Failure to cut debt burden of poor countries could hamper growth, spark conflict — Yellen

DAKAR — US Treasury Secretary Janet Yellen on Saturday underscored the urgent need to reduce the debt burden of heavily indebted countries, warning that failure to do so would set back development in poor countries and could lead to more war, fragility and conflict.

Ms. Yellen told reporters traveling with her in Africa that she and other US officials had gone through "many details of this debt overhang situation" during her meeting with Chinese Vice Premier Liu He in Zurich on Tuesday.

She said she believed Chinese officials understood the imperative to reduce the debts of some of these countries, but declined to forecast what China would ultimately do, and when.

Ms. Yellen, long critical of the pace of China's efforts on debt treatments for Zambia and other countries, on Friday called again for China and other countries to provide "timely," "comprehensive" and "meaningful debt relief to help countries regain their footing."

Ms. Yellen said US officials expressed specific concern about Zambia, whose debt restructuring effort under the Group of 20 Common Framework has taken much longer to resolve than expected. Ms. Yellen will visit Zambia next week.

"It's important for the entire world that we not allow low-income countries to slide into economic disorder," Ms. Yellen said, noting that the goal of raising living standards in Africa enjoyed bipartisan support in the United States.

Failure to act would result in negative spillovers, including conflict, fragility, war, terrorism and migration, she said, sucking up resources that would hamper a country's ability to grow and move forward, Ms. Yellen said.

"Unless it can get that burden at least partially off its back ... it's just hampered indefinitely in terms of what it's able to do and achieve for its citizens," she said. Partial debt reductions would allow a country to invest and grow and pay back some of the reduced debt, she said.

Lenders would get less if a country "falls into economic chaos" than if it can invest and grow, she said.

"I definitely think they get what the problem is, and that there needs to be a solution," she said of her discussions with officials from China, which is now the world's largest bilateral creditor. "Our counterparts are sophisticated economics officials who can listen to a reasoned argument and understand."

US officials also discussed with their Chinese counterparts Washington does not agree that multilateral development banks should not have to take a haircut along with sovereign lenders — an argument Beijing often raises.

"That needs to be worked through, but we have counterparts who we are able to talk to in a reasonable way and work through our differences. And I hope that out of that process that some progress will come, But I do I don't have a forecast for you." — ***Reuters***

Davos: Talent shortage rules in tight labor markets

DAVOS, Switzerland — Talent shortages in key sectors are likely to remain a feature of Western economies left with persistently tight labor markets in the wake of the coronavirus pandemic, global staffing company ManpowerGroup said.

Seventy-five percent of companies surveyed across eight countries and regions reported talent shortages, it found, saying this had profound implications for the retention and upskilling of workers.

"(Companies) cannot stop hiring people despite the risk of potential recession because to find that talent would be very difficult," Riccardo Barberis, ManpowerGroup president for Northern Europe told Reuters on the margins of the World Economic Forum in Davos.

Mr. Barberis urged companies to think more about how they help their existing workforce and new employees to get greater skills rather than worry about other trends such as the so-called "Great Resignation" of people leaving the labour market.

"Lots of workers are already doing training for themselves. What are we offering those candidates?" he said, suggesting that being able to provide an offer could be existential for companies in some sectors.

Among the sectors where he saw most acute labor shortages were digital, green energy and healthcare.

Added to that was the finding of the ManpowerGroup survey that 30% of the workforce will be a "Generation Z" workers with a new set of expectations about life-work balance and the possibility of hybrid working.

The research took place last November among 8,000 people looking for work in the United States, Britain, France, Germany, Italy, Spain, Sweden, and Norway. Its also surveyed 13,700 hiring decision-makers in these markets. — ***Reuters***

Alphabet cuts 12,000 jobs after pandemic hiring spree, refocuses on AI

GOOGLE'S parent Alphabet, Inc. is cutting about 12,000 jobs as it faces "a different economic reality," it said in a staff memo, doubling down on artificial intelligence (AI) and axing staff who support experimental projects.

The job cuts affect 6% of its workforce, and follows thousands of layoffs at tech giants including Amazon.com, Inc., Microsoft Corp. and Meta Platforms, Inc. who are downsizing after a pandemic-led hiring spree left them flabby in a weak economy.

Shares in Mountain View, California-based Alphabet, which boosted its workforce by nearly a third through 2020 and 2021, rose 4% on Friday. They had fallen 30% in the past 12 months, echoing a 24% slump in the broader tech industry.

Sundar Pichai, Alphabet's boss since 2019, said in the memo on Friday that he took "full responsibility" for the decisions that led to the layoffs.

Mr. Pichai, whose pay was recently tied more closely to performance, said this was a moment to "sharpen our focus, reengineer our cost base and direct our talent and capital to our highest priorities," as Alphabet looked to get imbue its products with more AI, echoing comments from Microsoft that announced job cuts on Wednesday.

