Philippine Stock Exchange index (PSEi) 6,263.06 ▲9.10 PTS. ▲0.14%

THURSDAY, OCTOBER 12, 2023 BusinessWorld

PSEi MEMBER STOCKS

AC	Ayala Corp.	P616.50	+P1.00	+0.16%
ACEN	ACEN Corp.	P5.27	-P0.19	-3.48%
AEV	Aboitiz Equity Ventures, Inc.	P49.55	+P0.20	+0.41%
AGI	Alliance Global Group, Inc.	P11.70	+P0.04	+0.34%
ALI	Ayala Land, Inc.	P29.30	+P0.65	+2.27%
BDO	BDO Unibank, Inc.	P135.50	-P0.50	-0.37%
BLOOM	Bloomberry Resorts Corp.	P10.62	-P0.08	-0.75%
BPI	Bank of the Philippine Islands	P108.00	-P0.40	-0.37%
CNPF	Century Pacific Food, Inc.	P29.00	——	
CNVRG	Converge ICT Solutions, Inc.	P9.92	-P0.03	-0.3%
DMC	DMCI Holdings, Inc.	P10.42	-P0.08	-0.76%
EMI	Emperador, Inc.	P20.85	——	
GLO	Globe Telecom, Inc.	P1,790.00	-P18.00	-1%
GTCAP	GT Capital Holdings, Inc.	P564.00	-P11.00	-1.91%
ICT	International Container Terminal Services, Inc.	P203.20	+P1.20	+0.59%
JFC	Jollibee Foods Corp.	P222.20	+P1.60	+0.73%
JGS	JG Summit Holdings, Inc.	P38.55	+P1.00	+2.66%
LTG	LT Group, Inc.	P8.98	-P0.10	-1.1%
MBT	Metropolitan Bank & Trust Co.	P53.90	+P0.45	+0.84%
MER	Manila Electric Co.	P374.00	-P1.00	-0.27%
MONDE	Monde Nissin Corp.	P8.59	-P0.06	-0.69%
NIKL	Nickel Asia Corp.	P5.91	-P0.04	-0.67%
PGOLD	Puregold Price Club, Inc.	P29.30	-P0.25	-0.85%
SCC	Semirara Mining and Power Corp.	P35.95	-P0.05	-0.14%
SM	SM Investments Corp.	P830.00	+P2.00	+0.24%
SMC	San Miguel Corp.	P103.80	-P1.20	-1.14%
SMPH	SM Prime Holdings, Inc.	P31.20	+P0.10	+0.32%
TEL	PLDT Inc.	P1,230.00	-P5.00	-0.4%
URC	Universal Robina Corp.	P115.60	+P0.60	+0.52%
WLCON	Wilcon Depot, Inc.	P21.40	-P0.60	-2.73%

Strong office demand seen as IT-BPM hiring rises

By Revin Mikhael D. Ochave
Reporter

DEMAND for office spaces could hit 1 million square meters (sq.m.) this year on the back of growth from the information technology and business process management (IT-BPM) sector, real estate brokerage services firm Leechiu Property Consultants (LPC) said.

"From experience, we see a lot of the leasing activity taking place in the last three months of the year. There is some confidence and optimism from our side to say that we should be able to surpass 2022 numbers. There is the chance that we should hit a 1 million sq.m. within the end of the year," LPC Director for Commercial Leasing Mikko Barranda said during a media briefing in Makati City on Thursday.

"To refresh everyone's mind, last year's full-year number was at 989,000 sq.m.," he added.

He placed the end-September figure at 809,000 sq.m., up 17% from the same period last year.

This year's projection brings the office market closer to what Mr. Barranda described as the "landmark demand years" of 2018 and 2019 when the number hit 1.3 million sq.m. and 1.7 million sq.m., respectively.

He said the growth driver for the yearend projection is the IT-BPM sector, which is projected to hire 135,000 workers.

"The drivers aren't any different. The IT-BPM sector [is] very consistent," Mr. Barranda said, citing a projection from the IT and Business Process Association of the Philippines that hiring this year will be one of the highest.

"We thought that last year at 120,000 was already quite a lot and to be able to surpass that just shows that there's so much growth in that sector," he said.

"Of course, there's hybrid and remote work. But quite a lot of them still take space in the market," he added.

According to LPC, the IT-BPM sector accounts for 45% of the total office space demand.

"Notably, bulk of the lease contracts are for multiple sites, unlike the previous trend where mega sites were leased for IT-BPM operations in a single location," LPC said in a report.

