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SPECIAL POINTS OF INTEREST

StanChart: BSP may cut rates by June

February 21, 2024 | Keisha B. Ta-asan | BusinessWorld


JC GELLIDON-UNSPLASH

THE PHILIPPINE central bank is likely to cut borrowing costs by 25 basis points (bps) in June even if inflation stays above 4% next quarter, Standard Chartered Bank (StanChart) economists said.

Inflation might pick up in the second quarter to more than 4% before easing back to the 2-4% target in the second half, they told a news briefing on Tuesday.

"As long as month-on-month inflation remains disinflationary and the trajectory is for inflation to optimally fall below 4%, it's possible that the BSP (Bangko Sentral ng Pilipinas) doesn't have to wait for the actual inflation number to fall below 4%," Standard Chartered economist Jonathan Koh said.

The BSP is trying to strike a delicate balancing act to support an economy that is expected to grow by 6.5-7.5% this year, while ensuring that any interest rate decisions do not fan inflation or put pressure on the peso and lead to capital outflows.

Central banks around the world have tightened monetary policy since 2022 to tame inflation. The BSP was one of the most aggressive in the region, hiking the policy rate by 450 bps from May 2022 to October 2023.

Last week, the BSP kept the key rate at 6.5% — the highest in nearly 17 years — for a third straight meeting at its first policy review of the year, as widely expected. It will hold its next policy review on April 4.

"The BSP could move before inflation hits below 4%," Mr. Koh said. "If not, the BSP will keep policy a bit too restrictive for too long probably. We are expecting BSP to cut 100 bps this year, beginning with 25 bps in June."

Local interest rates would remain restrictive this year, with economic output likely to expand by 6% from 5.6% last year, he added..

Mr. Koh also said they had lowered their full-year inflation forecast for the Philippines this year to 3.5% from 3.8%.

"There are some disinflationary pressures in the economy especially for core, and we see that for headline as well," he said. "This is encouraging for the central bank in terms of keeping inflation under control."

Inflation cooled to the lowest in three years to 2.8% in January from 3.9% in December and 8.7% a year ago. It was the second straight month that it was within the BSP's 2-4% target.

Core inflation, which excludes volatile prices of food and fuel, cooled to 3.8% from 4.4% in December, the first time that it settled within the 2-4% target after 17 months.

Last week, the Philippine central bank lowered its risk-adjusted inflation forecast for this year to 3.9% from 4.2% but raised its outlook for 2025 to 3.5% from 3.4%. It cut its baseline inflation forecast for this year to 3.6% from 3.7% but kept its projection for 2025 at 3.2%.

The BSP would also likely follow the 100-bp rate cuts from the US Federal Reserve, Mr. Koh said.

The Fed might cut rates by 100 bps this year, which could improve sentiment in the second half, Standard Chartered Chief Economist for Southeast Asia and India Edward Lee told the same briefing.

PESO TO UNDERPERFORM

He said they expect global growth to slow to 2.9% this year. "It's kind of flattish and still lackluster mainly (because) global interest rates are still high." *[Cont. page 2]*

StanChart: BSP may cut rates by June

[Cont. from page 1]

The Fed raised its policy rate by 525 bps to 5.25-5.5% from March 2022 to July 2023. Policy makers from the US central bank earlier said they want convincing evidence that inflation would sustain its fall before they consider cutting borrowing costs.

Meanwhile, Mr. Koh said the dollar would likely weaken against major currencies globally if the Fed does cut the policy rate by 25 bps in May.

"If the dollar goes weaker [against the peso], then it helps with BSP cutting off rates," he said. "Our forecast is P55.40 a dollar by the end of the year, or around the P54-57 range this year."

But the peso might underperform against other currencies in the region amid the country's wide current account deficit, he said.

"The current account deficit is going to improve this year, but we think that the deficit is still substantial, especially in the event where you have oil prices going higher," Mr. Koh said.

Standard Chartered expects the current account shortfall to hit 3% of the economy this year, which is less optimistic than the view of the central bank, which projects a $9.5-billion deficit equivalent to 2% of economic output.

"We are also expecting the BSP to cut by 100 bps, which is the most that we are expecting in the region," Mr. Koh said. Indonesia and Thailand are expected to cut rates by 50 bps.

