IT-BPM,
from S1/1

PESO IMPACT

Meanwhile, Mr. Madrid said the peso's depreciation against the US dollar is favorable for the IT-BPM sector.

"At the base level, certainly the depreciation of the peso would appear to be in favor of that cost of optimization for the Philippines relative to other destinations. But we also have to remember that predicting and projecting foreign exchange (forex) rates is a volatile situation. We've seen the recent strength of the US dollar affect other currencies as well and many of those currencies are of other emerging IT-BPM locations," Mr. Madrid said.

As of Wednesday, the peso has weakened by 15.64% or P7.98 from its P51-per-dollar close on Dec. 31, 2021.

Majority or around 70% of IBPAP members have headquarters in North America.

Meanwhile, Mr. Madrid said the real estate industry will have to adapt to the "new future of work," as IT-BPM companies will be allowed to conduct 100% work-from-home (WFH) arrangement after transferring their registration to the Board of Investments (BoI).

"I think we will need to continue building, redesigning, and repurposing workspace to adapt to this new future of work that we are now entering and I think the real estate sector will have to adjust to this," Mr. Madrid said.

"Obviously there is concern over vacancy rates and the use of commercial space especially in Metro Manila. But when you talk about what is at stake, that 1.1 million jobs potential, that number will need workspace. I'm optimistic that there are brighter days ahead for real estate," he added.

In a separate statement, Go Negosyo Founder Jose Ma. A. Concepcion III said that businesses should be free to decide on their preferred work arrangement, including WFH.

"I am not against the 70:30 on-site — WFH arrangement for IT-BPM companies... The recommended work arrangement solution for the IT-BPM sector may not be the best one for all organizations. Businesses must be free to decide based on what their operations require," he said.

However, Mr. Concepcion said economic recovery will rely on private sector consumption and spending.

"We need more mobility if we want the economy to grow and for businesses to remain viable so they can generate more employment," he said. — **Revin Mikhael D. Ochave**

Competitiveness,
from S1/1

At the same time, the Philippines also needs to "build adaptive attitudes and businesses agility so that IT integration materializes thereby increasing the country's future readiness," he said.

Sought for comment, Philippine Chamber of Commerce and Industry President George T. Barcelon said the results for the Philippines show that the "economy needs to shift more to digitalization."

"As such, there is a need for better coverage, and affordable connectivity is crucial," he said in a phone message.

Mr. Barcelon noted the current administration's priorities are aligned with the knowledge, technology, and future readiness factors considered in the digital competitiveness ranking.

Terry L. Ridon, a public investment analyst and convenor of think tank InfraWatch PH, said the improved ranking is a welcome development but "insignificant at best."

"This, however, is a result of the current strides achieved by both the public and private sector to expedite tower development, including shortening permitting requirements and opening up the tower sector to other players," he said in a phone message.

Mr. Ridon said the country needs to catch up in technological development and make gains in governance if it hopes to improve digital competitiveness.

"It is unacceptable that we are at the bottom of regional rankings compared to regional partners... As yet, we remain technology consumers instead of producers. No Silicon Valley-style hub has yet been built in any of our economic centers."

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort described the country's digital competitiveness performance as "a gradual/modest improvement relative to the digital competitiveness of other ASEAN (Association of Southeast Asian Nations) countries."

Asked what needs to be done, he said: "The rightsizing of the government... hinges on further automating government transactions, increasing efficiency and productivity, as well as reducing the transaction costs and the amount of time required for the general public to transact with the government."

"This would have a larger marginal improvement that could further boost the country's digital competitiveness ranking," Mr. Ricafort added.

He also noted that the government needs to invest or spend more on IT systems or infrastructure to automate and digitize its internal processes, as well as transactions with the general public.

Borrow,
from S1/1

The Fed hiked its policy rates by another 75 bps last week while signaling larger increases to come as inflation is still way above its 2% target at 8.3% as of August. The US central bank has raised key rates by 300 bps since March, including two other 75-bp moves in June and July.

The Bangko Sentral ng Pilipinas (BSP) also increased its benchmark interest rates by 50 bps to 4.25% on Thursday, hiking borrowing costs by 225 bps since May to rein in rising prices. The consumer price index climbed to 6.3% year on year in August, the fifth straight month that inflation exceeded the BSP's 2-4% target this year.

