

Farm, from SI/1

For example, a subsidy is considered “progressive” if the country’s poorer regions receive a larger share of producer single commodity transfer (PSCT) than their share of agricultural production. On the other hand, if poorer regions receive a smaller share, then the subsidy is regressive and acts “more like a tax than a subsidy.”

A PSCT indicator measures the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, including its market price support and output subsidies.

According to the World Bank, 80% of the world’s extremely poor and 75% of the moderately poor live in rural areas and engage in agriculture.

“In many cases, agricultural subsidy programs double as rural development, livelihood, and safety net programs. Therefore, another important indicator of the usefulness of agricultural subsidies is how progressive they are – that is, what share of the subsidy is captured by the lowest income quantiles,” it added.

The World Bank said the Philippines would benefit from shifting its output subsidies from rice to maize.

Data from the report show that rice receives the most subsidies among all

commodities across countries, followed by maize, wheat, sugar, and soybeans.

“The analysis also finds that if countries were to shift their output subsidies on rice, a very water-intensive crop responsible for exacerbating harmful externalities like water scarcity, salinization, and carbon dioxide emissions, to maize, then their subsidies would become significantly more spatially progressive,” it added.

The World Bank said that output subsidies should re-evaluate what crops receive which subsidies and prioritize those that poorer households produce, such as maize.

“In many countries, this approach implies a shift away from subsidizing rice, which would entail other environmental co-benefits like reducing agriculture’s water and carbon footprints,” it said.

“Although the distributions of PSCT transfers on crops across countries vary considerably, the distribution of production tends to be more progressive for maize than for other crops – that is, maize tends to be produced in poorer areas of the country,” it added. — **Luisa Maria Jacinta C. Jocson**

Inflation, from SI/1

Mr. Medalla also said the markets are “too optimistic” about when the US central bank will cut policy rates.

“If you listen to the Fed officials, that’s not the case,” he said. “The fact that they have maintained rates and sent a signal that they’re still quite concerned, means we cannot roll out future increases.”

The BSP chief also hopes market players may see that a narrower interest rate differential with the US Federal Reserve does not mean a weaker peso, as this could become self-fulfilling prophecies.

“If the rate differential gets a little bit narrower, it doesn’t necessarily mean a reason for the peso depreciation.

The peso reached a record low of P59 against the dollar in October last year as the greenback surged amid hawkish signals from the Fed.

On Monday, the peso closed at P55.74 versus the dollar, up by 12 centavos from its previous finish, data from the Bankers Association of the Philippines’ website showed.

This is the peso’s strongest close since its P55.725-a-dollar finish on May 23.

In an e-mail interview, ANZ Research economist Debalika Sarkar said the BSP will have to monitor external develop-



PHILIPPINE STAR/ MIGUEL DE GUZMAN

THE CONTINUED downward trend of consumer prices is a “good reason” to keep rates unchanged. — BSP Governor Felipe M. Medalla

ments and assess the impact of its previous rate hikes on the economy.

“The ‘hawkish pause’ by the US Fed last week and a still elevated trade deficit in April do not offer much policy flexibility at this stage. We thus do not see a policy pivot by the BSP until the first quarter next year,” she said.

The country’s trade-in-goods balance, or the difference between exports and imports, reached a deficit of \$4.53 billion in April. The gap is lower than the revised deficit of \$5.1 billion in the previous month and \$5.32 billion in the same period last year. It was the slimmest trade gap in two months. The country’s trade balance has been in deficit for almost eight years.

Security Bank Corp. Chief Economist Robert Dan J. Roces said the BSP is expected to keep policy rates steady at 6.25%, but there are still risks to the outlook.

“We estimate inflation to fall within the 2-4% target around September or October of this year, but inflation, peso depreciation, and Fed policy action risks remain tilted to the upside,” he said.

“Thus, the BSP may want to keep interest rates ahead of the curve at some point after this month to keep these risks in check, and continue to signal a ‘hawkish hold’ itself in the meantime,” he added.

After June 22, the BSP’s next policy meeting is scheduled on Aug. 17.



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