Rates,
from S1/1

However, the think tank's forecast is faster than its 5.2% GDP growth projection for 2023.

"In line with previous expectations, monetary tightening and fiscal constraints due to a rising debt burden, and a generally 'gloomy and uncertain' outlook for the world economy, with many countries battling high inflation and experiencing a slowdown, has constrained consumer and government spending (last) year," it added.

The think tank said other growth drivers this year would be the resilience of the service sector and a resurgence in construction amid improved business sentiment.

"Consumption may still support growth despite weak global economic prospects, given the steady flow of remittances from abroad; increased wages, which may partially offset lost purchasing power; and an improved jobs picture, with an increase in wage and salary employees," it added.

Fourth-quarter and full-year 2023 GDP data are set to be released on Jan. 31.

HIGH INFLATION

The Monetary Board said there is still a need to keep the current monetary policy settings tight until inflation expectations are firmly anchored.

"In this regard, the Monetary Board continues to closely monitor the impact of previous monetary policy adjustments on inflation, inflation expectations, and overall economic activity," the BSP said.

"Should inflation risks further escalate, the Monetary Board stands ready to adjust monetary policy settings as necessary to steer inflation toward a path consistent with the BSP's price stability mandate," it said.

Last month, the BSP lowered its risk-adjusted inflation forecast for 2023 to 6% (from 6.1% in November) and 4.2% (from 4.4%) for 2024. It kept its inflation forecast at 3.4% for 2025.

The BSP maintained its average inflation baseline forecasts at 6% for 2023, 3.7% for 2024, and 3.2% for 2025.

Risks to the inflation outlook are still on the upside over the near term, the BSP said, as transport fares may further increase given the pending fare hike petitions for jeepneys, taxis, and the train railway system.

Electricity rates could increase this year as well following the Supreme Court decision in July 2022 to nullify the order issued by the Energy Regulatory Commission, that regulated the prices in the Wholesale Electricity Spot Market in November and December 2013, the BSP said.

Other upside risks to inflation include higher global oil prices amid the conflict in the Middle East, larger-than-expected minimum wage hikes, and the possible spike in food prices due to supply constraints.

Meanwhile, mean inflation forecasts of private sector analysts for 2024 and 2025 are within the 2-4% target range, according to a BSP survey.

In its survey of 25 external analysts between Dec. 5 and Dec. 10, the BSP said there were lower mean inflation forecasts for 2023 (at 6% in December from 6.1% in November) and for 2024 (at 3.9% from 4%).

However, the mean inflation forecast for 2025 stood at 3.5%, a tad higher than 3.4% previously.

The Monetary Board will meet again on Feb. 15, its first policy review for this year.

Meanwhile, PIDS expects inflation to settle within the central bank's 2-4% target band this year.

However, it warned of several risks that could push food prices higher, such as India's export ban and the El Niño phenomenon.

The state weather bureau's latest bulletin showed that the majority of global climate models suggest that El Niño will likely persist until May.

"Moreover, as previously mentioned, renewed geopolitical conflicts may lead to large volatilities in commodities prices, which could disturb the downward trend in global inflation," PIDS added.

To ensure inflation does not spike, the think tank said that the government must "make use of every weapon in its arsenal" to tame prices.

"Particularly those that work through the supply side, such as easing import restrictions on agriculture products that may face shortages and instituting a better system for anticipating and addressing these shortages," it said.

It also called on the central bank to employ "high-frequency monitoring and a calibrated response to price developments that carefully considers the nature of shocks, estimated pass-throughs, and policy lags to ensure that monetary decisions are always well-timed."

PIDS also emphasized the need to have a "sound and credible" fiscal consolidation plan.

"Although our debt sustainability analysis generates still relatively benign results, and while the Philippine economy has been among the fastest growing in the region, it may be hard to generate the speed of growth needed to quickly climb out of debt, given narrower fiscal space and current weak macroeconomic prospects globally," it said.

The government is aiming to bring down the debt-to-GDP ratio to below 60% by 2025 and the deficit-to-GDP ratio to 3% by 2028.

FULL STORY
Read the full story by scanning the QR code with your smartphone or by typing the link
<tinyurl.com/yqahrs5x>

PSE, PDSHC on Frederick Go as investment czar: 'An ideal fit'

PHILIPPINE STAR/ KJ ROSALES
FREDERICK GO

THE PHILIPPINE Stock Exchange, Inc. (PSE) and the Philippine Dealing System Holdings Corp. (PDSHC) expressed their support on Tuesday for the appointment of former Robinsons Land Corp. President and Chief Executive Officer Frederick D. Go as the investment czar.

In a joint statement, PSE and PDSHC board directors said that Mr. Go is an "ideal fit" for his appointment as special assistant to the President for investment and economic affairs and concurrent head of the economic development group of the Marcos cabinet.

"PSE and PDSHC believe that Mr. Go is an ideal fit for this position given his business acumen, extensive experience and visionary leadership in the corporate sector. Mr. Go exemplified these traits in his position as president and chief executive officer of a publicly listed company that experienced substantial growth and expansion in the last decade or so," they said.

"We express our full trust and support in the leadership of Mr. Go. We hope to work with him on initiatives that will help deepen the Philippine capital market," they added.

The joint statement was signed by PSE Chairman Jose T. Pardo, PDSHC Chairman Cezar P. Consing, and PSE and PDSHC President and Chief Executive Officer Ramon S. Monzon.

"(Mr. Go's) exposure and involvement in various sectors, including property, air transportation, banking, power, among others, also gives him a unique perspective of vital industries in the country," they said.

Mr. Go heads the Office of the Special Assistant to the President for Investment and Economic Affairs, which is responsible for providing strategic advice on economic concerns, including inflation and investment opportunities. The office was created under Executive Order No. 49 issued in December last year.

In early 2023, Mr. Go was appointed as Presidential Adviser on Investment and Economic Affairs. — **Revin Mikhael D. Ochave**