US Regional Banks' Stability Comes at a Price After SVB's Collapse

Regional banks in the US have managed to halt a massive outflow of deposits that threatened their stability after the collapse of Silicon Valley Bank. However, their profit margins are shrinking unexpectedly quickly. Many mid-sized US banks have warned that the turmoil following SVB's collapse has heightened competition for deposits, forcing them to increase the rates they pay to savers and crimping their expected earnings. This has resulted in many banks, including Truist, Fifth Third and Zions, lowering their outlook for lending profits for the rest of the year. Some smaller lenders have fared worse, with shares of Eagle Bank plunging 20% after reporting deposits fell by \$1.3bn, or 14%, in the first quarter.

Source: [US Regional Banks' Stability Comes at a Price After SVB's Collapse](#) (April 21, 2023), The Financial Times

The financial system

Depositors Pull Nearly \$60bn from Three US Banks as Apple Raises Pressure

Big US financial groups Charles Schwab, State Street, and M&T saw almost \$60 billion in combined bank deposit outflows in the first quarter as customers continued to move their money in search of higher returns. The deposit flight was intensified by the collapse of Silicon Valley Bank and two other US lenders last month. US savers have been pulling cash out of low-yielding bank accounts and investing in alternative products, such as money market funds or Treasury bills, that offer better returns, allowing them to take advantage of the sharp interest rate increases implemented by the Federal Reserve. Meanwhile, Apple and Goldman Sachs

announced the launch of a new savings account in the US that will pay a market-leading 4.15% per annum.

Source: [Depositors Pull Nearly \\$60bn from Three US Banks as Apple Raises Pressure](#) (April 18, 2023), The Financial Times

Global food security

Members Maintain Focus On Food Security, Discuss Farm Policies, Transparency

Members of the World Trade Organization's (WTO) Agriculture Committee have pledged to intensify efforts to address severe food security crises that are particularly challenging for the least developed countries and net food-importing developing countries. At a recent meeting, members discussed new proposals aimed at enhancing transparency and the functioning of the committee, as well as reviewing each other's farm support and border policies to ensure conformity with WTO regulations. They also discussed the implementation of ministerial outcomes adopted at previous conferences and deferred the finalization of the first triennial review of the Bali Tariff Rate Quota Decision to the next committee meeting scheduled for June 2023.

The UN Food and Agriculture Organization and the World Food Programme provided updates on the current outlook for global food security, with both organizations emphasizing the importance of boosting partnerships among relevant stakeholders during times of crisis. The WFP also highlighted the importance of extending the UN-brokered Black Sea Grain Deal, which helped to lower prices following their peak in March 2022. Members welcomed the urgent action taken by the organizations in the global fight against hunger, such as humanitarian food aid and various forms of financial support and technical assistance.

Source: [Members maintain focus on food security, discuss farm policies, transparency](#) (March 28, 2023), The World Trade Organization

Philippine news: Growth

IMF bullish on Philippine economy

The International Monetary Fund (IMF) projects the Philippine economy to grow by 6% in 2023, an increase from the 5% projected figure in January. The IMF points towards strong fourth-quarter growth, continued consumer demand and the reopening of China as factors for the robust growth of the economy. In particular, the Philippine economy grew by 7.2% in the fourth quarter of 2022.

Source: [IMF bullish on Philippine economy](#) (April 17, 2023) BusinessWorld

Philippine news: Inflation

Inflation Rate On A 'Downward Trajectory,' Says NEDA Chief

The National Economic Development Authority (Neda) Secretary Arsenio Balisacan said that the inflation rate in the Philippines is on a downward trajectory and is expected to ease this year, with a target of 3.5 to 4 percent. The country's inflation rate decreased to 7.6 percent in March, mainly due to slower price increases in food, non-alcoholic beverages, transport, and housing, utilities, and fuel. The government is actively monitoring the situation and implementing measures to reach their target by the end of the year.

Source: [Inflation rate on a 'downward trajectory,' says Neda chief](#) (April 20, 2023), Inquirer Business

Philippine news: Rice crisis

Higher Production Costs, Low Gov't Buying Price Add To Rice Crisis Specter

The National Food Authority (NFA) of the Philippines will no longer import 330,000 metric tons of rice to address its buffer stock shortage after discovering that the Rice Tariffication Act requires the agency to maintain a buffer stock sourced solely from local farmers. Instead, the agency will source the grains from local farmers, although it may be too late for the current season as harvesting is almost over in most provinces. The NFA is required to maintain a buffer stock equivalent to 15 to 30 days of national consumption, but its budgetary constraints mean it expects its buffer stock to fall to less than 500,000 sacks by July, which is equivalent to less than a day of national consumption.

The difference between the NFA's and private traders' palay-buying prices is also a problem, with the NFA buying a kilogram of dry palay for PHP19 (US\$0.37), compared with private traders' PHP22 to PHP23. Private traders are also paying more for fresh palay at PHP19 to PHP20 per kilogram, compared with the NFA's PHP15 to PHP16. The Federation of Free Farmers (FFF) also warned of a possible rice crisis later this year, partly because both imports and local production are low, and the government is prevented from importing rice. The FFF estimated palay output in 2022 to be 16.4 million metric tons, almost 18% lower than in 2021.

Source: [Higher production costs, low gov't buying price add to rice crisis specter](#) (April 21, 2023), Inquirer

Philippine news: Maharlika Investment Fund

Fitch Affirms Land Bank of the Philippines at 'BBB'; Outlook Remains Negative

Fitch Ratings has affirmed the credit ratings of Land Bank of the Philippines (LBP), a state-owned bank, at 'BBB' with a negative outlook. The rating reflects the bank's strategic importance to the government as a policy bank with a large balance sheet and its role in supporting various government programs, including a proposed PHP50 billion capital injection for a new sovereign wealth fund called the Maharlika Investment Corporation. However, the bank's increased policy role is likely to weigh on its asset quality and profitability in the near term. LBP's credit ratings are equalized with those of the sovereign, meaning there is no rating upside. The bank's loan quality is weighed down by a legacy portfolio it acquired from United Coconut Planters Bank, and its capitalization is under pressure due to its planned capital contribution to the new sovereign wealth fund. Nevertheless, LBP's balance sheet is highly liquid, and the bank continues to benefit from low-cost and stable public deposits.

Source: [Fitch Affirms Land Bank of the Philippines at 'BBB'; Outlook Remains Negative](#) (April 18, 2023), FitchRatings

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