

Fitch Solutions raises 2022 PHL GDP forecast to 6.6%

FITCH SOLUTIONS Country Risk and Industry Research said it raised its 2022 gross domestic product (GDP) growth forecast for the Philippines to 6.6%, citing its better-than-expected economic performance in the first half.

The full-year outlook factors in an expected growth slowdown in the second half due to headwinds in the global economy, Fitch Solutions said.

In a note on Thursday, Fitch Solutions said the new outlook represents an upgrade from the 6.1% estimate it issued in May. Its new forecast falls within the government's 6.5% to 7.5% full-year target.

"The slowdown in growth (during the second quarter) was in line with our expectations, although the pace of deceleration — from 8.2% in Q122 to 7.4% in Q222 — was more modest than we had predicted," Fitch Solutions said.

GDP growth in the second quarter slowed significantly from the 12.1% posted a year earlier, according to preliminary data from the Philippine Statistics Authority (PSA).

In the six months to June, GDP growth averaged 7.8%.

"Overall, GDP growth in H122 benefited from the reopening of borders in February and election-related spending. Moreover, a relatively accommodative central bank has also supported consumption and investment to some extent," Fitch Solutions said.

The Philippines reopened its borders for foreign visitors on Feb. 10. As coronavirus infections declined, Metro Manila and many other areas have been placed under the most permissive quarantine level since March.

The Philippines conducted national elections on May 9, with Presi-

dent Ferdinand R. Marcos, Jr. and Vice-President Sara Duterte-Carpio winning by a landslide.

"These tailwinds helped offset external headwinds stemming from elevated energy prices, a slowdown in the world economy, and tightening global monetary conditions. However, we believe that these tailwinds will continue to fade over the coming months, while growth headwinds intensify, leading to slower growth in H222," Fitch said.

Preliminary data from the PSA show the consumer price index rising 6.4% year on year in July, driven by food and transport costs.

July headline inflation was the highest in nearly four years, or since the 6.9% posted in October 2018.

In the year to date, inflation averaged 4.7%, against the 4% from a year earlier. This was also lower than the 5% forecast of the central bank. Inflation remains persistently above the 2-4% target band set by economic managers for the year.

"Against the backdrop of the ongoing Russia-Ukraine war and adverse weather conditions in a number of food-producing countries in the region, energy and food prices will continue to be a significant source of upward price pressure in the Philippines," Fitch Solutions said.

The Bangko Sentral ng Pilipinas (BSP) has hiked benchmark rates by a total of 125 basis points (bps) so far this year, including the outsized 75-bp increase in an off-cycle move on July 14, to temper rising inflation expectations.

BSP Governor Felipe M. Medalla has signaled an increase of 25 bps or 50 bps at the monetary board's Aug. 18 meeting and said further increases would be data dependent.

"We expect more monetary tightening by the BSP and central banks in developed markets over the coming months which will weigh on investment, and to an extent, private consumption," Fitch Solutions said.

Fitch Solutions also expects the central bank to hike rates by an additional 100 bps in its next meetings, bringing the policy rate to 4.25% by year-end.

The IBON Foundation, Inc. think tank called for more determined government action, with the growth slowdown in the second quarter reflecting a weakening recovery.

"Reopening the economy is not enough because too many Filipinos are still jobless, earn too little, and are forced to lower their consumption by inflation," IBON said in a statement on Wednesday.

"Despite the economy reopening, the household spending of millions of Filipinos is repressed by high unemployment, (and the) pervasive poor quality ... of work," the group added.

According to preliminary estimates by the PSA in its Labor Force Survey, unemployment was 6% in June, unchanged from May.

However, the total number of unemployed hit 2.990 million in June, 62,000 higher compared to May.

According to IBON Foundation, inflationary pressures may drive unemployment higher in the coming months.

"This could worsen unless the new administration ensures that the 2023 national budget provides a substantial stimulus such as with significantly larger funds for social protection and support for small businesses and production sectors," IBON said.

Keisha B. Ta-asan

Efforts to make fertilizer more affordable ongoing — DTI

THE Trade department is in discussions to help bring down fertilizer prices for farmers, an official said on Thursday.

