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SPECIAL POINTS OF INTEREST

Inflation forecasts mixed for January

February 03 2025 | Keisha Ta-Asan | The Philippine Star

MANILA, Philippines — Inflation likely hovered between 2.6 and three percent last month, a poll of leading economists showed, although most expected it to edge lower, providing relief to consumers after three consecutive months of increase in the consumer price index (CPI).

Last-minute shoppers flock to Divisoria in Manila on December 31, 2024, just hours before the New Year, to buy essentials for the celebration.

Ryan Baldemor / The Philippine STAR

Sarah Tan, an economist from Moody's Analytics, said inflation could ease to 2.7 percent in January from 2.9 percent in December last year.

"Price pressures will come from the food, fuel and water categories. Food inflation for January will still capture the toll of late 2024 storms," Tan said.

"Flood damage knocked food production in the final months of 2024, stoking inflation. These upward price pressures are expected to linger into the opening month of the new year," she added.

Meanwhile, she said the utilities sector would see mixed movements, with lower electricity generation charges offset by rising domestic fuel costs. Water rates were also revised upwards as of Jan. 1, adding pressure to utility bills throughout the year.

"Across 2025, we expect inflation to remain within the BSP's two to four percent target range. This will support further monetary policy easing in the Philippines, reducing the pressure on the budgets of households and businesses," she said.

HSBC ASEAN economist Aris Dacanay likewise sees 2.7 percent inflation in January, citing falling rice prices and easing electricity rates as key drivers of disinflation. However, inflation remains sticky, with fuel costs rising due to a strong US dollar and higher pork prices amid a resurgence of African swine fever.

"The deceleration should have been faster if it weren't for other non-core components of the CPI basket," Dacanay said. "Moving forward, we expect the government's ongoing efforts to manage rice supply to bring overall inflation down in the next few months."

Lower January inflation would support a 25-basis-point rate cut by the Bangko Sentral ng Pilipinas (BSP) on Feb. 13, especially following the weaker-than-expected gross domestic product (GDP) growth in the fourth quarter.

UnionBank chief economist Ruben Carlo Asuncion projects 2.8 percent inflation for January amid declining costs in housing rental, electricity, water and gas. He expects headline inflation to bottom out at 2.4 percent in February before gradually ticking higher, revising his full-year 2025 inflation estimate to 3.4 percent from 3.2 percent in 2024.

Michael Ricafort, chief economist at RCBC, offers a slightly lower estimate of 2.6 percent, attributing the expected decline to a post-holiday demand slowdown and lower global rice prices.

He said rice, which comprises nine percent of the CPI basket, has become more affordable due to reduced tariffs on imported rice and declining global rice prices.

"Relatively benign inflation within the BSP at two percent levels is still possible up to early 2025, within the BSP's target of two to four percent. This could justify future policy rate cuts, especially if the US Federal Reserve follows suit," Ricafort added.

Meanwhile, some analysts expect inflation to inch up in January from a month ago. *[Cont. page 2]*

Inflation forecasts mixed for January
[Cont. from page 1]

PNB economist Alvin Arogo said inflation could increase to three percent.

“Assuming no new commodity price shocks, we believe that the lowered rice tariff, downtrend in Vietnam rice prices and favorable rice base effect should keep inflation within the BSP’s target this year,” Arogo said.

BPI lead economist Jun Neri also forecast a three percent print in January, citing manageable price pressures in transport and utility sectors.

“The January inflation print is crucial as this might influence the policy decision of the BSP on Feb. 13. Aside from the GDP disappointment earlier in the week, on-target headline inflation may open the way for the Monetary Board to ease monetary settings further,” Neri said.

While a rate cut is possible, the BPI economist said there are risks that could limit rate cuts to just 50 basis points this year. The country’s current account deficit is likely to remain wide this year, making the peso more vulnerable to external factors.

“If BSP become too aggressive with easing, the peso could be subject to sizeable exchange market pressure, which, in turn, could fuel inflation expectations,” he said.

Inflation for January is set to be announced on Feb. 5, ahead of the Monetary Board’s Feb. 13 rate-setting meeting.

