Hitachi Rail, Transport dep't sign Malolos-Tutuban rail deal

THE Department of Transportation and Hitachi Rail signed on Monday the electrical and mechanical systems and track works contract for the Manila-Bulacan segment of the North-South Commuter Railway (NSCR) project.

"The government of Japan, along with our private sector, takes pride in being part of the ambitious and transformative railway projects of the Philippine government," Japanese Ambassador Koshikawa Kazuhiko said in a statement.

He reaffirmed Japan's commitment to work with the Philippines "towards the successful completion of the NSCR."

The Japanese embassy said Hitachi Rail technology will help reduce NSCR's energy footprint.

"This system will also boost safety on the line by enabling automatic activation of train safety functions, including emergency braking in case of danger or if trains exceed the track's maximum line speed," the embassy noted.

The Tutuban (Manila)-Malolos (Bulacan) rail project is part of the 163-kilometer NSCR urban rail transit system from Calamba south of the capital to Clark in Central Luzon. It is co-financed by the Japan International Cooperation Agency (JICA) and the Asian Development Bank.

On its website, Hitachi Rail describes itself as a "fully integrated, global provider of rail solutions across rolling stock, signaling, operation, service and maintenance, digital technology, and turnkey solutions."

The 38-kilometer Malolos-Tutuban segment has a projected cost of P149.13 billion, according to the National Economic and Development Authority. It is expected to carry more than 200,000 commuters daily.

The travel time from Malolos to Tutuban is estimated to be 35 minutes once the project is finished.

The Malolos to Clark segment is expected to be completed in 2024.

According to JICA, the NSCR project is designed to strengthen the mass transport network servicing growing demand in Metro Manila and surrounding provinces. — **Arjay L. Balinbin**

World Bank approves $600-M loan to support PHL financial sector

THE World Bank has approved a $600-million loan to make the Philippine financial sector more resilient against shocks and boost the economic recovery.

"Policy actions that strengthen the stability of the financial sector — including banks and insurance companies — will help Filipino families, businesses, and investors withstand financial shocks and enhance their resilience by ensuring that problems in these financial institutions are detected at an early stage without severe disruptions to the economy," World Bank Country Director for the Philippines Ndiamé Diop said in a statement on Tuesday.

According to the World Bank website, the loan is geared towards strengthening financial sector stability; expanding financial inclusion especially for micro, small, and medium enterprises; and to develop climate and disaster risk finance.

This is the country's second financial sector reform policy loan. The first was a $400-million loan approved in 2021.

According to the World Bank, only 51% of Filipinos aged 15 years old and up have accounts with financial institutions, which is well below the East Asia and Pacific average of 80%.

In the bottom 40% of the population, only 34% of adults have an account, it added.

Mr. Diop said that financial inclusion can speed up poverty reduction and strengthen recovery from the pandemic.

"Filipinos who have accounts with financial institutions like banks will have opportunities to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or the health of their children, manage risk, and weather financial shocks, which can improve the overall quality of their lives," he said.

Mr. Diop added that the new program is also developing the catastrophe insurance market to prevent individuals from falling into poverty due to natural disasters.

Mr. Diop said the rising use of catastrophe insurance will allow the government to focus its fiscal resources on post-disaster cash transfers and subsidizing insurance premiums for the most vulnerable parts of the population.

The program will also support reforms that promote innovative financial services.

"Under its strengthening financial sector stability, integrity, and resilience pillar, this DPL (development policy loan) series supports reforms aiming to strengthen the legal and institutional framework to improve financial sector oversight and integrity, enhance crisis management and resolution framework in the sector and improve the availability of long-term finance," the World Bank said.

"Finally, this DPL also supports the financial sector resilience to climate-related shocks by integrating climate and environmental risks in financial institutions' risk management frameworks and mobilizing private sector financing for green investments by encouraging banks to incorporate sustainability principles into their investment activities," it added.

