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SPECIAL POINTS OF INTEREST

June inflation likely within target

July 01, 2024| Luisa Maria Jacinta C. Jocson | BusinessWorld

A vendor waits for customers in a public market in Quezon City. — REUTERS

HEADLINE INFLATION likely remained steady in June and settled within the central bank's 2-4% target for a seventh straight month, analysts said.

A *BusinessWorld* poll of 14 analysts yielded a median estimate of 3.9% for the consumer price index (CPI) in June. This is within the 3.4-4.2% forecast of the Bangko Sentral ng Pilipinas (BSP) for the month.

If realized, June inflation would match the 3.9% in April. It will also be slower than the 5.4% print in the same month a year ago.

The Philippine Statistics Authority (PSA) is set to release June inflation data on Friday (July 5).

"We expect inflation to remain unchanged at 3.9% year on year in June. Soaring prices of rice over the last few months have broadly stabilized, as we've passed the peak of the dry spell period," Sarah Tan, an economist from Moody's Analytics, said in an e-mail.

The staple grain is one of the significant contributors to the country's inflation. Rice inflation eased to 23% in May from 23.9% a month earlier, marking the second straight month of slower inflation as global rice prices declined.

"We forecast that inflation remained at 3.9% in June. For the next six months of 2024, however, we believe that inflation could ease to an average of 2.6%. This is primarily because of the impact of the lower tariff on imported rice," Philippine National Bank economist Alvin Joseph A. Arogo said in an e-mail.

Rice prices are seen to drop further after President Ferdinand R. Marcos, Jr. last month signed Executive Order No. 62, which slashed tariffs on rice imports to 15% from 35% previously.

The month of June also saw lower electricity rates, HSBC economist for ASEAN (Association of Southeast Asian Nations) Aris Dacanay said in an e-mail.

"Electricity rates in the Philippines fell by around 17% year on year due to an order by energy authorities to stagger the collections distributors would need to cover their wholesale electricity purchases in May, in contrast to a one-time, big-time price adjustment. This represents a big fall in the inflation outlook," he said.

Residential customers served by Manila Electric Co. saw a P1.9623 per kilowatt-hour (kWh) reduction in their electricity bills for June. This brought the overall rate down to P9.4516 per kWh in June from P11.4139 per kWh in May.

This after the Energy Regulatory Commission ordered all distribution utilities and electric cooperatives to implement a staggered collection of charges on their purchases from the Wholesale Electricity Spot Market in May.

On the other hand, analysts also cited upside risks that could stoke inflation.

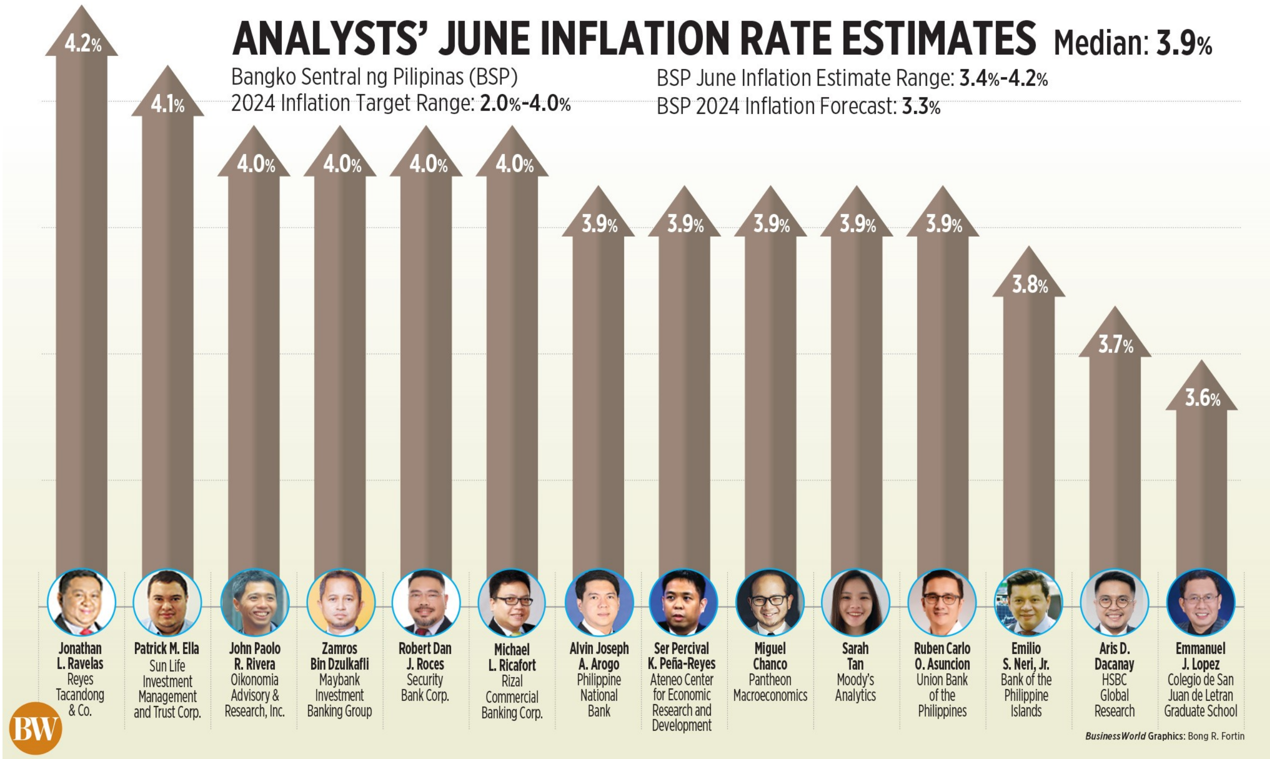
"Upward price pressures in June likely came from other agricultural produce besides rice. For example, *pechay* — a leafy vegetable commonly used in Filipino cuisine — and ginger were reported by authorities to record higher average retail prices in the first half of June, compared with May," Ms. Tan said.