Source: https://www.philstar.com/business/2025/02/03/2418711/inflation-forecasts-mixed-january

PH factories kick off 2025 with solid performance
February 03, 2025 | Kris Crismundo | Philippine News Agency

MANILA – The S&P Global Philippine Manufacturing Purchasing Managers’ Index (PMI) reported Monday that local factories started the year with a solid performance as manufacturing score remained in the green territory.

The country’s manufacturing PMI in January 2025 stood at 52.3, easing from a 54.3 score in December 2024.

PMI of above 50 indicates improvement of the sector while below the neutral score reflects deterioration.

"The Filipino manufacturing sector started the year with a further and strong improvement in demand. Output grew again, albeit at a pace which notably weakened from December. If demand trends continue to improve as they have done, then employment growth could be on the cards in the months ahead,” S&P Global Market economist Maryam Baluch said.

The report noted that the strong demand last month contributed to further rise in manufacturing output.

However, competition and higher prices of raw materials tamed production activities.

On the other hand, manufacturers’ optimistic outlook made them hike pre- and post-production inventories.

“We could see 2025 shaping up to be another strong year of growth for the Philippines manufacturing sector with industrial production growth forecasted at 3.9 percent in 2025, up from 2.4 percent in 2024. In fact, the anticipation of greater demand has already prompted goods producers to increase their inventory levels,” Baluch said.

Hiring activities were also flat in the previous month.

"The election year is also likely to provide a general boost to the manufacturing sector, as highlighted by some survey respondents,” the economist added.

Source: https://www.pna.gov.ph/articles/1243200

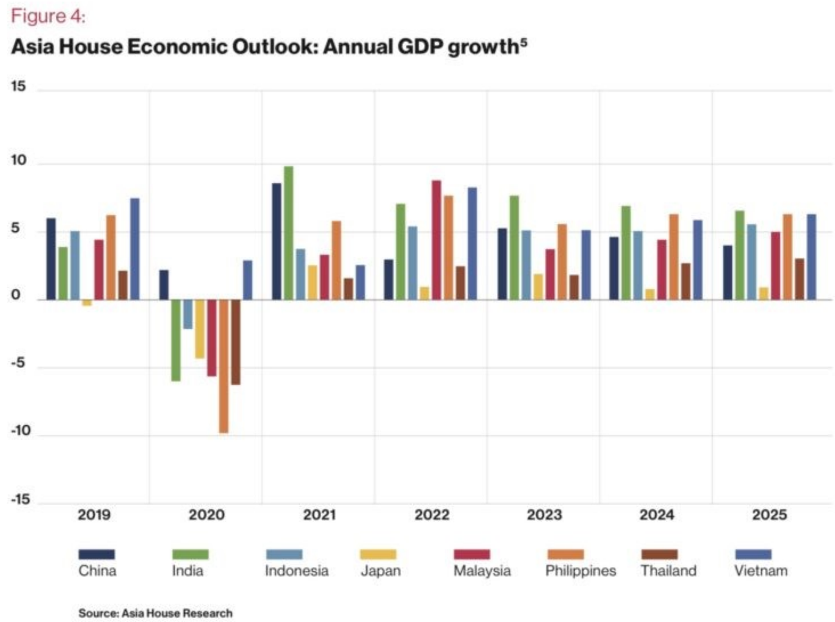
U.S. may dent Asia's exports, currencies

February 04, 2025 | Ma. Stella F. Arnaldo | BusinessMirror

ASIA will continue its strong performance this year, with its economies expanding by an average 4 percent, exceeding the projected global average of 3.3 percent.

According to the Asia House Annual Outlook 2025, India, Vietnam and the Philippines will be the region's "star performers," with the latter's economy, especially predicted to expand by 6.25 percent, "driven in large part by developments in its service sector economy and in private consumption growth." Last year, the Philippine economy grew by 5.6 percent, less than the government target of 6-6.5 percent.

However, Asia House noted that no country in the region will be spared from the impact of higher tariffs imposed by the United States. Over the weekend, the Trump administration announced 25-percent import duties on Canadian and Mexican goods, and an additional 10-percent levy on goods imported from China. This could force China to dump its excess goods on its Asian neighbors, said the report, impacting on their domestic industries. Indonesian textile companies, for instance, have already closed due to cheaper fabric imports from China.