DPLs support countries undertaking reforms, typically during times of policy and institutional transition to create an environment conducive to equitable growth.

As of March 2022, the World Bank was the Philippines' third-largest official development assistance (ODA) partner, with loans and grants amounting to around 23.38% of total ODA. In 2021, its share of ODA was 24%, according to the National Economic and Development Authority.

The World Bank is currently supporting 15 ongoing Philippine programs and projects worth $4.96 billion.

For 2023, the National Government expects to obtain around $19.1 billion worth of ODA — $9.2 billion worth of loans from multilateral development partners and $9.8 billion in loans from bilateral lenders. — **Keisha B. Ta-asan**

BoC exceeds January collection target

THE Bureau of Customs (BoC) said it surpassed its collection target for January with revenue of P65.801 billion in the Jan. 1-27 period.

Collections had exceeded the target by 11% four days before the end of the month, it said in a statement.

The total was also 13.2% higher than the year-earlier collection.

For 2023, Customs hopes to collect P901.3 billion.

This includes P570.3 billion in value-added taxes from imports, P207.4 billion worth of excise taxes, P105.1 billion in import duties and P18.5 billion from other fees.

This year's collection target is 24.9% higher than the P721.5-billion target set in 2022.

Last year, Customs reported that collections hit P862.929 billion according to preliminary data, exceeding the target by 19.6%.

Customs Commissioner Yogi F. Ruiz said the agency is working on "stringent measures to counter illicit trade and fraud while improving trade facilitation and increasing lawful revenue collection." — **Luisa Maria Jacinta C. Jocson**

Fisheries output rises 2.2% in 2022

FISHERIES output rose 2.2% led by the marine municipal fisheries and aquaculture segments, the Philippine Statistics Authority (PSA) said.

In its fisheries situation report, the PSA said production volume in 2022 was 4.34 million metric tons (MMT), up from 4.25 MMT a year earlier.

"Increases in production were noted in marine municipal fisheries and aquaculture, while commercial and inland municipal fisheries reported setbacks during the year," the PSA said in its report.

The marine municipal fisheries subsector, accounted for 21.8% of total production, with output in the segment rising 2.2% year on year to 946.88 thousand MT.

Aquaculture output rose 4.6% to 2.35 MMT, accounting for 54.1% of overall output.

Commercial fisheries output declined 0.2% to 868.41 thousand MT. This subsector accounted for 20% of total production.

Inland municipal fisheries accounted for 4% of total output, down 14.7% at 175.35 thousand MT.

Of the 20 major species, largest declines were reported in the harvests of mud crab or *alimango* (28.8%), tiger prawn or *sugpo* (19.6%), blue crab or *alimasag* (19.5%), and Indian mackarel or *alumahan* (18.8%).

The PSA reported output increases in squid (22.9%), seaweed (15%), yellowfin tuna or *tambakol/bariles* (14.1%), and fimbriated sardines or *tunsoy* (12.1%). — **Sheldeen Joy Talavera**

Output boost seen if sugar milling starts in October

A SUGAR Regulatory Administration (SRA) board member said production could rise if the sugar milling season is moved back to its "proper" start date of October.

Speaking at the Laging Handa briefing on Tuesday, SRA Board Member and Planter's Representative Pablo Luis S. Azcona said the decision of many sugar mills to start operating in August has held back production.

"If we delay it to October that is an instant 5-10% increase in production for everybody. So now, the question is 'how do we help the farmers get to October?' That's currently our plan," Mr. Azcona said.

He said the early availability of milling services has led some farmers to harvest cane at 9-10 months from planting, which reduces sugar yields.

The SRA also plans to work with the Department of Agrarian Reform develop its block farming program, which consolidates small farms owned by land reform beneficiaries to larger farms of 30-50 hectares.

The consolidated farms will be easier to mechanize than small farms of 1-2 hectares, according to Mr. Azcona.