"Thirty-seven percent of the IT-BPM transactions count, at 124,000 sq.m. of space, was mainly leased in Metro Cebu, Quezon City, and Clark, Pampanga. IT-BPM firms are likely opening microsites or applying the hub-and-spoke strategy to allow their employees to work near home to maximize employee retention," it added.

LPC added that the current office space supply is at 18.1 million sq.m., of which 82% are in Metro Manila, while nationwide office vacancy is at 19%.

"Bonifacio Global City and Makati City are still the preferred locations for office operations, as they exhibit the lowest vacancy rates at 9% and 13%, respectively," it said.

"By the last quarter of 2023, another 432,000 sq.m. of office stock is projected for completion. Projected completions start declining by 2024 onwards, which will bring down vacancy rates while demand is expected to improve," it added.

Meanwhile, Mr. Barranda said that the proposed ban on Philippine offshore gaming operators (POGO) would not hurt the local property demand as much since the market is no longer reliant on the sector.

He said the POGO sector has always been volatile, adding that it is "hard to bank on demand" coming from it.

"Of course, it would hurt the property sector, not so much on demand that we won't get, but the existing footprint that they have left in the country. What ends up happening is if they will need to leave entirely, then that would leave a bit of a hole again in the supply, especially in areas where they are highly concentrated," Mr. Barranda said.

"The good thing about the market today is that we are not heavily reliant on it. We're somehow able to recover without the POGO. But of course, any demand coming from that sector will help the vacancy levels to come down much faster than later on as we have seen how the supply pipeline looks in the next five years," he added.

Last month, the Senate Committee on Ways and Means recommended the gradual phaseout and the eventual termination of POGOs from the country due to the negative social impact in communities where the operations are located.

PCCI warns businesses: Brace for high oil prices

By Justine Irish D. Tabile
Reporter

THE PHILIPPINE CHAMBER of Commerce and Industry (PCCI) warned businesses of a possible increase in fuel prices due to geopolitical tensions in the Middle East.

"There are headwinds we are facing, recently, the Middle East conflict again brings about this uncertainty," said PCCI President George T. Barcelon in a media briefing on Thursday.

"We hope that this will not flare up to the point wherein the big Middle [Eastern] countries would be involved," he said, adding these are oil producers.

Mr. Barcelon said the conflict could add to the volatility of oil prices, which were recently affected by the cutback in oil production by Saudi Arabia due to softer demand.

Data from the Department of Energy showed that local oil companies implemented a decrease of P3.05 per liter for gasoline, P2.45 per liter for diesel, and P3 per liter for kerosene, effective on Tuesday.

These price adjustments resulted in a year-to-date net increase of P12.25 per liter for gasoline, P11.35 per liter for diesel, and P5.94 per liter for kerosene.

Mr. Barcelon said that despite the recent price adjustments, the conflict in the Middle East might trigger an increase in oil prices.

"And this, of course, is a concern because the government priority is to mitigate inflation," he said.

UNCERTAIN OUTLOOK FOR 2023

He said that the conflict in the Middle East is also one of the reasons why the outlook for the economy remains uncertain for the last two months of the year, adding to previous concerns such as the lower-than-expected gross domestic product (GDP) growth and hints of another rate hike by the US Federal Reserve.

"The last report on GDP is not as what we expected. The projections are higher than the GDP figures that were presented," Mr. Barcelon said.

In the second quarter, the Philippine economy expanded by an annual 4.3%, weaker than the 6.4% growth in the previous quarter and 7.5% a year ago.

"There's also the concern that the US Federal Reserve has in mind to possibly adjust interest rates," Mr. Barcelon said.

"I have read in the paper that Bangko Sentral ng Pilipinas is contemplating because our peso has devaluated somewhat and if we don't mirror the increase of interest rates abroad, the peso might devaluate further," he added.

He said that this will affect the economy as consumers will be able to buy less than what they used to before.

Mr. Barcelon said he wants to remain positive that the GDP economic growth would be negated by the seasonal rising demand in the last quarter.

"Coming towards the 'Ber' months, definitely, the Christmas spirit will be there, and the economy definitely will go along and pick up maybe 1% or 2%," he added.

Meanwhile, PCCI Vice-President for Industry Perry A. Ferrer said that economic activity in the last quarter will be based on remittances from overseas Filipino workers (OFWs).

"We will see probably $13 [billion] to $14 billion [in remittances] in the last quarter of this year, which will stir the economic activity," Mr. Ferrer said.

"We probably won't meet the target of 6% but with the $14-billion OFW remittances we will see a nationwide activity which is always in time for our Christmas season," he added.