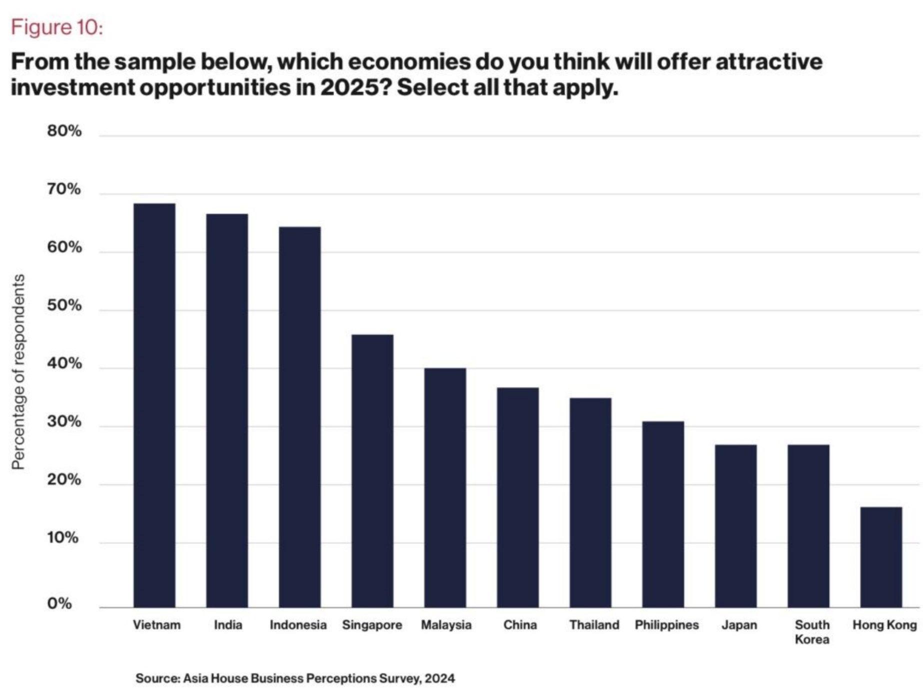
Courtesy Asia House Outlook 2025

Preliminary estimates by the Philippine Statistics Authority showed $32.82 billion in imports from mainland China in 2024, while Philippine exports there reached $9.44 billion, for a trade deficit of $23.4 billion.

Higher inflation, higher interest rates

The US has a trade surplus only with Singapore among members of the Association of Southeast Asian Nations (Asean). It recorded its largest trade deficit with Vietnam at $110 billion in 2023, while it has a trade deficit of $4.4 billion with the Philippines.

"Trump despises trade deficits, and any steps he takes to reduce them in his second term could pose a threat to the outlook for Asia's export-led economies….Higher US tariffs would make Asian goods relatively more expensive, leading to a fall in American demand, which would hurt Asia's export-driven economies. [These also] would inevitably stoke inflation in the US and potentially trigger higher US interest rates and a stronger dollar, all of which would have consequences in Asia," said the report, which was released before the new tariff policy was announced. *[Cont. page 4]*



U.S. may dent Asia's exports, currencies

[Cont. from page 3]

Whenever the Federal Reserve raises its key policy rate, the Bangko Sentral ng Pilipinas (BSP) matches this to stabilize the local currency, tame inflationary pressures, and prevent capital outflows by investors seeking higher returns in the US, as the BSP did in 2022.

Meanwhile, Asia House said investments in financial technology and telecommunications are currently propelling the Philippines's digital economy, now contributing 9 percent of the gross domestic product (GDP), the sum of a country's goods and services produced in a specific period of time.

PHL not a key FDI destination

It likewise noted the continued strength of remittances from overseas Filipinos, accounting for 8 percent of GDP, which provide stability and growth for the economy. Also, the Philippines's successful US$2-billion global bond issue last year will aid its shift to renewable energy and adoption of climate mitigation strategies.

In a news statement, Michael Lawrence OBE, Chief Executive of Asia House, said: "The Philippines' economic strength and focus on digital and green initiatives underscore its vital role in driving Asia's growth in 2025." Asia House is a London-based independent think tank; its Annual Outlook 2025 also includes a survey of some 50 businesses, and contributions from 40 experts to provide detailed forecasts and analyses of Asia's economic landscape.

However, the survey showed a little over 30 percent of the respondents thought the Philippines offered attractive investment opportunities this year. They believed Vietnam (68 percent), India (66 percent), and Indonesia (64 percent) held the most appeal in terms of investments.