"Regarding initiatives related to making fertilizer more affordable, discussions are ongoing," Trade Undersecretary Carol P. Sanchez told reporters via Viber after being asked to comment.

Discussions on providing more affordable fertilizer for local farmers are ongoing as part of government efforts to boost local food production and supply, an official from the Department of Trade and Industry (DTI) said on Thursday.

Ms. Sanchez declined to elaborate, saying that "it would be premature for Trade Secretary Alfredo E. Pascual to comment further at this time."

The Office of the President, through its official Facebook posted on Wednesday that President Ferdinand R. Marcos, Jr. met with DTI officials to discuss plans to access cheaper fertilizer.

Asked to comment, Samahang Industriya ng Agrikultura Executive Director Jayson H. Caignlet said that the current retail price of fertilizer has surged to P2,250 per 50-kilogram bag from P850 per bag last year.

"We met the President last week, together with the fertilizer industry. We laud efforts by the President in procuring cheaper fertilizer imports; either through government-to-government (G2G) or directly requesting importers to reduce prices," Mr. Caignlet said via mobile phone.

Mr. Marcos has said the government will pursue fertilizer deals with China, Indonesia, Malaysia, Russia, and the United Arab Emirates on a G2G basis.

Federation of Free Farmers National Manager Raul Q. Montemayor said in a Viber message that the government should consider working on distribution plans while hammering out the G2G arrangements.

"I am not sure if the DTI is the right agency to handle fertilizer imports. Also, you need a lot of logistics to handle fertilizers. If price control is the objective, the local government units would be the better implementers," Mr. Montemayor said.

Revin Mikhael D. Ochove

WB pledges support for PHL digitalization, government rightsizing

THE World Bank (WB) has expressed its intention to support the digitalization of Philippine government services en route to restructuring the bureaucracy, the Department of Finance (DoF) said.

"I am very pleased to hear of the World Bank's willingness to extend support for further digitalizing our revenue agencies and modernizing civil service in line with the President's goal of rightsizing the bureaucracy," Finance Secretary Benjamin E. Diokno said in a tweet following a meeting with WB Group Country Director Ndiame Diop earlier in the week.

As of March, the WB was the Philippines' third-largest source of official development assistance, with loans and grants representing 23.38% of the total.

"The bank has supported 68 program and project loans of the government since 2021 or over the last three administrations amounting to a total of \$14.9 billion," the DoF said in a statement on Thursday.

On Monday, Mr. Diokno and Mr. Diop discussed the alignment of the bank's programs with the Philippines' socioeconomic priorities.

Last month, the administration presented its eight-point socioeconomic agenda, which includes improving tax administration through digitalizing the collection agencies, broadening of financial inclusion, and rightsizing the bureaucracy.

"The World Bank is currently supporting the digitalization of the

Bureau of Customs (BoC) through a \$88.28 million financing for the Philippine Customs Modernization Program. The project focuses on transitioning from a largely manual and paper-based organization to a modernized BoC, achieving global standards and full modernization by 2024," the DoF said.

The BoC has started ramping up the digitalization of its import and export processes, which were fast-tracked due to the pandemic.

At the meeting, Mr. Diokno also underscored the administration's intent to modernize the civil service.

In his first State of the Nation Address, Mr. Marcos cited the National Government Rightsizing Program as a legislative priority.

The WB is currently supporting 15 ongoing programs and projects worth \$4.96 billion, in areas like transport, rural development, disaster risk reduction and management, social protection, customs modernization, and COVID-19 response.

"Loans in the pipeline under the current administration include various programs and projects on health and nutrition, education, renewable energy, fisheries, transport, tourism, agriculture, and further reforms in the finance sector," the DoF said.

"The DoF is also looking into tapping available support from the bank for natural disasters, including the recent strong earthquake that affected Northwestern Luzon," it added.

Diego Gabriel C. Robles

NCR construction retail price growth at 13-year high of 6.8%

RETAIL PRICE growth of construction materials in the National Capital Region (NCR) was 6.8% in the first half, the highest level in 13 years, the Philippine Statistics Authority (PSA) said.

An economist said on Thursday that the price growth was driven by inflation and the reopening of the economy.

