Ayala eyeing to finish divestment plan this year

AYALA.COM

LISTED conglomerate Ayala Corp. is aiming to close its $1-billion divestment plan within the year, its chief financial officer said.

"My hope is within the next four to six months, but clearly within the year," Ayala Corp. Chief Financial Officer Alberto M. de Larrazabal told reporters last week.

In 2021, Ayala Corp. announced its strategy to raise $1 billion from the sale of its assets and some noncore businesses to boost its core businesses in sectors such as real estate, banking, telecommunications, and energy. The conglomerate initially planned to finish the divestment last year.

However, Mr. De Larrazabal said that Ayala Corp. is still looking to divest approximately $350 to $400 million.

"We're close to 70% (completion). One or two more deals and we're done. There are quite a few. If you look at some of the smaller assets in the industrial portfolio. We've mentioned in the past Light Rail Manila Corp. (LMRC)... Then there's the balance of Manila Water Co., Inc. We can do that in parts," he said.

"We only have about 20% (stake) in Manila Water, so I think $350 to $400 million. There's still a few other smaller assets that we are working on," he added.

He also said that there has been more interest in the conglomerate's plan to sell its 35% stake in LRMC following the fare hike approval in August last year.

LRMC operates and maintains the 20.7-kilometer Light Rail Transit Line 1 (LRT-1). Ayala Corp.'s stake in LRMC is held via the conglomerate's AC Infrastructure Holdings Corp.

"Manuel V. Pangilinan indicated interest. But we're not at anywhere close to a final decision one way or another," he said.

Some of Ayala Corp.'s divested assets include the Muntinlupa-Cavite Expressway which was sold to the Villar Group for P3.8 billion, the divestment of ACEN Corp. from the South Luzon Thermal Energy Corp., and the sale of its Manila Water shares for P5.7 billion in October.

For the first nine months, Ayala Corp's attributable net income climbed by 35% to P32.31 billion led by better results from subsidiaries Bank of the Philippine Islands (BPI), Ayala Land, Inc., and ACEN Corp.

The conglomerate's nine-month consolidated revenues improved 13.5% to P245.38 billion from P216.2 billion last year.

Ayala Corp. shares were last traded on Feb. 16 at P709 apiece. — **Revin Mikhael D. Ochave**

Inflation,
from S1/1

BSP Senior Assistant Governor Iluminada T. Sicat earlier said the central bank's baseline projections did not take these proposals into account.

In the report, the BSP said the baseline forecast includes the P40 minimum wage hike in the National Capital Region in July last year and 8.7% average wage increase for nonagricultural workers in areas outside Metro Manila.

The central bank also factored in a possible wage increase of P28 in August and P29 in September 2025. These could lead to an annual increase of 4.6% for both years, in line with historical wage increases.

"(If) the assumed increase in minimum wage is beyond what we have incorporated in the baseline... this could pose a threat to the inflation outlook," Ms. Sicat told reporters last week.

Meanwhile, analysts expect a 68.2% probability from 63.4% last month that inflation will stay within the target this year, while there is a 31% chance that it will breach 2-4%.

The likelihood of inflation falling within the target next year increased to 78% from 65.9%, while the probability of inflation settling within 2-4% in 2026 rose to 82.9% from 64.2%.

"The results of the survey showed that majority of the analysts anticipate the BSP to keep the current policy setting until the second quarter before reducing the policy rate in the second half of this year by a range of 50 to 125 basis points (bps)," the central bank said. "For 2025, the BSP is seen to further loosen its policy stance by a range of 25 to 300 bps."

The BSP kept the key rate at 6.5% for a third straight meeting at its first policy review of the year, the highest in nearly 17 years. The Monetary Board tightened borrowing costs by 450 bps from May 2022 to October 2023.

There were 24 respondents in the BSP's survey of private sector economists, which was held from Feb. 6 to 12.

The BSP said it had lowered its risk-adjusted inflation forecast for this year by 0.5 point to 3.9% due to the lower baseline forecast and decreasing risks.

The central bank removed the impact of higher transport fares from a planned jeepney modernization and lowered the probability of jeepney fare hikes. It also sees less impact from high global oil prices.

It also removed the nonextension of lower tariff rates for pork, rice and corn as risk to inflation.

"While the risks to the inflation outlook continue to tilt toward the upside over the policy horizon, inflation risks in 2024 have eased compared with the previous round," BSP said.

Still, the estimated impact of risks to the inflation outlook outweighs the possible impact of downside risks, it added. — **Keisha B. Ta-asan**

SEC warns against investing in CGI Trading

THE Securities and Exchange Commission (SEC) has cautioned the public against investing in CGI Trading as it does not have the necessary license to solicit investments.

In an advisory posted on its website, the corporate regulator flagged CGI/CGI Trading/CGI Trading Company/CGI Philippines as these have solicited investments despite being not registered with the government as a corporation or partnership.

The SEC said the entities are allegedly enticing the public through social media platforms to invest their money with a promise of high monetary rewards or profits.

According to the corporate regulator, the entities are asking investors to trade for a minimum of P400 with a promised 6% profit per trade, or through an invitation for a promise of receiving a daily salary.

The SEC also warned the public that the entity is not related to CGI, Inc., a Canadian multinational consulting and software development company listed at the Toronto Stock Exchange and New York Stock Exchange.