The BSP recently reported that foreign direct investments saw an 8.2-percent increase to $7.7 billion, year on year, a turnaround from the 17.5-percent drop to $6.5 billion in 2023 from the same period in 2022. ***(See, "BSP reports 8-month high in October FDI," in the BusinessMirror, January 11, 2025.)***

Source: https://businessmirror.com.ph/2025/02/04/u-s-may-dent-asias-exports-currencies/

PCCI opposes P200 daily wage hike

February 04, 2025 | Justine Irish D. Tabile | BusinessWorld

Workers are seen at a construction site along Commonwealth Ave in Quezon City, Jan. 30, 2025. — PHILIPPINE STAR/NOEL B. PABALATE

THE PHILIPPINE Chamber of Commerce and Industry (PCCI) is opposing the proposed P200 across-the-board daily minimum wage hike for workers.

"A blanket national minimum wage (hike) does not take into account the differences in the cost of living across regions as well as the unique needs of businesses based on the specific industry, location, and type of labor they need. Cities have higher costs of living versus rural areas," said PCCI President Enunina V. Mangio in a statement on Monday.

The business group's statement came after a House Committee on Labor approved last week a bill that will grant a P200 across-the-board wage increase for private-sector workers.

"Legislating a single wage for all areas can harm businesses in lower-cost regions and remove the flexibility of the Regional Wage Boards to set wages that are aligned with the situation in the local areas. This could lead to business inefficiency and stagnation," Ms. Mangio said.

According to the PCCI, Congress should leave the determination of wage hikes to the Regional Wage Boards, which were "created and designed to set region-specific rates based on the local cost of living."

Ms. Mangio said that although the wage hike is meant to improve the livelihood of workers, it is expected to lead to higher labor costs, which may lead to a spike in the cost of goods and services.

"Micro, small, and medium enterprises (MSMEs) are already operating on tight margins. The mandated wage hike will force these small enterprises to shoulder higher payroll expenses," she said.

"For some businesses, particularly those in low-margin industries like retail, hospitality, and agri-food, the wage increase forces them to pass on the cost to consumers," she added. *[Cont. page 5]*

PCCI opposes P200 daily wage hike

[Cont. from page 4]

This inflationary effect, she said, will erode purchasing power, which will negate the intended benefit of the wage increase while reducing jobs in the market.

“Making everyday items more expensive will simply offset the benefits of a higher wage, especially for workers in the low-income brackets. But the inflationary effect will bear down more on workers in the informal sector who are not bound by the minimum wage law,” she added.

The PCCI noted the across-the-board wage increase is expected to push microenterprises to shift operations to the informal sector to cut costs.

Only 25-30% or 10-12 million of the total employed workforce are in the formal sector, while the informal sector accounts for 40-50%, representing 15-20 million workers.

“A legislated minimum wage hike not only exacerbates the already rising cost of goods and unemployment but also fails to provide long-term solutions for productivity and competitiveness,” said PCCI.

“Instead of legislating wages, our wage policy should have a comprehensive approach that balances the needs of workers with the capacity of businesses and ensures that MSMEs continue to thrive while still providing fair wages,” it added.

Source: https://www.bworldonline.com/top-stories/2025/02/04/650824/pcci-opposes-p200-daily-wage-hike/

BI, PEZA data sharing agreement to strengthen visa processing

February 02, 2025 | Philippine News Agency

MANILA – The Bureau of Immigration (BI) and the Philippine Economic Zone Authority (PEZA) have formalized a data sharing agreement (DSA) to establish clear guidelines in the issuance and implementation of visas for foreign nationals employed in registered economic zones (ecozones).

The agreement, signed in January, ensures that both agencies comply with legal frameworks in the processing of applications for visas, according to a news release Sunday.

Under the DSA, the BI as the disclosing party will provide PEZA with the necessary information gathered from visa applicants.

The agreement ensures that all data-sharing activities strictly adhere to the Data Privacy Act to protect applicants’ personal information.

"This agreement strengthens our commitment to efficient and transparent visa processing while ensuring the confidentiality, integrity, and security of shared information," BI Commissioner Joel Anthony Viado said.

"By working closely with PEZA, we enhance government efficiency while safeguarding the rights of foreign nationals under our jurisdiction.”

