Globe Telecom eyes prepaid home fiber in second quarter

GLOBE Telecom, Inc. will make a big push toward prepaid home fiber as the Philippines' postpaid broadband segment is "nearing saturation, if not already saturated," Chief Executive Officer (CEO) Ernest L. Cu said.

"Our focus going forward is increasing the utilization of our network by delivering fiber connectivity to the broader market through our prepaid fiber products," Mr. Cu said in an e-mail.

Mr. Cu — who has helped Globe unseat Smart Communications, Inc. as the leader in the Philippine mobile phone market, eight years after becoming CEO in April 2009 — plans to start a prepaid home fiber service in the second quarter. He's also expanding the reach of a community-based Wi-Fi service that's available to over "600 hosts" across the country.

A push into prepaid fiber could spark another round of explosive growth in home broadband, similar to the boom in local mobile phone services in the 1990s. The initiative comes as competition is expected to heat up, with Elon Musk's Starlink scheduled to start this quarter its satellite broadband service, challenging Globe, PLDT Inc., and Converge ICT Solutions, Inc.

The Philippine home broadband and wireless data market expanded rapidly in the past two years on the back of pandemic-induced work-from-home setups and online classes.

Data's share to Globe's service revenue will rise further from 81% in 2022, with data-linked services driving its estimated single-digit sales growth this year, said Mr. Cu. The rise in contribution, however, "will be at a slower pace than in the past" as the industry matures, he said.

Still, Mr. Cu remains "quite bullish" that corporate data will continue its growth momentum in sales, which grew 21% in 2022 and offset a 7.8% drop in home broadband revenue. Digitization drive by companies will boost Globe's revenue from ICT-related services such as cloud solutions and data center, which jumped 89% last year, he said.

Globe's data center venture with shareholder Ayala Corp. and ST Telemedia Global Data Centres is "progressing as planned" in building capability, Mr. Cu said, adding that "some significant capacities" will come in by next year. — ***Bloomberg***

SEC's ESG policies seen to face challenges as firms limit reports

THE Securities and Exchange Commission (SEC) may face challenges in implementing environmental, social, and governance (ESG) policies as companies tend to highlight only positive aspects of sustainability reports, said Sustainable Fitch.

"The plan could face implementation challenges, as the SEC acknowledged that most companies tend to only make public the positive aspects of their sustainability reports," said Sustainable Fitch, a specialist ESG unit of the Fitch Solutions group.

According to Sustainable Fitch, the Philippines is still unable to set clear details on its ESG and decarbonization strategies, which could hinder the country's progress compared with other Southeast Asian countries.

"The country's recently elected government has yet to set out clear details on its ESG and decarbonization strategies. The lack of policy direction could hinder the Philippines' ESG progress relative to neighboring peers," the unit said.

It added that like Thailand and Indonesia, the country's government and regulators could face the challenge of ensuring "that the transition is just for the whole of society."

"A large swathe of people in the Philippines live in poverty and depend on brown-industry jobs to survive, with effective strategies being critical to helping these groups keep up with transition efforts," it said.

Meanwhile, the SEC has recently confirmed that it is set to adopt a "blue" bond framework that aims to protect water-based natural resources, as the commission continues to move for wider adoption of sustainability standards.

According to SEC Commissioner Kelvin Lester K. Lee, the framework is yet to be approved by the commission but sets its initial release in the second quarter of this year.

Additionally, the securities regulator is set to implement the Association of Southeast Asian Nations (ASEAN) Sustainable and Responsible Fund Standards.

The SEC has disseminated the draft of its proposed framework last week, as it seeks to align with ASEAN member states in creating and promoting sustainable and responsible investment funds in the region.

According to Sustainable Fitch, the commission aims to mandate sustainability reporting for 2023, which requires reports from companies as well as small enterprises.

"Smaller businesses will receive support in their reporting requirements with the focus remaining on larger industries that have greater environmental or social impacts," it said.

The commission has also previously set guidelines for the issuance of green bonds, which has allowed companies to raise funds for ESG-related projects, which is also aligned with ASEAN green bond standards.

Aside from the SEC, the Bangko Sentral ng Pilipinas (BSP) has also introduced policies in promoting ESG standards in corporate strategies and disclosures.

Under the sustainable central banking agenda, the BSP initiated vulnerability assessments for environmental risks in the economy and seeks to implement sustainability principles in banking and finance policies.

