PEZA sees 6-7% investment growth goal remaining within reach this year

THE Philippine Economic Zone Authority (PEZA) said it considers a downgraded investment growth target for 2022 of 6-7% to be within reach after investment approvals declined sharply in the first six months.

"We are bullish still that we can achieve our targeted 6% to 7% increase for this year," PEZA Officer-in-Charge (OIC) and Deputy Director General for Policy and Planning Tereso O. Panga told *BusinessWorld* via Viber.

"With the assumption of the administration of President Ferdinand R. Marcos, Jr., we hope to bounce back by third quarter this year to exceed our investment approvals (in the April-June quarter," he added.

According to Mr. Panga, PEZA considers the 6% to 7% target to now be the "official" target which "we submitted to the Department of Trade and Industry (DTI) and the Department of Budget and Management (DBM)."

The previous growth target for approved investments, announced in April, was 7-8%.

The agency has blamed the wait-and-see attitude adopted by investors ahead of the May 9 national election for the first-half slowdown.

PEZA-approved economic zone (ecozone) investments in the first six months declined 29.85% to P22.488 billion. The investments consisted of 90 new and expansion projects with projected annual export sales of $747.093 million and direct job creation of 14,354 positions.

Export income in the first half increased 7.68% to $32.495 billion while employment in PEZA-registered ecozones across rose by 10.16% to 1.79 million workers.

"The top countries with the highest investments in the first six months are Japan, Singapore, the US, UK, and the Netherlands. Japan remained PEZA's top investor in the first half with P8.007 billion in investment, followed by Singapore with P2.169 billion," PEZA said.

PEZA said approved investments in the second quarter rose by 114.93% year on year to P14.347 billion. These consisted of 61 new projects as well as expansions.

"The 114.93% increase in our investments for our comparative April-June 2022 data over last year indicate that we are on our way to recovery. (It also indicates) foreign investors' strong interest in the Philippines," Mr. Panga said.

According to Mr. Panga, PEZA is expected to present at least 50 applications for ecozone developer and locator projects to its board, which is meeting later this month.

"The usual top sources of ecozone investments are ecozone development, export manufacturing especially electronics and automotive, and information technology (IT) services," Mr. Panga said.

Mr. Panga said growth in the broader economy heralds "flourishing" economic activity in ecozones.

"As our increasing gross domestic product (GDP) growth is a sign of economic strength, we can expect an upturn in the economy and thereby making PEZA more effective in attracting additional investment to generate the much-needed jobs, exports, local and national revenues, and other economic opportunities," Mr. Panga said.

GDP rose by 7.4% in the second quarter, against the revised 8.2% growth rate in the first quarter, according to the Philippine Statistics Authority. — **Revin Mikhael D. Ochave**

Norway says RE investment to hinge on PHL openness to foreign equity

NORWAY's ambassador said the Philippines is a potential destination for Norwegian businesses, but their interest in renewable projects here will depend on the industry's openness to foreign investment.

"In the coming years, Norwegian businesses are planning huge investments in offshore wind and floating solar, and consider the Philippines to be a promising market," Ambassador Bjorn Jahnsen told *BusinessWorld* in an e-mail. "However, the Philippines is competing with Europe and other countries in the region, where the push towards renewable energy sources is greater than ever."

"The Philippines therefore has to put the right policies in place and should let foreign investors own more than 50% of equity in renewable energy projects to unleash the full potential for green energy production and the creation of good-paying Filipino jobs," he added.

The 1987 Constitution prescribes 60-40% ownership in favor of Filipinos for most renewable energy (RE) projects, excluding biomass and geothermal.

The Department of Energy has also expressed its support for 100% foreign ownership of renewable energy projects to facilitate the shift to indigenous sources of power, making it less vulnerable to disruptions in the supply of imported fuels.

"Norway supports the Philippines' efforts to increase the production of renewable energy, not only because this will reduce the emission of climate gases, but also because in the long run this may lower the price of electricity," Mr. Jahnsen said.

Norwegian companies are currently involved in Philippine hydropower and liquefied natural gas projects.

Other foreign embassies have also expressed interest in investing in the Philippines; renewable energy industry, including South Korea and the United Arab Emirates, and are awaiting news on the possible removal of the 40% foreign ownership cap.

Senator Rafael T. Tulfo, who chairs the Senate Energy Committee, told *BusinessWorld* in a Viber message that he supports more foreign ownership in renewable energy as "we are in desperate need of locally sourced power that will not be subject to the mercy of international issues and events, like the war in Ukraine and Russia."

The Philippines, he added, currently does not have the capital to invest in renewable energy infrastructure and availing of more foreign loans is not the best option.

"Overall, we really have to open our doors to foreign renewable energy players in order to secure our energy resources," he added. "This, of course, will be subject to limitations and regulations that will protect our country's economic interests."

Mr. Tulfo also said renewable energy can expand its share of the energy mix with the development of technology that makes it more reliable.

"There are…battery systems that allow renewable energy generation plants to store excess power and utilize it when needed," he said. "Utilizing this technology would lead to a situation where there wouldn't be any significant disadvantages to increasing renewable energy in our energy mix."

The senator also cited plans to ease the process of attracting private-public partnerships to the sector.

For now, the country should prioritize hydro, solar, and wind energy sources as they have become more developed, safe and reliable throughout the years, he added.

Senator Ana Theresia N. Hontiveros-Baraquel said the "exploration and exploitation" of foreign entities should not be allowed.

"What the country needs today is a decisive shift to 100% renewable energy, not 100% ownership of our renewable energy resources," she told *BusinessWorld* via Viber. "Renewable energy resources from nature rightfully belong to the state and their host communities," she added.