Following an order from President Ferdinand R. Marcos, Jr. to maintain a two-month buffer stock of sugar, the SRA is currently reviewing the data and yield projections for the current milling season ending in June.

Price monitoring by the Department of Agriculture puts the price of refined sugar at between P87 and P110 per kilogram; washed sugar, P83-P95; and brown sugar, P80-P95.

Once imports of refined sugar arrive, they will be classified as "reserve stock." The SRA will monitor inventory of domestically-produced sugar to determine when to release imports onto the market.

"We might have to release some of it at the start to stabilize prices as they keep on increasing. Everybody is speculating that our supply will run out in the end. We're currently okay because we're milling, so speculation is driving the prices up," he added. — **Sheldeen Joy Talavera**

Fitch Solutions sees PHL consumer spending growth slowing in 2023

FITCH SOLUTIONS affirmed its earlier view that household spending growth could slow this year due to inflationary pressures.

"We expect household income growth to outpace consumer price inflation in 2023. This will ensure real income growth and greater potential for consumer spending. However, inflation is likely to remain elevated, and we expect the central bank to tighten monetary policy further in an attempt to maintain control," Fitch Solutions said in its Philippines Consumer Outlook report on Tuesday.

It maintained its forecast for household spending, which it expects to grow by 5.5% this year, with growth in the 2024-2027 period expected to average 5.1%.

Last year, household consumption surged 8.3% from 4.2% in 2021, according to the Philippine Statistics Authority.

In terms of demand, household spending was the biggest contributor to growth last year, driven by restaurant and hotel spending.

Fitch Solutions said consumer confidence in the Philippines remains low.

"Our forecast for real consumer spending in the Philippines is in line with our forecast that the Philippines' real GDP growth will decelerate," it said.

Fitch Solutions expects gross domestic product (GDP) to grow by 5.9% this year and 6.1% in 2024.

"The slowdown in growth was in line with expectations, but the pace of deceleration was more modest than predicted. Elevated energy prices and tightening monetary policy will result in further deceleration during the forecast period," it added. — **Luisa Maria Jacinta C. Jocson**

Luxury goods tax bill reframed as 25% tax on 'non-essentials'

THE long-awaited luxury tax measure has been billed as a tax on "non-essentials" like jewelry, high-end bags and watches, luxury cars, private jets, and upscale residential property, with the proposed rate on these items set at 25%.

House Bill No. 6993, filed by Albay Rep. Jose Ma. Clemente S. Salceda, who chairs the House committee on ways and means, proposes to tack on the 25% tax on an item's wholesale price or import value. The measure was projected to raise P15.50 billion a year.

According to the bill's explanatory note, the items covered are "beyond the reach of the bulk of consumers, and which are not significant or important inputs to other value-adding industries."

Non-essential goods, according to the bill, are jewelry, whether real or imitation, perfume and eau de toilette, yachts, and wristwatches, bags, wallets, and belts costing more than P50,000.

Luxury goods also covered in the bill are residential property worth more than P100,000 per square meter, and alcoholic and non-alcoholic beverages selling for more than P20,000 per liter.

Paintings over P1 million, antiques valued at P100,000 and above, and brand new or secondhand automobiles worth at least P1 million will be subject to the tax.

The bill also seeks to tax private planes and parts except those owned by the Philippine government or by airlines and logistics companies.

The bill proposes to amend Section 150 of the National Internal Revenue Code, which authorizes a 5% tax on invasive cosmetic procedures, surgeries and body enhancements.

Analysts last week said that a wealth tax will generate higher revenue than a tax on luxury items. A wealth tax bill is currently pending at the committee level.

"While morally sound, the practical problem with a wealth tax based on net worth is that capital is extremely mobile, and many countries offer 'tax-haven' passports to extremely wealthy individuals," according to the bill's explanatory note.