Standard Chartered also expects the BSP to lessen its intervention in the foreign exchange market. "Even though the dollar was higher in January, there wasn't an intervention to artificially keep the peso at a lower level."

BSP Governor Eli M. Remolona, Jr. last month said the central bank might limit its foreign exchange intervention as it completes a new currency framework this year.

The central bank wants to make the peso more competitive and ease restrictions in the foreign exchange market.
The peso closed at P56.035 a dollar on Tuesday, 3.5 centavos stronger than its close a day earlier.

Source: https://www.bworldonline.com/top-stories/2024/02/21/576867/stanchart-bsp-may-cut-rates-by-june/

Ecozone investments up 19 percent in 2 months

February 20, 2024 | Catherine Talavera | The Philippine Star

Tereso Panga. STAR / File

MANILA, Philippines — Investments approved by the Philippine Economic Zone Authority (PEZA) grew at a robust pace in the first two months of the year, making it on track with its investment approval targets for the year.

In a statement, PEZA said approvals in January and February went up by 18.7 percent to P12.1 billion, higher than the P10.194 billion in the same period last year.

"The significant upswing in our investment performance within two months underscores our commitment to achieving our target of P250 billion investments for this year," PEZA director-general Tereso Panga said.

The total approved investments which include 28 new and expansion projects, could generate $661.095 million worth of exports, and create 3,580 direct employment.

Bulk of the investment approvals at P9.884 billion was approved during the PEZA board's meeting on Feb. 16. This covered 16 projects composed of nine ecozone enterprises, three IT enterprises, one domestic market, two ecozone logistics services and one developer.

These projects are expected to generate $591.476 million in exports and create 2,243 direct jobs.

The projects will be located in the First Philippine Industrial Park II, Daiichi Industrial Park, Light Industry & Science Park III, Laguna Technopark, PHIVIDEC Industrial Estate - Economic Zone, Lima Technology Center, Mactan Economic Zone II, People Technology Complex, 1 Nito Tower in Cebu City, Embarcadero De Legazpi in Legazpi City, Albay, Light Industry & Science Park IV and Hermosa Ecozone Industrial Park.

"Notably, one of the new projects pre-qualified by the board is engaged in the manufacture of solar wafer cells and will start its operations in July 2024," PEZA said.

Source: https://www.philstar.com/business/2024/02/21/2334836/ecozone-investments-19-percent-2-months

Economic team to integrate gov't efforts to attract more investments

February 20, 2024 | Anna Leah Gonzales | Philippine News Agency

MANILA – The country's Economic Development Group (EDG) continues to harmonize efforts to further attract foreign investors to the Philippines, the National Economic and Development Authority (NEDA) said.

ATTRACTING INVESTMENTS. Finance Secretary Ralph Recto (from left to right), Economic Development Group (EDG) Chairperson Secretary Frederick Go, and National Economic and Development Authority Secretary Arsenio Balisacan attend the EDG meeting on Feb. 19, 2024. Members of the EDG vowed to harmonize government efforts to attract more investments in the country. *(Photo courtesy of NEDA)*

In a statement Monday, NEDA, which is the EDG secretariat, said the commitment was made following the EDG's fifth meeting held on Feb. 19.

During the high-level meeting, member agencies of the EDG aligned their efforts to facilitate foreign investments in the sectors of renewable energy, critical minerals and agriculture.

The agencies also agreed on the ways forward to address identified bottlenecks and expedite processes to realize the renewable energy projects in the government's pipeline.

The high-level discussions also addressed how investor interest in critical minerals can be translated into tangible investments in mineral processing, particularly in green technologies within strategic value chains.

During the meeting, Secretary Frederick Go of the Office of the Special Assistant to the President for Investment and Economic Affairs and chairperson of the EDG cited the EDG's crucial role in coordinating initiatives to prevent redundancies and ensure alignment among all relevant agencies.

The Department of Agriculture and Department of Agrarian Reform also informed the group of their efforts to encourage clustering and consolidation to support higher agricultural productivity and improve farmers' welfare.

Source: https://www.pna.gov.ph/articles/1219182

DOE to whet RE investors' appetite with business-to-business matching strategy

February 21, 2024 | Myrna M. Velasco | Manila Bulletin

MANILA BULLETIN

AT A GLANCE

- On the viewpoint of most foreign investors, the Philippines is a highly complicated market and many of them have been leaning on the support of local partners to navigate the complexities of project-developments, primarily the Gordian knot of permitting as well as the dizzying implementation of policy and regulatory frameworks for investments.

