Policy,
from S1/1

"The forecast path is driven by the lower-than-expected inflation outturn in December and January, by the appreciation of the peso, and by lower global crude oil prices," Mr. Dakila said.

The BSP also lowered its risk-adjusted inflation forecast for this year to 3.9% from 4.2% but raised its outlook for 2025 to 3.5% from 3.4%.

The downgrade in the BSP's risk-adjusted inflation forecast was due to the lower baseline forecast and the decline in the estimated risks for the year, Mr. Dakila said.

"However, it should be noted that the risk-adjusted forecast is still near the upper end of the target range at 3.9% in 2024," he added.

The central bank is closely monitoring the developments in the agriculture sector, especially as rice prices continue to rise due to export bans abroad and worries over the impact of El Niño.

Rice inflation accelerated to 22.6% from 19.6% in December, the highest since March 2009. It was also the most significant contributor to January inflation, adding 1.3 percentage points. The commodity had the biggest weight in the overall inflation basket at 8.87%.

Other risks to the inflation outlook include higher assumptions for global nonoil prices, a stronger domestic growth outlook, the impact of El Niño weather conditions and minimum wage adjustments in areas outside Metro Manila, Mr. Dakila said.

"While inflation is likely to settle within the target range in the first quarter of this year, inflation could rise temporarily above the target for the April-to-July period due to possible price pressures from lower domestic supply of rice and corn as well as positive base effects," he added.

Meanwhile, Mr. Dakila said the gross domestic product (GDP) growth trajectory remains intact over the medium term.

"The projected GDP growth path will be supported by improved global GDP amid a projected decline in global crude oil prices, tempered in part by the lagged impact of policy interest rate adjustments," he said.

In the fourth quarter, GDP expanded by 5.6%, slower than 6% in the third quarter and 7.1% in the fourth quarter of 2022.

This brought full-year GDP growth to 5.6% in 2023, much slower than 7.6% in 2022.

"This may be attributed to the waning of pent-up demand amid still elevated — though decelerating — inflation, the lagged effects of monetary tightening, as well as lower government spending in line with fiscal consolidation," Mr. Dakila said.

Still, he noted that at 5.6%, the Philippines was among the fastest-growing emerging markets in the region last year, ahead of China (5.2%), Indonesia (5%), Vietnam (5%) and Malaysia (3.8%).

RATE CUT BY Q2

Meanwhile, Sun Life Investment Management and Trust Corp. (SLIMTC) expects the BSP to likely reduce policy rates by 100 basis points (bps) this year.

SLIMTC Chief Investment Officer Ritchie Ryan G. Teo said at a briefing on Thursday that the central bank is expected to begin policy easing with a 25-bp cut in the latter part of the second quarter.

"We don't expect more than that given cost volatility," he added. "More on the latter part (of the second quarter). It's probably good to say they will only cut when the Fed cuts."

Mr. Teo said the US Federal Reserve will likely cut rates by 75 bps to 100 bps to bring down the Fed funds rate to 4.5-4.75% this year.

The US central bank had raised its policy rate by 525 bps to 5.25-5.5% from March 2022 to July 2023.

The BSP now has room to begin policy easing given the recent downtrend of inflation, Mr. Teo said.

"Policy rates are higher than the inflation rates. We've seen inflation coming down and with that, we are already seeing that gap, that real positive rate means there's room to cut rates," he added.

SLIMTC sees inflation averaging 3.8% this year.

Mr. Teo also noted he is not ruling out a rate hike but the probability of that happening is "very low."

"With lower rates, that will provide better corporate earnings and with lower rates also that will provide GDP to go back up to 6% from 5.6% last year, driven by better consumption and private investments," he said.

SLIMTC's forecast for GDP growth is at 6% this year, falling short of the government's 6.5-7.5% target but better than the 5.6% expansion in 2023.

Finance Secretary Ralph G. Recto earlier said there may be a need to revise the government's macroeconomic targets and assumptions to be "more realistic."

Meanwhile, Mr. Teo flagged risks that could stoke inflation and dampen growth, such as the El Niño weather phenomenon.

"If the (El Niño) doesn't improve, it may impact soft commodity prices. We've seen rice inflation go up by 22%, so hopefully that's mainly because of the low base effect last year," he said. "With the harvest season and El Niño going away, hopefully inflation will be controlled."

The latest data from the state weather bureau showed that El Niño is expected to persist until May.

Another factor that could derail growth is delayed infrastructure spending, Mr. Teo said.

The administration's 'Build Better More' infrastructure program is allocated P1.5 trillion under the budget this year, equivalent to 5.5% of gross domestic product (GDP).

The government is targeting to sustain infrastructure spending of up to 5-6% of GDP annually.

Infrastructure spending in the January-November period rose by 18.5% to P1.02 trillion. — **Keisha B. Ta-asan** *and* **Luisa Maria Jacinta C. Jocson**

Wages,
from S1/1

The economy grew by 5.6% last year, slower than 7.6% in 2022. It also fell short of the government's 6-7% target.

This year, the government is targeting 6.5-7.5% GDP growth.

On unemployment, Mr. Balisacan said the wage increase could derail the progress made in bringing down the jobless rate to historical lows.