The country should instead prioritize proper regulation over further liberalization, she added. The development of renewable energy should lead to more decentralized and community-based power systems using technologies like microgrid.

"To support these initiatives, the country must be very active in the climate negotiations demanding that rich polluter countries honor their commitments and contribute more in the renewable energy development of the most vulnerable countries like the Philippines," she said.

"The push for renewable energy must be more determined today in order to achieve the 35% target for 2030," she added, referring to the Philippine Energy Plan 2018-2040 which seeks a higher share for green energy in the power mix by 2030.

The current energy mix is 37.1% coal, 34.6% oil, 16.5% solar and wind energy, 5.5% natural gas, 4.5% hydropower, and 1.8% geothermal. — **Alyssa Nicole O. Tan**

OPINION

Consumer values in a world in crisis

SUITS THE C-SUITE

MARIA KATHRINA S. MACAISA-PEÑA

(Last of three parts)

Consumers around the world are settling into life amid uncertainty, adapting by assigning greater importance to taking control over their finances and favoring sustainable practices.

The EY Future Consumer Index, which examines shifting consumer attitudes and behaviors over a range of time horizons and across international markets, demonstrates how accustomed people are to living in a constant state of crisis and uncertainty.

In the previous parts of this series, we discussed three key shifts in play that differentiate the current crisis from previous ones, and the key trends in consumer behavior as identified in the Index. In this final part, we discuss the four imperatives that businesses have to take into account.

FOUR IMPERATIVES

Business leaders will have to adapt to meet the needs of consumer values that have shifted during the pandemic experience. Consumers are actively seeking more control over their lives instead of simply reacting to events.

To address this, businesses will have to review their operations to optimize for better pricing, approach sustainable products as a cost-effective option instead of a premium choice, explore new and targeted ways to engage consumers on multiple digital channels, and reconsider what their purpose is as well as what KPIs they want to set.

1. Review portfolios and operations to ensure affordability.

To get the products they want at prices they can afford, consumers are more and more likely to trade down. Companies must think about how to manage their product portfolios in this inflationary environment to improve pricing outcomes.

Prior iterations of the Consumer Index have demonstrated how the pandemic has increased the willingness of customers to switch to private label products. Retailers now have the possibility to broaden their selection of private label products. To ensure that they can best optimize for pricing, brands must also look for alternate supply chains, ingredients, or components and experiment with other product characteristics, such as packaging and package sizes.

Due to ongoing price and revenue worries, this necessitates and facilitates improved supply chains and industrial resilience, but it is also likely to be more than a temporary remedy.

2. Tailor sustainability strategies to offer affordable fixes.

Despite their increased resolve to live more sustainably, consumers are becoming more price sensitive. Many businesses will need to switch approaches and explore how to make sustainable goods and services become the affordable norm for consumers, rather than as premium alternatives.

The need to look into business models like renting, reselling, and mending to keep goods in use for longer is at the heart of this mindset. This creates a need to scale up current sustainability solutions so they can be more affordable from a procurement standpoint.

For instance, the increase in energy costs brought on by the increased price of fossil fuels may encourage more investment in alternative energy, enabling scalable and inexpensive green energy and providing a chance for innovation to produce more sustainable products.

3. Adjust investment in engagement to take advantage of new digital opportunities.

The importance of digital channels during the pandemic is likely to continue increasing. However, the physical world will not become subordinate to the digital one overnight. Brands will have new opportunities to interact online and in the still emerging metaverse as a result.

Now that consumers are becoming less brand loyal in their buying decisions, brands that have been generally decreasing marketing budgets during economic downturns run the danger of greater disintermediation. Businesses need to step up their efforts to clarify and define their unique brand offer by looking at fresh, focused approaches to connect with and engage with consumers through a variety of channels. This entails testing new digital technologies as well as gathering and using consumer data in ways that improve both physical and virtual customer experiences.

However, these initiatives must be weighed against customer worries about data privacy and cybersecurity. Not only is it crucial to protect consumer data, but businesses can also gain the trust of their customers by demonstrating how they responsibly use their data to benefit them in real ways.

4. Set KPIs that take shifting customer values into account.

The extent to which consumer values are shifting is highlighted by the current and previous waves of the Index. People are less driven by monetary gains, and sustainable behaviors rather than wealth are more used to determine status. The way that consumers use their time is changing, and they are searching for ways to alternate between saving time on the things they dislike and spending time on the things they enjoy. Instead of focusing on salaries and careers, people are now increasingly concerned by purpose and flexibility.

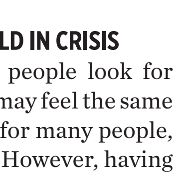
Companies need to reevaluate their goals, KPIs, and purpose in order to align with these developing values. Non-financial indicators like emissions, diversity, and innovation are progressively taking the place of traditional financial measurements like growth, profitability, share price, and shareholder returns. Companies must consider and evaluate these indicators in the context of the clients and staff they serve, and they must create new KPIs that instill non-financial values into their corporate culture.

ADAPTING TO CONSUMERS IN A WORLD IN CRISIS

When their finances are stressed, people look for ways to save money and companies may feel the same way. This is a typical response, and for many people, it is also their only possible option. However, having experienced a pandemic, many customers now approach crises differently.

In order to keep a sense of control over their lives, consumer values have altered, and they are determined to abide by them. They are more concerned with acting sustainably than they are with purchasing things they do not believe they need. To stay aligned with these evolving consumer needs and behaviors, businesses will need to start taking action as soon as possible if they wish to remain competitive and relevant.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.



MARIA KATHRINA S. MACAISA-PEÑA is a business consulting partner and the consumer products and retail sector leader of SGV & Co.