- The anemic interest of investors in the last RE capacity auction had been largely blamed on a very short timeframe for bid preparations, especially for foreign investors; the lower-than-expected green energy auction reserve (GEAR) prices set by the Energy Regulatory Commission (ERC); as well as uncertain operational game plan for grid integration of the additional RE capacities.

The interest of foreign investors in the country's renewable energy (RE) sector is still at its wobbly pace, hence, the Department of Energy (DOE) is sorting out strategies to whet their appetite for fresh wave of capital infusion – and one game plan it is pursuing will be business-to-business (B2B) matching activity.

The B2B harmonization activity which is slated this February 22, according to the energy department, has been targeted to "assist foreign investors in finding local partners to support the country's energy transition program."

On the viewpoint of most foreign investors, the Philippines is a highly complicated market and many of them have been leaning on the support of local partners to navigate the complexities of project-developments, primarily the Gordian knot of permitting as well as the dizzying implementation of policy and regulatory frameworks for investments. *[Cont. page 4]*

DOE to whet RE investors' appetite with business-to-business matching strategy

[Cont. from page 3]

In any contemplated business marriage, most foreign investors are also undertaking comprehensive due diligence activities so they won't end up with con players or with scheming parties who are using dummies; and even politicians who are just interested in selling their properties for project-sites.

Energy Secretary Raphael P.M. Lotilla claimed "there is a heightened enthusiasm from international investors for unlocking the country's RE potential, and we are linking them with financing institutions, development organizations, concerned government institutions, and engineering, procurements, and construction (EPC) companies for potential partnerships and access to financing."

The energy chief added "this activity will guide potential RE investors and developers in doing business in the country as we realize our goal of achieving 35% share of RE in the power generation mix by 2030 and 50% by 2040."

Beyond government declarations of 'high interest', however, the reality on the project development space will be for these targeted ventures to still turn into tangible investment-dollars.

Primarily, it is worth noting that in the last GEA, bulk of the contracts were cornered by local investors; and the foreign companies which participated were mostly the ones who already have experience doing business in the Philippines.

The anemic interest of investors had been largely blamed on a very short timeframe for bid preparations, especially for foreign investors; the lower-than-expected green energy auction reserve (GEAR) prices set by the Energy Regulatory Commission (ERC); as well as uncertain operational game plan for grid integration of the additional RE capacities.

On those confluence of factors, only 30% out of the 11,600 megawatts of offered RE installations had cornered qualified tenders – and that is a strong signal for government leaders to 'work harder' when it comes to improving policy and regulatory toolboxes; and make the entire investment terrain more enticing compared to what other markets in the region could offer to these foreign capitalists.

Via the B2B matching session, Lotilla emphasized "our main objective for this event is to assist investors, listen and understand the challenges in implementing RE projects, and facilitate addressing their concerns."

He expounded "to meet our energy transition goal, we are utilizing this platform where participants can identify potential business partners, investors, expertise, technologies or business strengths."

As of January this year, the DOE reported that it already awarded 1,267 projects with RE service contracts – and when these installations would reach commercial fruition, they could add up 129,000 megawatts of clean energy capacities into the country's power supply.

The DOE is scheduling at least two rounds of RE capacity auction this year – one will be for the more conventional RE technologies like geothermal and hydro; while the other will be for the emerging technologies like solar, wind, biomass and will potentially include technology coupling with energy storage systems.

Source: https://mb.com.ph/2024/2/21/doe-to-whet-re-investors-appetite-with-business-to-business-matching-strategy

House urged: Pass wage increase bill

February 21, 2024 | Wendell Vigilia | Malaya Business Insight

A MILITANT lawmaker yesterday urged the House of Representatives to approve its own version of a bill seeking to increase the salary of minimum wage workers in the private sector.

Rep. Arlene Brosas (PL, Gabriela) issued the call a day after the Senate approved on final reading its bill granting a P100 wage increase.