PEZA ties up with JICA, Japan firm for renewable projects

THE Philippine Economic Zone Authority (PEZA) signed a partnership agreement with Japan International Cooperation Agency (JICA) and Japanese-led Advantec Philippines, Inc. for future renewable energy projects.

SENIVPETRO-FREEPIK

"The tie-up is part of JICA's Public-Private Partnership (PPP) promotion program that utilizes Japanese innovations in implementing development cooperation projects," JICA said in a press release.

Under the partnership, Advantec will introduce its solar power technology in the Pampanga Economic Zone with an annual energy yield of 3.6 million kilowatts.

The project is also seen to potentially reduce approximately 1,200 tons of carbon dioxide annually.

"JICA has been actively undertaking its PPP promotion program that encourages more business deployment of Japanese companies in the Philippines," JICA Chief Representative Takema Sakamoto said in a statement.

"These Japanese companies introduce unique and advanced technologies and business models that are geared towards sustainable development. JICA keeps on supporting Filipino friends in line with the co-benefit approach," Mr. Sakamoto said.

For the initial stage of the cooperation, Advantec will conduct a feasibility study to determine the viability of the solar power technology operation in the economic zone and how it fits into Philippine laws and regulations.

The study also aims to identify what PEZA rooftops or land areas will be used for the pilot project sites.

"Such partnership is powerful to also give potential renewable energy investors ideas on the best pathways to participate in the Philippine renewable energy landscape," JICA said.

PEZA Director General Tereso O. Panga said that the memorandum of understanding signed on Thursday is in support of President Ferdinand R. Marcos, Jr.'s directive to promote clean and green production, energy efficiency, and the use of renewable energy sources.

In his second State of the Nation Address, Mr. Marcos announced that the Philippines is aiming to achieve a 35% renewable energy share in the power mix by 2030 and 50% by 2040.

Mr. Panga said that Advantec's primary objective "is to establish and execute numerous solar power facilities initially within the Pampanga Economic Zone, with the aim of supplying generated electricity to PEZA and its locators operating within the zones."

He added that PEZA will assist Advantec, particularly in securing the documentary requirements with the government, identifying suitable land areas, and facilitating the registration of solar photovoltaics.

"All these efforts shall be in accordance with the provision of the Corporate Recovery and Tax Incentives for Enterprises Law and the Renewable Energy Act of 2008," Mr. Panga said. — **Justine Irish D. Tabile**

SILVER RINGVEE-UNSPLASH

Cebu Pacific stays on course as it transitions to fuel-efficient fleet

BUDGET CARRIER Cebu Pacific has maintained its commitment to transition its fleet to the all-new engine option or NEO aircraft by 2028 as part of its decarbonization program.

"Acquiring and maintaining next-generation aircraft is vital to meeting our climate goals and maintaining high-quality services. We have implemented a capital expenditure program to replace our older aircraft with fuel-efficient NEO aircraft by 2028," Alex B. Reyes, Cebu Pacific's chief strategy officer, said in a media release on Thursday.

The company's decarbonization program includes modernizing its fleets, which will allow it to reduce carbon dioxide (CO_2) emissions per passenger by up to 29%.

A NEO aircraft is the latest generation of Airbus planes that have been designed to have better fuel efficiency.

Cebu Pacific said its fuel efficiency practices have improved after it managed to reduce its fuel consumption by about 7.9 million kilograms in 2022, which is equivalent to avoiding $CO2$ emissions.

The company is also targeting to use sustainable aviation fuel (SAF) across its commercial network by 2030 as part of its commitment to help the aviation sector achieve net-zero greenhouse gas emissions by 2050.

SAF can help reduce emissions from air transportation and is made from nonpetroleum feedstock like agricultural waste and used vegetable oil.

Cebu Pacific started to integrate SAF blend into its operations with a series of new Airbus aircraft delivery flights, it said.

"Our effort to partner with SAF suppliers is one of the many initiatives positioning us to meet the demands of our customers for responsible and convenient air travel," Alexander G. Lao, president and chief commercial officer of Cebu Pacific, said.

Mr. Lao said SAF usage would allow the company to achieve its net zero target by 2050, as it also aims to increase its sustainability efforts in 2023.

"The airline also plans to address its ground operations emissions and transition to an all-electric, zero-emission ground support equipment (GSE) fleet," Cebu Pacific said.

The International Air Transport Association has estimated that SAF will contribute 65% of carbon emissions reduction.

For this year, Cebu Pacific aims to assess market acceptance and engage with stakeholders to develop future SAF supply ahead of its planned integration into regular commercial flights by 2030. — **Ashley Erika O. Jose**