PEZA Director General Tereso Panga welcomed the partnership, highlighting its role in facilitating ease of doing business for foreign investors and workers within PEZA ecozones.

Both agencies commit to regularly monitor compliance with security measures and to immediately notify each other in the event of any breach or suspected breach.

The agreement also outlines strict protocols for data retention, destruction, and disposal, ensuring responsible management of shared information.

Source: https://www.pna.gov.ph/articles/1243171

Southeast Asia eyes nuclear power to supercharge its energy transition

February 03, 2025 | Victoria Milko & Aniruddha Ghosal | BusinessMirror

This aerial view on Sunday, Jan. 19, 2025, shows the Bataan Nuclear Power Plant, which has never produced a single watt of energy.

JAKARTA, Indonesia—Southeast Asia's only nuclear power plant, completed four decades ago in Bataan, about 40 miles from the Philippine capital Manila, was built in the 1970s but left idle due to safety concerns and corruption. It has never produced a single watt of energy.

Now the Philippines and other countries in fast-growing Southeast Asia are looking to develop nuclear energy in their quest for cleaner and more reliable energy. Nuclear energy is viewed by its proponents as a climate solution since reactors don't emit the plant-warming greenhouses gases released by burning coal, gas or oil. Advances in technology have helped reduce the risks from radiation, making nuclear plants safer, cheaper to build and smaller.

"We see multiple signs of a new era in nuclear power across the world," said Faith Birol, executive director of the International Energy Agency, adding that it expects 2025 to be a historical high for nuclear-generated electricity because of new plants, new national plans and interest in smaller nuclear reactors.

Nuclear energy has been used for decades in wealthier nations like the US, France and Japan. It produces about 10 percent of all electricity generated worldwide, with 413 gigawatts of capacity operating in 32 countries, according to the IEA. That is more than African's entire generating capacity. The IEA says construction of new nuclear power plants needs to "accelerate significantly" in this decade to meet global targets for ending emissions of greenhouse gases.

Southeast Asia will account for a fourth of global energy demand growth between now and 2035, and fossil fuels account for most of the region's energy capacity. Many countries in the region are showing interest in building nuclear power plants—which typically produce one gigawatt of power per plant—to help clear their smoggy skies and boost capacity.

Indonesia plans 20 nuclear power plants. A Korean company is assessing restarting the mothballed Philippine plant. Vietnam has revived nuclear plans, and Malaysia's future plans include nuclear energy. Singapore signed a nuclear cooperation agreement with the US last year, and Thailand, Laos, Cambodia, and Myanmar have shown interest in nuclear power.

But nuclear power plants are expensive, take years to build and require a long time to become profitable. Vietnam suspended a nuclear project in 2016 after costs soared to $18 billion, but on January 14, it signed a deal with Russia on atomic energy cooperation.

International financing for nuclear energy is becoming more available, said Henry Preston, a United Kingdom-based communications manager for the World Nuclear Association, noting that 14 major financial institutions endorsed a goal for tripling global nuclear energy capacity by 2050 at the latest Climate Week NYC.

Financing sources are still limited, though. The World Bank does not fund any nuclear energy development projects.

"We hear the call from some stakeholders to explore nuclear power to decarbonize energy and improve energy supply reliability," a World Bank spokesperson said in a recent written response to questions from The Associated Press. "We continue to have conversations with our board, management, and external stakeholders to understand the facts. Any reconsideration of our position is ultimately a decision for our member countries."

Developing robust nuclear energy policies and regulations, now lacking in many countries, could catalyze more funding by reassuring investors, Preston said.

Technological advances are making nuclear power more affordable, experts say.

Small modular reactors, which advocates say can generate up to roughly one-third the amount of power of a traditional reactor, can be built faster and at lower costs than large power reactors, scaling to fit the needs of a particular location. Advocates say they are safer due to simpler designs, lower core power, and more coolant, giving operators more time to respond in case of accidents.

