Outsourcing,
from S1/1

The rest of the top 10 included Brazil, United Kingdom, Indonesia, Vietnam, United States, Thailand, and Mexico.

Kearney's biannual index measures four dimensions consisting of financial attractiveness; people skills and availability of the workforce; business environment; and digital resonance.

For the 2023 ranking, the Philippines had an overall GSLI score of 5.65. The country had a score of 2.77 in financial attractiveness, 1.30 in people skills and availability, 1.09 in business environment, and 0.50 in digital resonance.

Arjun Sethi, Kearney Asia-Pacific region chairman, said that talent regeneration, or the country's ability to rapidly reskill to meet changing demands is vital to maintain and improve an offshore location's attractiveness.

"A country's ability to reskill and redeploy its workforce in response to changing market demands and technological disruptions is key to improving its attractiveness as an offshore location for business services," Mr. Sethi said in a separate statement.

Jack Madrid, Information Technology and Business Process Association of the Philippines president, told *BusinessWorld* he was not surprised the Philippines' ranking slipped as other locations are improving.

"Because of the strong demand for totally offshoring business, there is also an attraction for locations that are closer to North America. That's why you have countries like Mexico, Colombia, and Costa Rica, although they are much smaller in scale compared to the Philippines and India, they're also growing their share of the global IT-BPO market," Mr. Madrid said via mobile phone interview.

Revenues,
from S1/1

INFRASTRUCTURE

Meanwhile, Mr. Diokno said the government may ramp up spending for infrastructure.

"I won't stop infrastructure spending because slowing it down will have negative consequences. I'm willing to increase the deficit, if necessary, as long as we continue our infrastructure projects," he added.

The government is planning to spend 5-6% of GDP on infrastructure annually. Infrastructure spending is set at 5.3% of GDP this year, equivalent to P1.29 trillion.

"For the last 50 years before the Duterte administration, we were only spending something like 2% (on infrastructure). That's why we suffer in comparison with our (Southeast Asian) peers. We cannot sustain this, we've got to increase our expenditure for infrastructure," Mr. Diokno said.

In March, the government approved 194 flagship infrastructure projects worth P8.3 trillion that range from physical and digital connectivity, health, water, agriculture, and energy, among others.

2024 BUDGET

Meanwhile, the Department of Budget and Management (DBM) said it will submit the proposed P5.768-trillion 2024 national budget to the House of Representatives on Aug. 2.

The DBM on Tuesday submitted the National Expenditure Program (NEP) for fiscal year 2024 to President Ferdinand R. Marcos, Jr. Once it is approved by the Cabinet, the NEP will be submitted to the House.

The proposed 2024 national budget is 9.5% higher than this year's P5.268-trillion budget.

"We will present this to Congress. We will defend the President's budget as much as we can. Our (national) budget is a budget that is responsive to the pressing issues that we have now," Budget Secretary Amenah F. Pangandaman said in a statement.

Under the constitution, the NEP must be presented to Congress within 30 days of the President's State of the Nation Address.

Next year's national budget will prioritize infrastructure development, food security, digital transformation, and human capital development. — **Luisa Maria Jacinta C. Jocson**

Tightening,
from S1/1

For the first six months of the year, headline inflation stood at 7.2%. The BSP expects inflation to average 5.4% this year.

According to Mr. Dakila, inflation is projected to further decelerate in the coming months mainly due to base effects and the likely easing of global oil and non-oil prices. He said the BSP's main concern is anchoring inflation expectations.

"There was a point, during the second half of last year, when the Fed was quite aggressive in adjusting its policy rate, introducing some volatility in the exchange rate. That has been addressed by the prompt monetary policy action of the Monetary Board," he said.

From March 2022 to June 2023, the Fed raised its key rates by 500 bps to 5-5.25%.

In October last year, the peso hit a record low of P59 against the dollar. Market players are concerned over another round of currency depreciation against the greenback this year, as the US Federal Reserve is still expected to raise policy rates despite its pause in June.

Mr. Dakila said the Monetary Board will have to take into consideration how the market reacts to the possible Fed hike before discussing policy at its Aug. 17 meeting.