Brosas said the House has to prioritize bills on increasing wages, including her House Bill No. 4898 which seeks to institute a national minimum wage based on the family living wage, and HB No. 7568 which seeks a P750 across-the-board wage increase for private sector workers. *[Cont. page 5]*

House urged: Pass wage increase bill

[Cont. from page 4]

"The House of Representatives must do its part and immediately hear the wage hike bills filed by the Makabayan bloc and other lawmak-ers. The people have long been clamoring for a wage increase so the government has to re-spond," she said in mixed Filipino and English.

Brosas, a member of the militant Makabayan bloc at the House, said the two measures can be merged for a P1,100 uniform national minimum wage increase.

The Senate Bill No. 2534, seen to benefit some 4.2 million minimum wage earners, was passed amid opposition from business groups that said a P100 salary hike is not the solution to challenges faced by Filipino workers.

The measure bill, if enacted, could be the first national legislated wage hike for the private sec-tor since 1989 when Republic Act No. 6727 or the Wage Rationalization Act, which effectively declared that wages would be set on a regional basis by regional wage boards, became a law.

Brosas said the Senate's approval of the SB No. 2534 is "a step towards acknowledging that the current minimum wage is not enough."

"Although the P100 increase in wages is not enough to reach the P1,193 family living wage, this as an initial step towards putting the spotlight on the plight of the workers who have long been call-ing for a significant wage hike," she also said.

Brosas said big business owners continue to profit huge amounts, citing the 2021 Forbes' Philippines Rich List, which showed that the collective wealth of the 50 rich-est Filipinos grew 30 percent to $79 billion or around P3.9 trillion despite the COVID-19 pandemic.

The labor coalition NAGKAI-SA! echoed Brosas as it asked the House to pass a wage hike bill.

"It is within their power to leg-islate a more substantial increase that benefits both private and public sector workers, reflecting the real economic pressures faced by Filipino families," it said.

Labor Secretary Bienvenido Laguesma expressed hope the proposed legislated wage hike will not result in a further skyrocketing of prices of basic commodities and services.

Laguesma said wage hikes are likely to result in bigger expendi-ture for businesses, which may re-flect on the prices of their products and services.

"We may feel an increase in ba-sic commodities and in transport. There is usually a chain reaction," he said.

"We must closely monitor and, hopefully, it won't lead to a huge increase in prices, especially among the small businesses," he added. ***– With Gerard Naval***

Source: https://malaya.com.ph/news_news/house-urged-pass-wage-increase-bill/

Biz chamber, SEIPI cite investment backlash of legislated wage increase

February 21, 2024 | Andrea E. San Juan | BusinessMirror

Manufacturers of electronics and the Philippine Chamber of Commerce and Industry (PCCI) warned the government that a legislated wage hike might drive away foreign investors and make the Philippines more unattractive as an investment destination.

Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) President Danilo C. Lachica said the industry prefers not to have the wage hike, as this would reduce the sector's competitiveness.

"We prefer not to have the increase because the sector's competitiveness will be hurt by the 20 percent increase in operating costs," Lachica told the BusinessMirror in a Viber message Tuesday. *[Cont. page 6]*

Biz chamber, SEIPI cite investment backlash of legislated wage increase

[Cont. from page 5]

In fact, the head of the organization of foreign and Filipino electronics firms in the country, “We are already losing business and employment to Vietnam, Thailand and Malaysia.”

Data from the Philippine Statistics Authority (PSA) showed that electronics exports amounted to $41.90 billion in 2023, down 9.2 percent from the $46.15 billion exports earnings in 2022.

Based on 2023 data, however, electronics exports still occupy the largest chunk in the Philippine exports pie as it accounted for 56 percent of the exports receipts in 2023, which was $73.52 billion.

On Monday, the Senate, voting 20-0-0, approved on third and final reading a bill mandating a P100 daily pay increase for minimum wage earners in the private sector, amid last-minute appeals by major business groups to hold it. ***(Full story here: https://businessmirror.com.ph/2024/02/20/ignoring-business-groups-senate-approves-wage-hike/)***

Meanwhile, in a statement issued on Wednesday, PCCI President Enunina V. Mangio emphasized that the P100 minimum wage hike move by the Senate would “shun away” foreign investors from doing business in the Philippines.

“No one would ever try to look at the Philippines once they see that legislators can enact wage hikes anytime even disregarding the authority of the National Wage Board,” she added.

The major business group in the country also noted that the Congress should let the National Wages and Productivity Commission and Regional Tripartite Wages and Productivity Boards decide on wage hikes rather than legislate a bill that “would only benefit a few and disenfranchise other members of the labor force.”