The gross domestic borrowing program is at P1.91 trillion this year, composed of T-bills that are expected to bring in P52 billion and fixed-rate T-bonds that are seen to raise P1.86 trillion.

Outstanding debt is expected to rise to P13.43 trillion by the end of 2022 from P12.89 trillion recorded in end-July. — **Diego Gabriel C. Robles**

Peso,
from S1/1

"Early rate hikes, jumbo rate hikes have all been cannon fodder as (Federal Reserve Chair Jerome H.) Powell and company tighten policy to combat US inflation induced by ongoing Russian invasion of Ukraine," Mr. Mapa said.

"BSP governor has ruled out emergency rate hikes (can only surprise them once) and peso, although underperforming, has not been the exception," Mr. Mapa said.

Last week the BSP raised its benchmark policy rate by 50 bps to 4.25%. Rates on the overnight deposit and lending facilities also rose by 50 bps to 3.75% and 4.75%.

The Monetary Board has raised rates by 225 bps so far since May, including a 75-bp off-cycle hike in July.

"With dollar strength looking like that, BSP will likely draw down reserves built up over the last two years," Mr. Mapa said.

The gross international reserves (GIR) stood at $98.98 billion as of end-August, slipping by 0.85% from the $99.83 billion as of end-July, latest central bank data showed.

The foreign exchange buffer as of end-August was 8.3% lower from the $107.96-billion level a year ago, and marked the sixth consecutive month of decline. It was also the lowest since the $98.95 billion in gross reserves seen in August 2020.

"From 2019-2020 BSP grew reserves by $23.8 billion. This year they've drawn down a relatively modest $5.5 billion for context," Mr. Mapa said.

The BSP expects to end the year with $99 billion in dollar reserves and $100 billion in 2023.

"I think (the BSP) will only be able to manage volatility of the currency," a trader said in a Viber message.

For Thursday, Mr. Ricafort expects the local unit to move between P58.85 and P59.05 per dollar, while the trader gave a wider forecast range of P58.50 to P59.30. — **Keisha B. Ta-asan**

Asian central banks need broader FX defense as reserves slide

DECLINING foreign exchange (FX) reserves mean Asian central banks will probably start looking for alternative ways to support their currencies, according to Nomura Holdings, Inc.

Some of the potential methods they may choose include mandating exporters to sell foreign currency proceeds, placing restrictions on trade accounts, and introducing measures to boost capital inflows, Nomura analysts including Sonal Varma in Singapore and Ting Lu in Hong Kong wrote in a research note.

Asian policy makers have bolstered their FX war chests in recent years following previous crises such as the 2013 taper tantrum. Still, the rapid pace of US Federal Reserve interest rate hikes this year means they will be reluctant to rely solely on those funds to defend their currencies.

India is already estimated to have spent $75.1 billion this year supporting the rupee in the spot and forward markets, while China has probably spent $39.6 billion, Thailand $26.9 billion and South Korea $16.7 billion, according to Nomura's estimates to the end of August. Both the Reserve Bank of India and Bank of Thailand have used up more than 10% of their end-2021 headline reserve levels, the bank said.

"Asia still has FX reserves to prevent runaway depreciation, but amid the erosion of FX reserve buffers, we believe we are closer to a point where some Asia ex-Japan central banks may allow for greater FX flexibility," the Nomura analysts wrote.

Asian currencies have tumbled this year as Fed rate hikes have bolstered the dollar. The yen has slumped more than 20% to a 24-year low, the Korean won has fallen 17%, and the Philippine peso and Taiwan dollar have both dropped more than 13%.

Here are some steps that Nomura suggests individual Asian central banks may take to support their currencies:

Japan: Foreign asset liquidation by public pension funds and other financial institutions

China: Repatriation from government-related corporations, closing undesired outflow channels, issuing offshore RMB bonds to reduce CNH liquidity

India: FX swap window for oil marketing companies, measures to slow capital outflows, nonresident deposit program

Indonesia: Cut in FX reserve requirement ratio, tax amnesty program, prohibition against using foreign currencies for domestic transaction

South Korea: Repatriation from government-related corporations, introduce tax incentives for local residents' financial assets held abroad, measures to encourage more capital inflows. — ***Bloomberg***