Mr. Dacanay also noted inflationary pressures from fruit and vegetables such as calamansi, snow cabbage and eggplant.

"Continued peso weakness and elevated food inflation could add into further inflationary pressure," Zamros Bin Dzulkafli, economist at Maybank Investment Banking Group, said in an e-mail. *[Cont. page 2]*

June inflation likely within target

[Cont. from page 1]



The peso depreciated by 10 centavos to P58.61 against the greenback as of end-June from P58.51 as of end-May.

For the month, its weakest close was at P58.86 per dollar on June 26. This was its worst finish in 20 months.

POLICY IMPACT

Bank of the Philippine Islands Lead Economist Emilio S. Neri, Jr. said that if inflation can remain close to target over the next few months, this may fuel the chances of a rate cut.

"If the print for both June and July stays close or below 4%, we think the chances of a BSP (rate) cut in August will be pretty high whether the Federal Open Market Committee cuts rates in July or not," he said in a Viber message.

BSP Governor Eli M. Remolona, Jr. last week said that the central bank is on track to cut rates by its Aug. 15 meeting.

Security Bank Corp. Chief Economist Robert Dan J. Roces said that inflation is expected to remain elevated but will moderate by July and August and return to within target by September.

The BSP sees inflation potentially breaching the 2-4% target in July before returning to target.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message that inflation could settle slightly above the 4% levels in June to July amid base effects then return to within target from August to December.

"Assuming the June print remains within the target range, then I think the BSP can feel confident from the next meeting (August) onwards to start easing gradually, as June should mark the peak of headline inflation for the year," Pantheon Macroeconomics Chief Emerging Asia Economist Miguel Chanco said.

Ms. Tan said that the central bank will want to wait for inflation to further ease before making any moves.

"We expect inflation to moderate in the third quarter, which will allow the BSP to start planning for its monetary policy easing," she said. *[Cont. page 3]*

June inflation likely within target

[Cont. from page 2]

At its policy meeting last week, the BSP said that an improved inflation outlook would allow a "less restrictive" policy stance.

"Still, the BSP cautioned that there are uncertainties in external conditions that could keep inflation from receding at the anticipated pace. Should the inflation print for June match or ease from May, this will give the BSP confidence to begin its policy easing cycle sooner rather than later," Ms. Tan added.

On the other hand, Union Bank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said that the BSP could delay its easing to the fourth quarter.

"We sense the weak peso paired with oil price upticks recently, argue for the BSP delaying its rate cut to the fourth quarter when the US Fed is expected to trim its policy rate as well," he said in an e-mail.

Mr. Asuncion said that the BSP may want to keep interest rates elevated for now to "mitigate the risk of a buildup of cost pressures from this tandem of weak peso and high oil prices, that can conspire to reignite faster second-round price effects later in the year," he added.