The PCCI chief said that the proposed P100 legislated wage increase co-authored by Senators Jinggoy Estrada and Senate President Juan Miguel “Migz” Zubiri, now on the third and final reading, will only benefit five million workers versus 47 million others that are in the informal sector.

Further, the business group said that its local chambers shared their strong opposition to the proposed P100 legislated wage hike, while backing the recommendations of the joint business groups led by PCCI.

In its statement, PCCI South Luzon said, “The proposed legislation directly infringes upon the Regional Tripartite Wages and Productivity Board (RTWPB) mandate to regulate wage adjustments regionally based on economic conditions.”

The local chamber said, “Centralizing wage determination undermines the board’s ability to tailor wage policies to regional economic realities,” hence risking “economic imbalances.”

Last Tuesday, the Philippine retail sector called on the Congress to veto the said bill.

“[Philippine Retailers Association] PRA is against any legislated and across-the-board wage increases. We hope the House does not support it …and for Congress to veto the bill. All economic managers are against it too,” PRA President Roberto S. Claudio Sr. told the BusinessMirror on Tuesday.

Claudio emphasized that the wage boards should determine the “acceptable amount” in wage increase. ***(Full story here: https://businessmirror.com.ph/2024/02/20/groups-wage-boards-should-decide-hikes/)***

Through the lens of the Department of Trade and Industry (DTI), Secretary Alfredo E. Pascual said, “We are studying the impact on our end. I have not received the report yet of our analysts.”

Source: https://businessmirror.com.ph/2024/02/21/biz-chamber-seipi-cite-investment-backlash-of-legislated-wage-increase/

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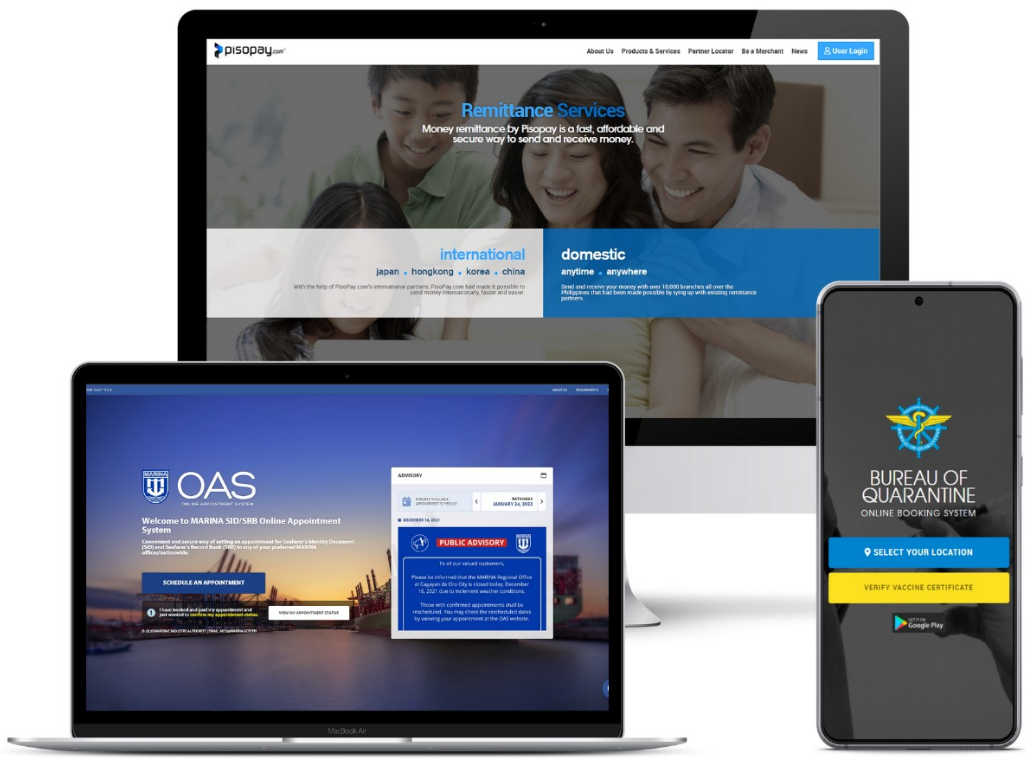

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