"By then, we will have a number of observations on how the market reacts to the Fed decision. What's good is that we have a number of improvements that we have introduced in our policies that enhance the transmission of these instruments to market interest rates, including the 56-day BSP bill," he said.

Last month, the BSP introduced the 56-day BSP securities to mop up excess liquidity in the financial system. It also created an overnight reference rate as the London Interbank Offered Rate expired on June 30.

"[The BSP] should bear in mind the interest rate differential between the Fed and the Philippines in order to minimize the risk of excessive capital outflows," IMF Representative to the Philippines Ragnar Gudmundsson said during the same briefing.

"The decision making needs to be quite nimble, but the BSP has demonstrated its ability to be nimble and take into account both domestic and external factors in its decision making," he added.

Meanwhile, the BSP is confident that the policy rate adjustments will not negatively affect the financial system.

"We are confident that the policy rate adjustments as well as the years of implementation and enforcement of the BSP's comprehensive policy tools and regulations, will not result in financial imbalances as the Philippine banking system continues to stand in a position of strength," Mr. Dakila said.

Based on BSP data, the net profit of Philippine banks grew by 34.9% year on year to P89.5 billion in the first quarter.

"We see banks remaining well-capitalized, well-managed and well-governed, giving us confidence that the policy rate adjustments were done without risking financial stability," Mr. Dakila said. — **Keisha B. Ta-asan**

IMF,
from S1/1

Second-quarter GDP data will be released on Aug. 10.

GLOBAL OUTLOOK

In its World Economic Outlook (WEO) July update, the IMF raised its 2023 global growth forecast to 3% from the 2.8% given in April, but slower than the 3.5% expansion last year.

For 2024, the IMF maintained its 3% global growth projection.

Both forecasts are well below the historical (2000-2019) annual average of 3.8%.

"The rise in central bank policy rates to fight inflation continues to weigh on economic activity," the IMF said.

The IMF said growth in emerging and developing Asia is on track to rise to 5.3% in 2023, before slowing to 5% in 2024.

Risks to the global growth outlook include persistent inflation, a slower-than-expected recovery in China's economy, an increase in debt distress, and intensified geopolitical tensions, the IMF said.

While inflation is easing in many countries, the multilateral lender said it still remains elevated. It sees global headline inflation to hit 6.8% this year, before easing to 5.2% in 2024.

For the Philippines, the IMF expects full-year inflation to average 5.5% in 2023, lower than the 6.3% forecast given in April. Inflation is seen to slow further to 3.2% by 2024.

Both inflation estimates are above the BSP's 5.4% forecast for 2023 and 2.9% next year, respectively.

"While we have recently seen some easing of fuel and food prices, it will be important to pay close attention to possible upside risks to inflation due to El Niño, wage spirals related to tight labor markets, and commodity price volatility," Mr. Gudmundsson said.

The state weather agency announced the onset of the El Niño earlier this month and expects the weather pattern to persist until the first quarter of next year.

A P40 minimum wage hike in the National Capital Region took effect on July 16, while other regional wage boards are scheduled to decide on pending petitions in September.

The IMF said core inflation is generally declining more gradually around the world, proving to be more persistent than initially projected.

During a panel discussion at Tuesday's Philippine economic briefing, Mr. Gudmundsson said that core inflation remains elevated in the country.

Core inflation, which discounted volatile prices of food and fuel, slowed to 7.4% in June from 7.7% in May. Core inflation averaged 7.7% so far this year.

"We believe that the higher for longer stance [of the BSP] in the near term is still appropriate to anchor inflation expectations and ensure inflation returns to the BSP's target range of 2-4%," Mr. Gudmundsson said.

Meanwhile, the BSP should continue to monitor the development of monetary policy in advanced economies abroad such as the US and Europe.

"This tighter for longer stance is important not only from a domestic perspective, but also to guard against potential capital outflows. It was more of a concern last year compared to this year, but it is still relevant," Mr. Gudmundsson said. — *with* **Luisa Maria Jacinta C. Jocson**