"The country also revised up its target to cut greenhouse gas emissions by 75% by 2030, up from a target of 70%," said Sustainable Fitch. — **Adrian H. Halili**

CTA affirms Cebu Light Industrial Park's canceled tax liabilities

THE Court of Tax Appeals (CTA) has affirmed its decision to set aside Cebu Light Industrial Park, Inc.'s tax liabilities worth P5.57 million representing its deficiency income tax, expanded withholding tax, and documentary stamp tax for the year 2005.

In a 10-page decision made public on March 9, the CTA en banc upheld the canceled taxes saying its First Division had jurisdiction over the disputed tax assessment.

"The CTA shall exercise exclusive appellate jurisdiction to review by appeal decisions of the commissioner of internal revenue (CIR) in cases involving disputed assessments, refunds... or other laws administered by the Bureau of Internal Revenue," Associate Justice Marian Ivy F. Reyes-Fajardo said in the ruling citing the law creating the tax court.

The CIR argued that the firm was still liable to pay documentary stamp tax stemming from advances to stockholders which are considered loans based on the country's tax code. — **John Victor D. Ordoñez**

FULL STORY
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Trade,
from S1/1

Union Bank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said exports may have been impacted by negative investor sentiment.

"Firms can easily choose not to import from [the Philippines] if they think that they can wait-and-see or even look at other sources that are cheaper," he said via Viber message.

DROP IN ELECTRONIC EXPORTS

The country's export of manufactured goods, which accounted for close to 80% of total receipts in January, contracted by 15.3% year on year to $4.17 billion.

Electronic products, which comprised 67% of manufactured goods, declined by 19.2% to $2.83 billion.

Semiconductors likewise dropped by 19% to $2.12 billion. This accounted for three-fourths of electronic products and 40% of total exports in January.

On the other hand, the country's importation of raw materials and intermediate goods decreased by 12% year on year to $3.91 billion in January. This segment accounted for more than a third of the total import bill that month.

Capital goods, which have a 28.8% share to total imports, inched down by 1.3% to $3.16 billion.

Mineral fuels, lubricants, and related materials jumped by 70.6% to $2.06 billion in January, while consumer goods increased by 10.3% to $1.80 billion.

Mr. Manzano said demand for fuel increased as economic activity picked up.

"With regards to imports... it could also be a price issue that the prices of imports like for instance mineral fuels, lubricants are obviously tied up with Ukraine-Russia conflict... It's going to go up also as the economy recovers," he said.

However, the decline in imports and exports of electronic products may indicate supply chain constraints, Mr. Manzano said.

China remained the main source of imports reaching $2.32 billion in January, accounting for 21.1% share of the total. Imports from Indonesia stood at $1.16 billion (10.6% share of the total), while those from Japan hit $958.70 million (8.7%).

On the other hand, Japan led in buying Philippine-made goods, amounting to $866.25 million (16.6% share of total), followed by the United States ($738.26 million, 14.1%), and China ($666.99 million, 12.7%).

"Exports to the US weakened further at the start of the year, while the December jump in those to China reversed sharply, declines that were only partially offset by a modest bounce in demand from Hong Kong and Japan," Pantheon Macroeconomics said in a statement.

BLEAK OUTLOOK

Analysts generally have a bleak outlook for exports amid a potential global economic slowdown.

"We are expecting a lackluster export performance for exports in 2023, simply because of the high interest rate environment, including inflation, that can constrain investment funding moving forward," Mr. Asuncion said, noting that the challenging external environment is a downside risk for Philippine exports.

Pantheon Macroeconomics said it may be too early to say if January data mark a trend change from the decline since June 2022.

"Investment is showing signs of life, at the very least," it said.

Mr. Manzano said that imports are on an upward trend as the economy reopens.

"It could go up because the Philippines is opening up so you now have classes, face-to-face classes and people are showing up and there's more travel with leisure so the volume will increase," Mr. Manzano said.

Mr. Asuncion said he sees exports growing by 2.3%, and imports expanding by 4% this year, although his projections do not include the possible global impact of the recent collapse of Silicon Valley Bank.

"These are definitely lower than 2022 trade performance where exports expanded 5.3% and imports rising 20.7% year on year. The gap between 2022 and 2023 trade growth shows the current assumptions we have of a weaker global trade environment from higher monetary policy interest rates due to rising inflation. Recessionary risks are also included in the mix of what to expect," he said.

The Development Budget and Coordination Committee set a 3% growth target for exports this year, and 4% growth target for imports.