Mr. Remolona has said that the BSP "occasionally" intervenes in the peso to ensure that it does not depreciate sharply.

"However, the BSP may not want to wait for the US Fed in the event it delays its rate cuts to early next year, since the sky-high, real interest rates across the local curve — a by-product of BSP's high interest rate policy — may severely restrain production and investment activities into next year," Mr. Asuncion added.

The Development Budget Coordination Committee expects the peso to range from P56 to P58 this year.

Source: https://www.bworldonline.com/top-stories/2024/07/01/605186/june-inflation-likely-within-target/

'New intl airport to make Bulacan ecozone thrive'

July 01, 2024| Butch Fernandez | BusinessMirror

The proposed design of the New Manila International Airport. San Miguel Corp.

LAWMAKERS who backed the passage of the enabling law that created the Bulacan ecozone expect the speedy development of the New Manila International Airport in Bulakan town will perk development of the freeport.

Republic Act 11999 or the Bulacan Special Economic Freeport Act gave the soon to rise free port perks and benefits designed to invite investors to the area.

"Central to the establishment of the Bulacan EcoZone is the building of the quintessential airport that the country badly needs," Sen. Grace Poe said.

"The new airport will unlock potentials for jobs, businesses, better travel experience, and regional economic growth," added Poe, the principal sponsor of the law in the Senate.

The international airport in Bulakan town is expected to be operational by 2027.

Republic Act 11999 created the Bulacan Special Economic Zone and Freeport Authority (Beza) which will manage the ecozone.

In consultation with the National Economic and Development Authority, the Beza will establish the general framework for land use, planning and development for the area covered by ecozone.

Under the law, the body will have an authorized capital stock of P2 billion, the majority shares of which shall be subscribed and paid for by the national and the local governments.

As the Senate finance committee chairman, Poe pointed out that the chamber will exercise its functions to see to it that government funds for the Bulacan EcoZone will be spent judiciously.

"The private domestic investor will build an airport worth P735 billion. The government should be ready to pitch in as a partner by developing the ecozone," she said.

Poe said the ecozone will be the perfect venue for an efficient and sustainable integrated airport network.

"We owe it to our people to give them a better airport, it has been long in coming," Poe said.

Source: https://businessmirror.com.ph/2024/07/01/new-intl-airport-to-make-bulacan-ecozone-thrive/

Wage board Oks P35 minimum wage hike in NCR

July 01, 2024| Ian Laqui | Philippine Star

Multi-sectoral groups stage a protest rally against Charter change outside the Batasang Pambansa in Quezon City on March 20, 2024.

STAR / Ryan Baldemor

MANILA, Philippines — The Regional Tripartite Wages and Productivity Board (RTWPB) in the National Capital Region (NCR) has approved a P35 wage increase in the minimum wage for workers in the private sector.

The decision was released on Monday and will be effective 15 days after the publication of the general circulation of newspapers.

This brings the minimum wage to P645 for non-agriculture workers in the private sector.

On the other hand, P608 will be the minimum wage for those in agriculture, service or retail with 15 workers or less, and manufacturing with less than 10 regular workers once the wage hike is implemented.

In a press release of the Department of Labor and Employment (DOLE), it said that the wage hike was determined by the various criteria under Republic Act No. 6727 or the Wage Rationalization Act. It took into account three petitions from labor groups requesting a hike in the daily minimum wage due to rising prices of essential goods and commodities.

“The wage order is expected to directly benefit around 988,243 minimum wage earners in NCR. About 1.7 million full-time wage and salary workers earning above the minimum wage may also indirectly benefit as a result of upward adjustments at the enterprise level arising from the correction of wage distortion,” DOLE’s press release read.

The board that approved the wage hike comprised representatives from the government, management and labor sectors.

It was done through two consultations for workers and employers on May 23, 2024 and June 4, 2024 and a public hearing on June 20, 2024, in Quezon City as well as a wage deliberation on June 27, 2024 in Manila, according to DOLE.

The most recent minimum wage hike in NCR took effect on July 16, 2023, with a rate hike of P40.

It had set the rate of P610 for the non-agricultural sector and P573 for the agricultural sector.

‘Masahol pa sa barya’

Some progressive labor groups condemned the recent wage hike saying that the increase was not enough to sustain a regular worker’s needs.