Growth in the PSA's construction materials retail price index (CMRPI) in the NCR accelerated from 6.2% in May and 1.2% a year earlier.

In January 2009, the index posted growth of 7.4%.

In the first half, construction retail price growth averaged 5%.

Retail price growth in construction materials reflects activity by smaller-scale contractors or do-it-yourself hobbyists, as opposed to larger construction companies who buy their materials in bulk.

Asian Institute of Management Economist John Paolo R. Rivera said that inflation was a critical driver in the increase of the CMRPI.

He also added that international tensions such as the Russia-Ukraine conflict affect prices of materials due to supply chain disruptions.

Inflation was 6.4% in July, the highest since the 6.9% reading in October 2018 as rising prices of fuel continue to affect other commodities and tight food supply pushes prices higher.

The July inflation rate was at the upper end of the Bangko Sentral ng Pilipinas' forecast for that month and well above the 2%-4% target band for 2022.

Among seven commodity groups, tin-smithy materials posted the highest growth rate to 9.4% in June from 8.3% in May.

The category's year-earlier growth rate was 1.8%.

Price growth also accelerated for plumbing materials (8.5% in June from 7.9% from May); painting materials and related compounds (4.6% from 4.1%); electrical materials (4.5% from 4%); miscellaneous construction materials (10.6% from 10.2%); masonry materials (4.3% from 3.9%); and carpentry materials (2.5% from 2.1%).

Bernadette Therese M. Gadon

Industry lobby says earthquake highlights threat from substandard steel products

THE Philippine Iron and Steel Institute (PISI), an industry lobby, said substandard steel products continue to proliferate, noting the widespread destruction caused by the recent northern Luzon earthquake.

PISI President Ronald C. Magsajo said the widespread use of low-quality steel bars was evident in the earthquake, whose epicenter was Abra province.

"The Philippines is prone to natural disasters. Just recently, we saw a magnitude 7 earthquake rock northern Luzon. We can only imagine the scale of destruction when low-quality steel products make their way into homes, buildings, bridges and other infrastructure," Mr. Magsajo said in a statement on Thursday.

Last year, PISI found that 35 stores carried substandard steel products in the wake of a "test buy" campaign in 16 provinces and six regions.

According to PISI, the campaign turned up 27 steel reinforcing bars that were substandard out of 130 purchased in test buys.

"One retailer in northern Mindanao was cited for violations while a request was sent to the Bureau of Philippine Standards (BPS) to also issue a notice of violation to Bukidnon Steel, which PISI found selling substandard steel," it said.

In 2022, PISI conducted test buys in six provinces across four regions and found 10 stores selling substandard steel.

Revin Mikhael D. Ochove

Intellectual property filings up 1.6% year on year in first half

FILINGS for intellectual property protection rose by 1.6% year on year in the first six months of 2022 amid a relaxation of quarantine restrictions, according to the Intellectual Property Office of the Philippines (IPOPHL).

In a statement on Thursday, IPOPHL said that filings for patents, trademarks, utility models (UM), and industrial designs (ID) during the period totaled 23,410, up from 23,048 a year earlier.

The first half total also exceeded the equivalent pre-pandemic total by nearly 2%. In the first half of 2019, filings amounted to 22,968.

"The increase in the first half is reflective of the eased coronavirus disease 2019 (COVID-19) restrictions that reignited economic activity and IPOPHL's amplified awareness and education initiatives," IPOPHL Director General Rowel S. Barba said.

According to the agency, trademarks posted the largest increase during the period with growth of 2.9% to 20,300 filings. Residents of the Philippines accounted for 12,514 filings while non-residents filed 7,786 applications.

"Bulk of trademark filings were in pharmaceutical, health and cosmetic products (with 6,145 counts), followed by agricultural products and services (5,403) and scientific research, infor-

mation and communication technology (4,697)," IPOPHL said.

It said patents posted a 0.10% improvement to 1,949 applications in the first half, of which 90% or 1,747 were filed by non-residents.

"The top fields for patent applications were in pharmaceuticals (1,272); organic fine chemistry (571); and biotechnology (370)," IPOPHL said.

ID filings, meanwhile, fell by 8.02% to 539.

Revin Mikhael D. Ochove

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