Critics question how inexpensive the technology might be since smaller reactors have not been widely commercially deployed, said Putra Adhiguna of the Jakarta-based think tank Energy Shift Institute. *[Cont. page 7]*

Southeast Asia eyes nuclear power to supercharge its energy transition

[Cont. from page 6]

The small modular reactors already operating are run by state-owned entities that aren't transparent about performance or costs. The cost of the first such reactor that was to be commercially deployed in the US inflated by about half before it was cancelled, he said. The Idaho-based project had a target of delivering 40 years of electricity at $55 per megawatt-hour, but project costs climbed to $89 per MWh, according to a report by The Institute for Energy Economics and Financial Analysis.

Nuclear disasters dimmed earlier enthusiasm for nuclear power in Southeast Asia. Ukraine's 1986 Chernobyl disaster was a factor behind the decision to shelve the project in the Philippines. Meltdowns in 2011 at the Dai-ichi nuclear power plant in Fukushima, Japan, following a catastrophic earthquake and tsunami also raised worries, leading Thailand to halt its nuclear power plans. In 2018, Malaysia's then prime minister Mahathir Mohamad cited such disasters when deciding against using nuclear energy.

Some other challenges remain. Markets for nuclear technologies remain concentrated in a few countries—Russia controls roughly 40 percent of the world's supply of enriched uranium—and this is a "risk factor for the future," said an IEA report. It added that safely disposing of spent fuel and other radioactive waste is essential to gain public acceptance of nuclear power.

For countries like Vietnam, a lack of trained engineers and scientists is also a big obstacle. It estimates that it will need around 2,400 trained personnel to revive its nuclear program.

"This is not just about the program but about building a nuclear power ecosystem and technology for the future," the state-run VN Express cited Minister of Industry and Trade Nguyen Hong Dien as saying.

Ghosal reported from Hanoi, Vietnam.

Image credits: AP/Anton L. Delgado

Source: https://businessmirror.com.ph/2025/02/03/southeast-asia-eyes-nuclear-power-to-supercharge-its-energy-transition/

World Bank urges PH to be more business-friendly

February 03, 2025 | Jekki Pascual | ABS-CBN News

MANILA — The World Bank urged the Philippines to do more to improve its business environment following the release of the Business Ready report of the global lending body.

The Business Ready report, or B-Ready, covers dozens of countries and assesses various topics in the life cycle of a firm and its participation in the market while opening, expanding, reorganizing, and closing as a business.

The Philippines scored well in the labor with 75.54 percent out of 100 and international trade with 71.47 percent.

In Southeast Asia, the country got the highest mark in labor and second highest in international trade following Singapore.

World Bank said under labor, an economy has implemented measured good practices in terms of labor inspectorates. Under international trade, a country provides electronic systems and interoperability of services.

The Philippines, however, did not fare well in the eight other topics.

It got a lower marks in business entry with 48.49 percent, business insolvency at 45.51 percent, and market competition at 50.13 percent.

World Bank Director for Global Indicators Group Norman Loazya said that while the Philippines is starting to improve its business processes, there are still many things it needs to strengthen, like the number of days to register a business.

"[The] Philippines takes 75 days to register a new domestic company. It's a long time, while most efficient economies take 3 days," Loazya said during an event in Quezon City. *[Cont. page 8]*

World Bank urges PH to be more business-friendly

[Cont. from page 7]

Under the three pillars of Regulatory Framework, Public Services, and Operational Efficiency, the Philippines scored 70.68 percent, which means the country has good laws or policies. But it scored only 50.80 percent in public services and 57.95 percent in operational efficiency -- which means there is a problem in the implementation of the laws.

Loazya added: "If it wants to attract businesses from the informal to the formal sector, if it wants to create more of this dynamic private sector, then it needs to improve radically on business entry, market competition, and business consultancy."

Anti-Red Tape Authority Director General Secretary Ernesto Perez said he welcomes the B-Ready report as it will help them make government processes better.

He added that the country already has laws and policies to improve businesses like the requirement for business registration process to last only 3 days. However, he admitted that sometimes frontline workers may be at fault since they would ask more documents than required.

"The law is there. It is in the implementation we fail. I think it's only in the level of the personnel or frontline doing the assessment. They keep on requiring additional documents that are not supposed to happen," Perez said.

He is now creating a B-Ready guidebook to help government employees and other stakeholders improve business processes and also share global practices. This guidebook is expected to be released this year in time also for the second assessment of World Bank on the Philippines.

Source: https://www.abs-cbn.com/news/business/2025/2/3/world-bank-urges-ph-to-be-more-business-friendly-2143

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