The groups also denounced the Marcos administration’s move to increase the wages through wage boards instead of urging the House of Representatives to legislate a nationwide wage increase.

"Sa pangawalang taong anibersaryo ni Marcos Jr. sa pwesto, ang regalo niya sa mga manggagawa ay isang malaking insulto. Nagpatawag ng wage review para tugunan ang panawagan ng mga manggagawa para sa dagdag-sahod, tapos P35 lang ang ibibigay? Ni hindi pa sapat para sa isang kilong bigas!" Jerome Adonis, Secretary General of labor group Kilusang Mayo Uno said in a statement.

(In the second year anniversary of Marcos Jr. in office, his gift to the workers is a big insult. A call for wage review was made to heed the call of workers for wage increase, and then only P35 was given? It's not even enough to pay for a kilo of rice).

“Ang panawagan ng mga manggagawa ay nakabubuhay na sahod, pero ang ibibigay satin ay masahol pa sa barya. Akala ata ni Marcos Jr. ay maloloko niya tayo sa kanyang pagpapapogi at pagpapabango,” he added.

(The workers are demanding a livable wage, but what they are offering us is barely more than loose change. It seems Marcos Jr. thinks he can deceive us with his attempts to improve his image.)

It should be noted that this year’s wage hike in the NCR is P5 lower than last year’s wage increase.

Meanwhile, in a separate statement, Gabriela Women’s Party-list called the recent wage hike an insult to Filipinos saying that the amount “falls short of what Filipino families need to live with dignity.”

"This P35 increase is an insult to Filipino workers. It's barely different from the P25 wage hike implemented way back in 1989, and lower than the P40 hike granted last year. How can the government expect NCR workers to survive on P645 a day when the Family Living Wage stands at P1,200 and when prices continue to accelerate?" Rep. Arlene Brosas (Gabriela Women's Party) was quoted, as saying in a statement.

"Hampaslupa ang tingin ng gobyerno sa mga manggagawa. By approving such a meager increase, the government is treating our workers as mere slaves, disregarding their basic needs and rights," she added.

(The government regards workers as impoverished. By approving such a meager increase, it is treating our workers as mere slaves, disregarding their basic needs and rights.)

Source: https://www.philstar.com/headlines/2024/07/01/2366917/wage-board-oks-p35-minimum-wage-hike-ncr

Factory activity slows to lowest level in three months

July 01, 2024| Xander Dave Ceballos | Manila Bulletin

Local factory activity further slowed down in June amid a softer uptick in factory orders and a second consecutive drop in employment, S&P Global reported.

The Philippines' S&P Global Manufacturing Purchasing Managers' Index (PMI)—a comprehensive gauge of the industry's performance—posted a three-month low of 51.3 in June from 51.9 in May.

S&P Global said the decline was driven by several factors. First is the recent softening of underlying demand trends, which was the second-weakest in the current ten-month sequence of growth.

Additionally, export sales declined to a three-month low due to slower demand from foreign clients.

On the other hand, the increasing spare capacity forced firms to slash their workforce numbers in June with reports of non-hiring for the job positions of voluntary leavers.

Nonetheless, production picked up faster in July, the strongest pace in six months, as the rate of input price inflation remained weaker than it had been in past months despite a fresh rise in factory costs.

As a result of rising production and possible increase in activity, S&P Global said companies in the Philippines responded by raising their buying activity.

Maryam Baluch, S&P Global Market Intelligence economist, said the recent cooling in demand conditions might indicate weaker upticks in output into the second half of the year.

Baluch said that while the output activity fed through to higher purchasing activity, it still failed to translate into job creation.

"Inflationary pressures remained in check, despite a renewed rise in operating costs. Relatively soft and subdued upticks in costs and charges could help the sector generate demand in the coming months," she said.

Despite this, S&P Global noted that the first half of 2024 further improved in operating conditions across manufacturing sectors.

"Manufacturers maintained a positive outlook for production over the coming year, with hopes that improved demand conditions would support further output expansions," Baluch stated.

"However, the level of optimism dimmed from May's recent high and was weaker than the series average," she added.

Source: https://mb.com.ph/2024/7/1/factory-activity-slows-to-lowest-level-in-three-months

PHL competitiveness to depend on pace of infra upgrades — think tank

July 01, 2024| Justine Irish D. Tabile | BusinessWorld


THE Asian Institute of Management campus in Makati City. — JUN ACULLADOR/FLICKR/CC BY-ND 2.0

THE Philippines' ambitions for attracting investment will hinge on improvements to its digital and physical infrastructure, according to the Asian Institute of Management's (AIM) competitiveness policy center.

