Rightsizing,
from S1/1

"Ultimately, the redundancies and overlaps while keeping the welfare of government workers depend on what the government is intent on doing. For instance, are we keeping the highly centralized type of management or are we going to devolve more functions to the local government? The answer to this basic question will then determine whether we have properly rightsized the government or not," he said in an e-mail.

Meanwhile, De La Salle University law and business professor Antonio A. Ligon said that the government should perform a "comprehensive and thorough study" of what jobs will be eliminated.

"Evaluation and review of whatever consolidation or merging shall be done periodically if it will redound to faster service to our people. If not implemented properly, then it might just create confusion in government personnel and hence negatively affect the desired services to our people," he said in a Viber message.

Mr. Africa said there may even be a need to add government jobs to boost public services and social protection.

"The rightsizing thrust is misguided in assuming that trimming the government workforce and reducing personnel services expenses will make the government more effective. On the contrary, the demands on the state to manage social and economic development are not just growing but also growing more complex," he said.

However, he noted the government should also ensure its workforce will be better, more efficient, competent, transparent and less corrupt. — **Luisa Maria C. Jocson**

Food imports,
from S1/1

Finance Secretary Benjamin E. Diokno earlier said there is a need to implement direct, non-monetary measures to address supply issues and rising inflation. He said the Bureau of Customs (BoC) needs to ensure imports "reach the intended markets as soon as possible."

Analysts said it is important that imports will arrive on time.

"Otherwise, it will defeat the purpose of importing food or agricultural products to supplement existing domestic supply," University of Asia and the Pacific Senior Economist Cid L. Terosa said in an e-mail.

The BoC said in a Viber message that it "recognizes its role in the fight against inflation." It said it has instructed Customs staff at ports to ensure shipments coming into the country are released "efficiently and expeditiously to prevent any additional burden or cost against our stakeholders."

"Moreover, the Commissioner put the BoC's Intelligence and Enforcement Groups on task to monitor shipments closely so that any implemented trade facilitation measures are not abused to bring in illicit goods," it added.

In an e-mail, Moody's Analytics Senior Economist Katrina Ell said government efforts to increase imports of some items such as onions and refined sugar will help ease supply constraints.

FULL STORY
Read the full story by scanning the QR code with your smartphone or by typing the link
<bit.ly/FoodImports030623>

Poll,
from S1/1

Meralco cut the overall rate for a typical household by P0.0106 to P10.8895 per kilowatt-hour (kWh) in February.

Philippine National Bank economist Alvin Joseph A. Arogo said in an e-mail that inflation may have accelerated in February as the "lagged and second-round effects of the commodities and foreign exchange spike from last year have generally not started to wear off."

Meanwhile, China Banking Corp. Chief Economist Domini S. Velasquez said inflation in February may have been unchanged from January's 8.7% due to the decline in vegetable prices, the rollback in pump prices and lower power rates.

Pump price adjustments stood at a net decrease of P0.50 a liter for gasoline, P5.45 a liter for diesel and P6.85 a liter for kerosene in February alone.

"On the other hand, core inflation likely rose to 8% given more commodities being affected by persistently high inflation. Service activities such as restaurants and accommodation and recreation will likely exhibit higher prices," Ms. Velasquez said.

Core inflation, which excludes volatile prices of food and fuel, jumped to its fastest pace in more than two decades at 7.4% in January from 6.9% in December.

Ms. Velasquez said elevated inflation may push Filipinos to seek wage increases and more subsidies, while transport groups may push for fare hikes, which may cause a "wage-price spiral" and lead to "runaway inflation."

"Pro-active and preemptive non-monetary measures are needed to prevent another round of inflationary pressure. Sufficient food supply, improvements in domestic logistic chain and storage could help bring down food prices," she said.

PEAK?

Security Bank Corp. Chief Economist Robert Dan J. Roces said more food imports and targeted assistance to transport drivers, farmers, and fisherfolk are expected to cushion the impact of inflation.

"As such, there is a good probability that the February print could be 'toppish' but of course significant upside risks remain for the year," Mr. Roces said, adding that price pressures should taper off by the second quarter.

Gareth Leather, Senior Asia economist for Capital Economics, said headline inflation likely peaked in February, and will drop steadily for the rest of the year.

"But inflation is unlikely to return to (2-4%) target before the end of the year, much later than in other parts of the region," he said.

For Makoto Tsuchiya, assistant economist at Oxford Economics, inflation is close to peaking.

"With weaker sequential growth amid subsiding supply-side pressures and stronger currency, CPI inflation will likely peak this quarter, before moderating and reaching the BSP's target band in the fourth quarter," he said.

Mr. Tsuchiya said these near-term inflationary pressures will push the BSP to continue tightening, although at a moderate pace.

Most analysts expect the Philippine central bank to deliver a 25-bp rate increase on March 23 in a bid to keep inflation expectations in check.

"We think the BSP will hike by 25 bps at each of its March and May meetings, before pausing throughout the year," Mr. Tsuchiya said.

While his baseline view is a 25-bp increase on March 23, PNB's Mr. Arogo said "a significantly higher-than-expected February print may force the central bank to be more aggressive with a 50-bp hike."

Meanwhile, Bank of the Philippine Islands (BPI) Lead Economist Emilio S. Neri, Jr. said the central bank may raise rates by as much as 50 bps again at the March meeting to "rein in inflation expectations" if inflation stood at 8.9% in February.

BSP Governor Felipe M. Medalla on Friday said the Monetary Board may likely do another aggressive rate hike at its policy meeting this month if inflation breaches the 9% level in February.

"Well, the worst-case scenario is above 9%," Mr. Medalla said, "If that's the case, clearly, we have to do something."

The Monetary Board has hiked borrowing costs by 50 bps on Feb. 16, bringing the key policy rate to its near 16-year high of 6%.

This has brought the total rate hikes of the BSP since May last year to 400 bps.

"If BSP opts for a 50-bp hike, the Monetary Board will disengage from the Fed and raise the risk of a terminal rate exceeding 6% especially if faster disinflation in succeeding months is nowhere to be seen," Union Bank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said.

The US Federal Reserve raised the fed funds rate by 25 bps to 4.5-4.75%. It has hiked rates by a total of 450 bps since March 2022. The Fed's next policy review will be on March 21 and 22.

"Looking further ahead, I hope — though we've all been burned by this — that March will start to see a sustained slowdown in headline inflation," Miguel Chanco, chief economist for emerging Asia at Pantheon Macroeconomics, said in an e-mail.

The BSP had revised its 2023 inflation outlook to 6.1% from 4.5% previously. It also hiked its inflation projection to 3.1% for 2024, from 2.8% previously.