

Inflation,
from S1/1

higher electricity rates, rentals and liquefied petroleum gas.

Meanwhile, inflation as experienced by the poor households, which still remained under 2012-based prices, was at 5.9% in August, steady from July, and higher than 5.3% a year ago.

In a statement, the BSP said the uptick in inflation remains supply-driven, but is monitoring signs of broadening price pressures.

"The BSP is prepared to take further policy actions to bring inflation toward a target-consistent path over the medium term," it said, noting that upside risks still dominate the inflation outlook due to higher global non-oil prices, fish shortage, spike in sugar prices, and pending fare hike petitions.

The BSP has raised rates by 175 basis points this year, as it tries to tame inflation and support the peso. Its next meeting is on Sept. 22.

The peso closed at a fresh all-time low of P57 against the US dollar on Tuesday, amid the dollar's continued strength. (Read related story on S2/1.)

CORE INFLATION SURGES

Core inflation, which excludes volatile prices of food and fuel, quickened to 4.6% year on year in August from 3.9% in July and 2.8% in August last year.

The core inflation in August showed the fastest year-on-year growth under the 2018-based prices based on latest available data dating back to January 2019.

Mr. Mapa said the PSA board in its August meeting approved the removal of some items with high volatility from the overall headline inflation to get the core inflation.

The 10 commodities excluded from the calculation of the core inflation rate are cereals (9.35% weight); meat, fresh chilled or frozen (4.82%); fish, live, fresh, chilled or frozen (4.17%); dates, figs, and tropical fruits, fresh (1.34%); other vegetables, fresh or chilled (0.69%); fruit-bearing vegetables, fresh or chilled (1%); electricity (4.55%); liquefied carbons (1.27%); diesel (0.60%); and gasoline (1.77%).

Colegio de San Juan de Letran Graduate School Associate Professor Emmanuel J. Lopez said in an e-mail that core inflation rate typically includes "common and essential" products purchased by consumers "so it is expected to lead the increase in prices considering it has a relatively higher demand."

"Core inflation is on the uptrend and that's not a good sign," Nicholas Antonio T. Mapa, senior economist at ING Bank NV, Manila, said in an interview with *BusinessWorld Live* on Tuesday.

In a separate e-mail, ING's Mr. Mapa said this shows that second-round effects and demand-side pressures are "clear and present."

"This suggests that elevated prices may be here with us for much longer as more items in the CPI basket become 'infected' with high inflation," he added.

University of Asia and the Pacific Senior Economist Cid L. Terosa said in an e-mail that prices of discretionary services such as restaurants, accommodations, and personal services, lifted core inflation higher last month.

"Prices of imported inputs used by manufacturing industries led to higher prices for some manufactured products... These sectors passed on the increase in the cost of inputs, operations, and services to consumers. This trend was evident in the higher prices of items sold by fastfood outlets and stores," Mr. Terosa said.

OUTLOOK

Finance Secretary Benjamin E. Diokno said inflation is expected to remain elevated for the rest of the year, with the peak seen within the third quarter but slowing in the fourth quarter.

"(Inflation) is seen to fall within the 4.5-5.5% DBCC (Development Budget Coordination Committee) assumption for 2022," he said on Twitter.

The Marcos administration will continue to provide targeted support for sectors most affected by high inflation.

"Measures include fuel subsidies for the transport sector, fuel discounts for farmers and fisherfolk, and social pension for indigent senior citizens," Mr. Diokno said.

He said the government will also implement measures to help improve local production and ensure an adequate food supply.

"It is our top priority to ensure that Filipino households have sufficient and healthy food on their table, especially the poorer sector of the society. We will continue implementing programs that reduce transport and logistics costs to bring inflation down and to protect the purchasing power of our consumers," Socioeconomic Planning Secretary Arsenio M. Balisacan was quoted as saying in a statement on Tuesday.

ING's Mr. Mapa said economic growth is expected to moderate in the second half of the year due to high inflation, rising interest rates and ballooning National Government debt.

"We saw a very good print in [the first half] but because of high inflation, rising interest rate environment, and fiscal handicap, high debt levels that we have, we are expecting growth to really slow down in the near term," he said.

Mr. Terosa said he expects inflation to be slightly lower than the BSP's forecast of 5.4% for the year, as global oil and food prices appear to be declining.

"If domestic supply issues of certain commodities such as flour, wheat, sugar and some vegetables and fruits are effectively addressed, the inflation rate for the year will definitely fall below the forecast of the BSP," he said. — with **Diego Gabriel C. Robles**

WFH,
from S1/1

"Considering that this issue is between and among government agencies, we hope that the FIRB threshes this out internally so as not to give the impression to investors of an unstable policy environment, which affects the country's image. If this continues, IT-BPM's potential to provide 1.1 million new jobs by 2028 will be seriously imperiled," he added.

Mr. Madrid said the industry's push for WFH/hybrid work arrangements is not just part of their business continuity plans amid the pandemic.

"This is more to adopt to global work trends for business flexibility that investors look for and to strengthen our country's competitiveness in retaining existing and attracting new IT-BPM investors," he said.

The clamor for WFH arrangement should make the government's decision even more compelling.

"The least FIRB could do is to explore all possible means by which it can support the continued growth of the industry with all its contribution to the retention and creation of jobs, the generation of significant forex revenue in the two years of the pandemic, including how the industry fuels the recovery and growth of other major industries," Mr. Madrid said.

According to the IBPAP, the local IT-BPM industry generated \$29.49 billion in revenues in 2021, up by 10.6% from 2020 figures, while total headcount surged by 9.1% to 1.44 million. — **Revin Mikhael D. Ochove**

Marcos,
from S1/1

Mr. Marcos also said he is considering building state-run malls in the Philippines to promote small enterprises and local products. This, after Mr. Widodo gave him a tour in a mall run by the Indonesian government.

INVESTMENTS

Meanwhile, the Department of Trade and Industry (DTI) wooed Indonesian companies to invest in the Philippines.

"The Philippines is open for business. Recent policy reforms, particularly on foreign investment ownership and other restrictions as well as on incentives, have made the Philippines more conducive for foreign businesses, including those from Indonesia," Trade Secretary Alfredo E. Pascual said during a roundtable meeting with Indonesian executives in Jakarta on Sept. 5.

He touted the passage of economic reforms such as the Corporate Recovery and Tax In-

centives for Enterprises (CREATE) law, which offers incentives to investors.

Mr. Pascual said the Philippines is seeking partnerships and investments in the industrial, manufacturing, and transport cluster; the technology, media, and telecommunication cluster; and the health and life sciences cluster.

"We continue to invest in physical and cyber infrastructure, power generation and transmission, and logistics, as well as in modern and efficient air, land, and sea transport facilities. To build more of these support and service facilities, we welcome the participation of the private sector, both local and foreign," he added.

Mr. Pascual said Indonesia is one of the top 10 sources of net foreign direct investments in the Philippines as of August this year. — **Kyle Aristophere T. Atienza and Revin Mikhael D. Ochove**

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