It added that the entities are impersonating CGI Philippines, Inc. (CGI), a domestic corporation duly registered with the government.

"The public is hereby advised to exercise caution in dealing with any individual or group of persons soliciting investments for and on behalf of CGI/CGI Trading/CGI Trading Company/CGI Philippines. The public is further advised not to invest or to stop investing in the investment scheme being offered by the subject entities or its representatives," the SEC said. — **Revin Mikhael D. Ochave**

Lower energy storage system cost seen to spur RE adoption

THE declining cost of energy storage systems (ESS) may facilitate the broader adoption of renewable energy (RE) sources, according to analysts.

The recent technological advancements have made solar and wind energy, integrated with ESS, "competitive with best fossil fuels," said Paolo Pagaduan, renewable energy and just transition senior lead at Asian People's Movement on Debt and Development.

"As BESS (battery ESS) technology continues to advance, we can expect further reductions in price," he said in a Viber message last week.

ESS refers to a facility capable of absorbing energy directly from an energy source and storing it for a time period, and injecting stored energy when prompted, according to the Department of Energy (DoE).

Mr. Pagaduan said that ESS ensure uninterrupted power supply by storing energy and injecting it into the grid when the "sun isn't shining" or the "wind isn't blowing."

"This process is almost instantaneous, maintaining a steady power flow, unlike traditional fossil fuel plants that require significant startup time and aren't as stable as often claimed," he said.

Data from the DoE showed that about 334 megawatts of capacity are expected from BESS this year.

Jose M. Layug, Jr., president of the Developers of Renewable Energy Advancement, Inc., said ESS is critical to manage the variability of intermittent renewable energy sources.

"[ESS] can also ultimately serve as baseload generation also if and when it becomes more affordable," Mr. Layug said.

Citing the data from the International Renewable Energy Agency, Mr. Layug said that BESS prices fell by 71% to $776 per kilowatt-hour between 2014-2020.

He said that ESS allows better integration of renewable energy in the grid and optimizes grid operations, as well as it is favorable to implement in islands for "decentralized electrification support." — **Sheldeen Joy Talavera**

Wage,
from S1/1

The BSP kept its benchmark rate unchanged at 6.5% at its third straight meeting on Thursday. It last raised borrowing costs by 25 basis points (bps) in October. It hiked rates by 450 bps from May 2022 to October 2023.

"If the hike materializes, the central bank's inflation forecast will also likely rise, possibly making them more cautious to unwind tight monetary policy depending on the magnitude of the wage hikes," Mr. Tsuchiya added.

Diwa C. Guinigundo, country analyst for the Philippines at GlobalSource Partners, said any wage adjustments should not fan inflation.

"Our workers deserve some adjustment in their daily wage," he said in a Viber message. "The issue is the amount. Less than their own productivity contribution, the resulting final wage should not be inflationary. Higher than that, people argue it could be inflationary."

A family of five needs at least P13,797 a month or P460 a day to meet basic food and nonfood needs, according to data from the local statistics agency.

Labor groups and employers should negotiate to help achieve fair adjustments, Mr. Guinigundo said. Congress should involve wage and job experts in the debates so that wage increases are "neither inflationary and anti-capital nor meaningless to workers themselves."

"An increase in wages can help households cope with rising prices," Nicholas Antonio T. Mapa, a senior economist at ING Bank N.V. Manila, said in an e-mail. "However, it might be best to go through the current practice of regional wage boards precisely in order to tailor-fit wage increases to the cost of living per region."

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Targets,
from S1/1

Congressmen in November approved on third and final reading a bill that would allow the government to tap excess funds of government-owned and -controlled corporations (GOCC) in funding unprogrammed budgets.

Finance Secretary Ralph G. Recto said last week the government might have to adjust its fiscal targets for the year to be "more realistic."

Economic managers are targeting 6.5% to 7.5% GDP growth this year under the Development Budget Coordination Committee's (DBCC) latest macroeconomic assumptions.

It also projects a growth target of as much as 8% in 2028 under its medium-term fiscal and growth goals. Philippine economic growth slowed to 5.6% last year, falling short of the state's 6-7% goal.

Mr. Recto said DBCC's entire medium-term fiscal framework is under review. "The fiscal plan was made when (Mr. Marcos) became president in 2022," he told reporters. "There was no war in the Middle East, the Ukraine war had just begun. Thereafter, prices of food and oil rose."

Former Finance Secretary Margarito B. Teves in an interview last week said the government should revisit its economic growth targets "to have more conservative assumptions."

"We have to really go back to the assumptions that brought about the target of the government," Mr. Teves separately told *BusinessWorld* on the sidelines of the hearing.

Raul V. Fabella, a retired professor from the University of the Philippines School of Economics, said the government might miss its fiscal goals this year due to El Niño.

"We might not meet the target because of the many issues," he told reporters last week. "We have El Nino, floods in Mindanao, a dry spell in Negros, etc."

The economy shrank by 0.5% in 1998, when the country experienced the worst El Niño dry spell in history.

Economic managers expect that the National Government's budget deficit to hit P1.39 trillion this year, or 5.1% of GDP.

Under its fiscal framework, revenues are expected to account for 15% to 16% of GDP, while expenditures will be about 20%.

"Overall, especially in view of the prospect of lower Fed rates, I think this year will be better for growth," Mr. Salceda said.