Alphabet, long a leader in AI, is facing competition from Microsoft, which is reportedly looking to boost its stake in ChatGPT — a promising chatbot that answers queries with human-like responses.

Advertising dollars, Alphabet's mainstay revenue source, meanwhile, is feeling the squeeze from businesses chopping budgets as consumers pull back spending.

"It is clear that Alphabet is not immune from the tough economic backdrop, with worries about a US recession growing," said Susannah Streeter, an analyst at Hargreaves Lansdown.

"Ad growth has come off the boil ... Competition is also heating up, with Alphabet facing a powerful rival in TikTok, and Instagram also vying for its important YouTube viewers," Ms. Streeter said, noting that Alphabet has also racked up billions in regulatory fines.

Evercore ISIS analyst Mark Mahaney said Alphabet's record-high headcount had created major margin risk going into fiscal 2023 and Bernstein analyst Mark Shmulik said the job cuts could save the company Alphabet $2.5 billion to $3 billion in costs.

BIG JOB CUTS

With Alphabet's staff cuts, layoffs at four of the biggest US tech companies total 51,000 jobs in the past few months. They have fanned fears of a recession even as the US job market remains tight.

"The tech sector is bit like the proverbial canary in the coal mine," said Stuart Cole, an economist at Equiti Capital, who believes the tech layoffs portend that the outlook for job security is finally beginning to turn more negative.

Apple, which hired more prudently through the pandemic, has held off on cuts so far. On Friday, though, website AppleInsider reported citing sources that the iPhone maker had started to lay off non-seasonal employees in its retail channel in places such as Best Buy stores.

Apple was not immediately available for a comment on the report.

'LITTLE COMFORT'

Alphabet has been working on a major AI launch, two people familiar with the matter told Reuters. One of the sources said it would take place in the spring. The *New York Times* also reported that Google planned to unveil more than 20 new products and a search engine including chatbot features.

Among those losing their jobs are recruiters, corporate staff and people working on engineering and product teams, Pichai said. Google has cut most jobs at Area 120, its in-house incubator for new projects, a company spokesperson told Reuters.

The Alphabet Workers Union said in a statement that the company's leadership taking "full responsibility" was "little comfort."

"It's appalling that our jobs are first on the chopping block so shareholders can see a few more points in a chart next quarter," the union said.

In the United States, where Alphabet has already emailed affected employees, staff would receive severance and six months of healthcare as well as immigration support.

Overseas, layoff notifications will take longer due to local employment laws and practices, Mr. Pichai said in the memo. Employees in Asia will learn starting in February if the reduction impacts them. — ***Reuters***

At the forefront of innovation in finance: RCBC, UnionBank, Global Dominion

By AIAN GUANZON

Financial technology ("fintech") is not only heard but is mostly felt as well in recent years in the Philippines. The marriage between finance and innovation have been so far fruitful and seemingly limitless. Data from a study done in 63 countries showed that fintech is positively and significantly correlated with financial stability (*Daud et al., 2021*). This simply tells us that the Philippines is on the right track when it comes to innovation in finance.

In photo (from left to right): Patricia Poco-Palacios (Global Dominion president & COO), Robert B. Jordan, Jr. (Global Dominion vice-chairman & CEO), and Ruben Y. Lugtu II (Global Dominion chairman of the Board)

Embracing change

Prior to fintech being introduced in the Philippines, major banks relied heavily on fixed assets to operate and scale. Customers did so as well, only being able to complete financial transactions in person and within certain hours of the day. Without digital means, all transactions and inquiries had to be completed over the counter, at the nearest branch, mall, or kiosk with the help of a live agent.

Since there were no disruptors to their regular offerings, banks were not challenged to deliver game-changing services to consumers, which is why business opportunities were limited during those times," said UnionBank Head of Data Science Solutions Josh Bosiños. "Consumers were boxed in doing traditional banking, which limited access to those who could afford to bank," Mr. Bosiños added, describing the pre-fintech state of finance in the country.

"The problem was, most banks were not geographically accessible, which barred the majority of Filipino citizens — especially from rural areas — from opening their own bank accounts," shared RCBC Executive Vice-President and Chief Innovations and Inclusion Officer Lito Villanueva. In 2019, it was reported that only 29% of Filipinos owned a basic deposit account. "It was difficult for Filipinos to rely on brick-and-mortar operations just to receive, withdraw, or send cash to pay for basic services and essential goods since that incurred extra costs of transportation, fuel, time, energy, distance, and offsetting work days," Mr. Villanueva added.

With the continuous rise of technology since the late '90s, we've seen the disruption of the traditional finance industry. Smartphone owners — which account for the majority of Filipinos — can now participate in the formal banking system without having to leave their homes, allowing convenience, safety, ease, and inclusion when it comes to financial transactions. Adapting to the changing trends, the finance industry has learned to be quick and agile as new innovations are introduced.