The Albay representative also said that the bank secrecy law, especially for foreign currency deposits, will make it difficult to monitor wealth taxes. — **Beatriz Marie D. Cruz**

Restrained consumption seen holding back Philippine growth this year

ECONOMIC GROWTH is expected to moderate this year with inflation serving as a dampener on consumption, Standard Chartered Bank said on Tuesday.

"There are a few headwinds on consumption front. Elevated inflation may continue to dampen (growth). Even though household consumption has been a key driver of growth, the contribution from food and beverages is lower because of higher prices," Standard Chartered economist for Asia Jonathan Koh said in a virtual briefing on Tuesday.

The bank expects gross domestic product (GDP) to grow 5.3% this year, which it calls a "moderation from last year's stellar recovery." This forecast is lower than the 6-7% official target set by economic managers.

The economy grew 7.6% last year, the highest rate since 1976 and among the strongest in Asia.

"Consumer sentiment is weakening with high inflation and interest rates in the Philippines," he added.

Standard Chartered sees inflation averaging 4.8% this year, above the central bank's 4.5% projection.

Headline inflation accelerated to a 14-year high of 8.1% in December, bringing the full-year average to 5.8%, which was also a 14-year record.

"We know inflation is running hot in the Philippines. It's not just elevated, it's also broad based. We are expecting it to moderate due to base effects. We see subsequent easing in terms of month-on-month inflation," he said.

The bank said it expects the Bangko Sentral ng Pilipinas (BSP) to hike rates by another 50 basis points (bps) in the first quarter.

"We expect the BSP to (bring) inflation to target by hiking another 50 bps in the first quarter. We expect cuts to take place in the fourth quarter," he added.

Mr. Koh said that the boost in consumer spending last year was due to the reopening of the economy and will likely normalize this year.

Household consumption surged 8.3% last year from 4.2% in 2021, mainly driven by restaurant and hotel spending.

Mr. Koh said that growth this year will also be affected by a slowdown remittances amid the anticipated US recession.

"In terms of remittances, it's not going to be as supportive as it was in 2022. Since then, dollar-peso has come off a bit. If we look at the remittances breakdown, the US accounts for more than 40% of remittances," he added.

Mr. Koh said that high interest rates could also weigh on investment.

"On investments, activity may plateau in 2023. Business confidence has been falling and public sector support is less forthcoming this year... loans to business could start to moderate. Foreign direct investment was strong in 2022 but with high interest rates, that could affect inflows," he added.

"There's a lot of room for catch up. The one that has not recovered is investment. But if we look at recent indicators like capital goods, imports, it's not reflecting any recovery," he added.

He also noted that the electronics, the country's top export, will likely experience a slowdown.

"We saw how the momentum for electronics exports faltered. It's our view that the electronics sector is not going to be supportive of exports in 2023 due to the sector entering a downcycle," he added.

However, he noted that tourism will be a bright spot amid the reopening of the economy.

"Services exports should help support growth in 2023. We saw some of that in the third and fourth quarters. This year, with (countries) continuing to loosen restrictions and with China reopening, that will help with travel," he added.

Separately, First Metro Investment Corp. (FMIC) and the University of Asia and the Pacific (UA&P) said that the economy could expand by around 6% this year, riding on the momentum seen in 2022, with inflation expected to ease.

"Robust employment, construction, manufacturing, exports and OFW data propelled GDP to grow by 7.2% in the fourth quarter last year. The year ended 7.6% higher than 2021, also far above analysts' projections. The momentum should spill over into 2023 through the multiplier effect," FMIC and UA&P said in its market call on Tuesday.

"To be sure, GDP growth in 2023 may not match that of 2022. Nonetheless, the positive signals mentioned above should keep it still at a fast pace of 6%," it added.

The report said that the economy will weather the anticipated global recession, citing consumption, employment, exports, and manufacturing as growth drivers.

"While some fret about an economic slowdown due to the global economy heading towards a recession, we recall that Philippine growth in the past decade had relied more on expanding domestic demand," it added. — **Luisa Maria Jacinta C. Jocson**