"We would want to sustain that and even improve the quality of the employment generated," he said.

Latest data from the Philippine Statistics Authority (PSA) showed that the unemployment rate dropped to 4.3% in 2023, the lowest in almost two decades.

The wage hike could increase unemployment by 0.2 ppt to 0.7 ppt, equivalent to 100,000 to 340,000 jobless Filipinos.

Mr. Balisacan said the NEDA supports raising wages, but this must be negotiated through the regional wage boards.

"We are not saying we are against increases in wages, in fact we are, we would want improvement in wages, but we would rather have those wages negotiated at the regional level," he said.

He added that allowing wage negotiations at the regional level would take into account the varying market and economic conditions in each area.

Bank of the Philippine Islands Lead Economist Emilio S. Neri, Jr. said any minimum wage increases should be negotiated on a regional basis.

"We encourage an increase in wages, but these have to be sector per sector," he said at the same webinar.

Last year, workers in Metro Manila got a P40 increase in the daily minimum wage.

Wage increases were also approved in Cagayan Valley (P30), Ilocos Region (P35), Central Luzon (P40), Central Mindanao (P35), Western Visayas (P30) and the Southern Tagalog Region (P35 to P50).

Imposing a national wage hike could translate to job losses, Mr. Neri added.

"We're seeing very good numbers in our employment futures in the Philippines. This might be reversed if we insist on a minimum wage (increase)" he said. "It may actually even stoke inflation. Because of the requirement of higher wages, producers and service providers may be compelled to pass on costs to consumers."

The Bangko Sentral ng Pilipinas (BSP) earlier said it did not take into account the proposed P100 minimum wage hike in its risk-adjusted inflation projections.

It also said higher-than-expected wage increases could "pose a threat to the inflation outlook."

The BSP's baseline inflation forecast for this year is set at 3.6% and 3.2% for 2025. Should risks materialize, inflation may average 3.9% and 3.5% this year and next year, respectively.

ERC says Meralco's LNG cost refund likely in April

THE Energy Regulatory Commission (ERC) on Thursday said the costs passed on to consumers by Manila Electric Co. (Meralco) due to the increased use of imported liquefied natural gas (LNG) will likely be refunded in April once deemed unjustified.

Meralco submitted a motion of confirmation on Feb. 19 for the validated imported LNG costs, which manifested in February's billing, ERC Chairperson Monalisa C. Dimalanta told reporters.

"It may not reach March billing because [Meralco] just filed on Monday, so it will not be included in our Commission meeting this week... I don't know if it will reach the billing because Meralco ends its billing [period] early... maybe in April," she said.

In February, Meralco announced a power rate increase by P0.5738 per kilowatt-hour (kWh), citing higher generation charges from power supply agreements and independent power producers (IPPs).

The rise in IPP charges was primarily due to increased fuel costs at the Sta. Rita and San Lorenzo power plants operated by First Gas Power Corp., mainly stemming from the heightened usage of imported LNG.

"They [Meralco] will also refund it if we rule that there is no basis for it. In that sense, any refund will wait for our ruling which we hope to determine and issue soon," Ms. Dimalanta said in a Viber message.

Ms. Dimalanta noted that refunds due to the Malampaya gas price increase will commence in March as "that's what Meralco said they have not validated."

The price of Malampaya gas to Sta. Rita surged by nearly 12%, following the signing of a new gas supply and purchase agreement between First Gas Corp. and Malampaya consortium. The Malampaya gas price to San Lorenzo rose by less than 2%, according to Meralco.

Meralco approximated that the refund will range between four to five centavos per kWh.

The power distributor expressed readiness to issue refunds to consumers after seeking ERC guidance on addressing the fuel cost increase from one of its suppliers.

Meralco's controlling stakeholder, Beacon Electric Asset Holdings, Inc., is partly owned by PLDT Inc.

Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has an interest in *BusinessWorld* through the Philippine Star Group, which it controls. — **Sheldeen Joy Talavera**

SSI names Bienvenido Tantoco as chairman, Huang as CEO

LISTED specialty retailer SSI Group, Inc. announced the appointment of its new top officials on Thursday, following the passing of Zenaida R. Tantoco in early February.

Bienvenido V. Tantoco III assumed the role of chairman from director, while Anthony T. Huang stepped in as chief executive officer (CEO) effective Feb. 21, according to the company's stock exchange disclosure.

The new appointments came after the passing of Ms. Tantoco on Feb. 8, who served as CEO and chair of the company, as well as chair of Rustan Commercial Corp. and Rustan Marketing Corp.

Ms. Tantoco was the eldest daughter of Rustan's Group founders, Bienvenido Tantoco, Sr. and Gliceria Rustia-Tantoco.

In the first nine months of 2023, SSI Group reported a 66% surge in net income to P1.5 billion, with revenue climbing by 21% to P19 billion.

SSI Group's brand portfolio encompassed various specialty and lifestyle concepts spanning luxury, casual and fast fashion, beauty, footwear, home, and restaurant categories.

SSI Group's brand portfolio encompassed various specialty and lifestyle concepts spanning luxury, casual and fast fashion, beauty, footwear, home, and restaurant categories. — **Revin Mikhael D. Ochave**