Jamil Paolo S. Francisco, executive director of the AIM Rizalino S. Navarro Policy Center for Competitiveness, told *BusinessWorld* that the Philippines will have to do better in indicators like annual global competitiveness rankings, parts of which measure infrastructure quality.

Asked for his recommendations, he said: "I guess the most basic one is really infrastructure. Not just physical infrastructure, but also digital and human infrastructure."

"We are lagging there. So, we have to make it faster, and we have to do more," he added.

[Cont. page 6]

PHL competitiveness to depend on pace of infra upgrades — think tank

[Cont. from page 5]

Citing the 2024 World Competitiveness Ranking (WCR) by Switzerland's International Institute for Management Development, he said infrastructure can be classified into four parts: basic, human, scientific, and social.

The index placed the Philippines 52nd out of 67 economies, retaining its spot from last year. In terms of the components of the rankings, the country ranked the lowest in infrastructure at 61st, down from 58th last year.

"10 or 15 years ago, there was already a long list of things we had to check in the infrastructure pillar," said Mr. Francisco. "Now, it not only involves hardware but also software."

He said that previously, the Philippines had to deal with basic infrastructure like roads and bridges, but now the country has to also build the digital infrastructure needed to facilitate e-commerce, among others.

"So, the list that we have to fulfill just keeps getting longer. Unfortunately, we're still lagging on that long list," he added.

In the 2024 WCR, the Philippines ranked 62nd in basic infrastructure, 55th in technological infrastructure, and 60th in scientific infrastructure.

"If we fare low in these indicators, then we are not as competitive. Because increasingly, remember, it's a perception game."

He said that investors will also weigh these factors when choosing the countries they will be investing in.

Citing cybersecurity as an example, he said that it is a component of the technological infrastructure pillar, in which the Philippines ranked 58th.

"Unfortunately, maybe in the Philippines, we haven't been able to prioritize cybersecurity, and we are just still trying to address it," Mr. Franscisco said.

"In other countries, they are more advanced in terms of their awareness and their appreciation of the need to address it, and investors will expect that of countries where they invest, and so if we fare low there, then we are perceived as less competitive," he added.

Besides improving infrastructure, he said that the Philippines will also have to work on the "right messaging."

"We keep saying that competitiveness rankings are partly based on perception surveys, and that's important because, as an investor, you make a decision based on data. But you also make a decision based on gut feel and your perception of a country," he said.

"So, we need to do an even better job of communicating clearly why it makes sense to do this in the Philippines. Communicating our commitment to reform, to the promises that we've made, to investments in basic infrastructure, and whatnot," he added.

Source: https://www.bworldonline.com/economy/2024/07/01/605444/phl-competitiveness-to-depend-on-pace-of-infra-upgrades-think-tank/

PH, four Asian countries to link payment systems

July 02, 2024| Niña Myka Pauline Arceo | The Manila Times

From left: Bank of Thailand Governor Governor Sethaput Suthiwartnarueput, Bangko Sentral ng Pilipinas Governor Eli M. Remolona Jr., Reserve Bank of India Governor Shri Shaktikanta Das, Bank for International Settlements General Manager Agustín Carstens, Bank Negara Malaysia Governor Datuk Abdul Rasheed Ghaffour and Monetary Authority of Singapore Managing Director Chia Der Jiun pose during signing ceremony and launch of Project Nexus' phase four in Basel, Switzerland, on June 30, 2024. Photo from the BSP website.

FIVE central banks in Asia, including the Bangko Sentral ng Pilipinas (BSP), are preparing for the implementation of a
cross-border retail payments platform under a Bank of International Settlement's (BIS) initiative.

The BIS, dubbed the central bankers' central bank, said its Project Nexus aimed to link the instant payment systems (IPS) of the Philippines, India, Malaysia, Singapore and Thailand.

The BSP, Reserve Bank of India (RBI), Monetary Authority of Singapore (MAS), Bank of Thailand (BOT) and Bank Negara Malaysia (BNM) will be the founding members while Bank Indonesia will remain a special observer.