Non-banking financial institutions (NBFIs) were one of those which leaned hopeful to the beginning of the fintech revolution. Nontraditional ways to apply for or open bank and insurance accounts were encouraged to millions of Filipinos. This also triggered the development of regulatory sandbox by the government in support of the inevitably growing finance landscape. This meant that the marketplace started expanding for a very big consumer base, with gradually easing restrictions. Alternatives like credit cards and cashless payments were born.

Challenging the status quo

But fintech was not without challenges as more and newer technologies unfold amidst socio-political and cultural changes in the Philippines. "Resistance is inevitable, but results always alleviate resistance," said Global Dominion CEO and Vice-Chairman Robert B. Jordan, Jr., describing their early digital transformation journey as one the Philippines' leading financing companies. "Innovation is not always about systems or machines; it can also be about new ways of doing things to achieve better results," Mr. Jordan added.

There's still no stopping fintech's growth against all odds, including the wrath of the COVID-19 pandemic. In fact, the event has been a catalyst for innovation. The pandemic has paved the way to innovation for many finance firms in the country. Those with a ton of paperwork for transactions in the past had to develop digital ways to transmit documents and communicate with their colleagues and teams. Lockdowns drove significant increases in the adoption of finance-related mobile applications. And over the protracted period, fintech startups were able to accelerate the uptake of their digital services over-and-above traditional incumbents (*Fu & Mishra, 2021*).

Financial inclusion is also accelerated, as banks like RCBC and UnionBank, have learned to widen their reach and concentrate their efforts on banking the unbanked and underserved citizens from far, rural areas. Aside from a cash-lite society, fintech has also allowed the rise of "phygital" — the fusing of digital and physical features in services and adding a human touch to formal banking.

RCBC launched "MoneyBela: Barangayan Banking," a financial solution banking more Filipinos in regional communities using e-tricycles and live agents in regional communities. "Technology has enabled the finance ecosystem to be a thriving ground for empathetic innovations, financial inclusion, and empowerment for all, regardless of class, gender, age, community, and background," Mr. Villanueva uttered.

UnionBank went as far as initiating further artificial intelligence (AI) exploration to aid in improving the state of financial inclusion and improve risk management in the country, through AI-powered alternative credit scoring and risk models, to make it possible to offer loans and credit to a broader range of individuals and small businesses.

In Global Dominion, customer experience is at the core of digital transformation. "Even before the pandemic, we started servicing our borrowers online because many of them were reaching out through various social media sites. But that didn't mean we stopped communicating with them offline; in fact, we have been adding more branches through the years," said Global Dominion President and COO Patricia Poco-Palacios. "We intend to meet them wherever they want, and as much as possible, whenever they want, as well. This is where technology has been instrumental to our development," Ms. Palacios added. The latest in Global Dominion's digital transformation endeavor involves exploration of alternative credit scoring methods.

The future is now

When asked about the essence of innovation in the economy, University of Asia and the Pacific (UA&P) School of Economics Professor Jose Leo Lemuel Caparas, Jr. pointed to the economist Joseph Schumpeter's description of innovation as part of process of technological change in a free market, "arranging the economic requirements for implementing an invention — and as such, for a nation to grow and develop, there must be a critical mass of businesses doing innovation." However, he added that while exciting developments can be seen, like in the case of the rising Buy Now Pay Later (BNPL) scheme in the Philippines, there is still much improvement needed in other aspects of finance, e.g., credit card accessibility and market penetration.

In one of the many studies done in Asia, digitalization in finance is said to effectively promote the level of innovation. In cities with low levels of urban commercial attractiveness, digital finance plays a larger role in raising the level of urban innovation, due to its inclusiveness and balanced development impact (*Li et al., 2022*). This further pushes the need for countries to invest money, time, and effort in cultivating innovative ideas to continue revolutionizing finance in the years to come.

"It's not a one-size-fits-all approach anymore. As a means to financially include everyone, banks are now multi-faceted organizations that offer not just finance solutions, but livelihood and lifestyle solutions — payments, savings, investments, insurance, loans, telemedicine, and the like," Mr. Villanueva shared, closing his interview.

"In a country where several areas are heavily dependent on cash transactions, I've seen how fintechs and banks revolutionized our day-to-day transactions. New technologies enabled us to do cashless transactions that introduced convenience, low-cost fees, and secure financial integration. And with the vast amount of data that FIs [financial institutions] have, it is fascinating how many firms have been leveraging their data to do data science and AI to discover new opportunities, improve products and services, and further strengthen their businesses and operations," Mr. Bosiños uttered, surfacing how much UnionBank is investing in AI for the future of banking.

For UnionBank, Global Dominion, and RCBC, it is just a matter of time before technology becomes fully integrated to financial services, and it will be for the mutual benefit of the consumers and financial service providers. With Web 3.0, more advancements are expected to unfold.

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