"Even with just the first wave of connected countries, Nexus has the potential to connect a market of 1.7 billion people globally, allowing them to make instant payments to each other easily and cheaply," BIS General Manager Agustín Carstens said in a statement.

The BIS, BSP, RBI, MAS, BOT and BNM announced the completion of the detailed plan for phase three of Project Nexus, seen as enabling participants who are ready to work toward the next stage. *[Cont. page 7]*

PH, four Asian countries to link payment systems

[Cont. from page 6]

Phase four, which was launched on Sunday in Switzerland, will see the central banks of Singapore, Malaysia, the Philippines and Thailand — who worked together in phase three — joined by the Indian central bank, whose IPS is said to be the largest in the world.

The partner central banks and IPS operators have also agreed to work on the establishment of the Nexus Scheme Organization (NSO), which will be responsible for managing the overall scheme.
"The NSO will be wholly owned by the central banks and/or IPS in participating countries, depending on the specific domestic structures," the central banks said.

The BIS will not manage or operate the NSO. It helped develop the blueprint for phase three and will continue to provide technical advisory support as the participating countries prepare for the live launch of Nexus.

"I wish our partners in Nexus every success as they advance the project from concept to reality. This is the first BIS Innovation Hub project that central banks are moving toward a live phase together with instant payment providers," Carstens said.

When implemented, it will greatly enhance cross-border payments in line with both the G20 cross-border payments programme and our mission to develop public goods in the technology space to support central banks and improve the functioning of the financial system," he added.

For his part, BSP Governor Eli Remolona Jr. said that the central bank would continue to work with the Philippine payments industry, the BIS and other interested countries toward the implementation of the cross-border payments system.

"We look forward to Nexus providing overseas Filipinos with a cheaper and faster means to send money to family back home, and facilitating the globalization of Filipino small- and medium-scale enterprises," he said.

Source: https://www.manilatimes.net/2024/07/02/business/top-business/ph-four-asian-countries-to-link-payments-systems/1954531

OECD: Philippines hikes tax-to-GDP in 2022 even as regional peers collect more efficiently

July 02, 2024| Niña Myka Pauline Arceo | The Manila Times

MANILA BULLETIN

The Philippines has increased its tax take as a share to the economy in 2022, even as it lagged behind the regional average in collection efficiency.

According to the Organization for Economic Cooperation and Development's (OECD) Revenue Statistics in Asia and the Pacific 2024 report, the Philippines' tax-to-gross domestic product (GDP) ratio rose to 18.4 percent in 2022 from 18.1 percent in 2021.

The tax-to-GDP ratio reflects how tax and customs authorities efficiently collect revenues to make available financial resources to be spent on public goods and services.

While the Philippines' tax effort improved as it reopened its economy from stringent pandemic restrictions two years ago, the report released on June 25 showed that the ratio was below the Asia-Pacific average of 19.3 percent.

Among wealthy countries belonging to the OECD, the Philippines' 2022 tax-to-GDP was farther below the average of 34 percent.

The OECD nonetheless pointed to improvements in the Philippine government's tax-collection efficiency, citing that "from 2007 to 2022, the tax-to-GDP ratio in the Philippines increased by 2.8 percentage points from 15.6 percent to 18.4 percent."

Last year's tax effort was also the highest since at least 2007, OECD data showed.

As the Philippines is mainly a consumption-driven economy, the OECD noted that the largest share of tax revenues collected by the government in 2022 came from goods and services taxes and the 12-percent value-added tax (VAT), accounting for 25.3 percent of total.

Other taxes on goods and services accounted for 18.4 percent of Philippine tax collections two years ago; personal income tax, 17 percent; corporate income tax, 15 percent; social security contributions, 15 percent; and other taxes, 9 percent.

The Philippines' tax structure or the share of each tax in total tax revenues is similar to its peers the Asia-Pacific, African and Latin American regions, where taxes on consumption usually account for the bulk.

However, in other developing regions, corporate income tax collections have been bigger than the personal income tax take, unlike in the Philippines.

Finance Secretary Ralph G. Recto, who oversees tax and non-tax revenue collections primarily of the bureaus of Internal Revenue (BIR) and of Customs (BOC), had committed to refrain from slapping new taxes besides the still pending tax reform measures in Congress

Source: https://mb.com.ph/2024/7/1/oecd-philippines-hikes-tax-to-gdp-in-2022-even-as-regional-peers-collect-more-efficiently

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