Inflation,
from S1/1

Data from the Agriculture department showed that as of Feb. 29, the price of a kilogram of local well-milled rice ranged from P48 to P55 from P37 to P45 in the same period a year ago. Regular-milled rice rose to P50 per kilogram from P32 to P40.

ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said that rice continued to be a main driver of inflation.

"High domestic rice prices and a hike in electricity rates also fanned inflationary pressures during the month. Global rice prices slightly eased by the end of February but its impact on domestic prices will likely take some time before taking effect," HSBC economist for ASEAN Aris Dacanay said in an e-mail.

China Bank Research also noted electricity rates rose in areas serviced by Manila Electric Co. (Meralco), as well as parts of Visayas and Mindanao, during the month.

The overall rate for a typical household rose by P0.5738 to P11.9168 per kilowatt-hour (kWh) in February from P11.3430 in the previous month, Meralco said. This was due to an increase in the generation charge, which accounts for almost 80% of a consumer's monthly electricity bill.

"Also, the Department of Energy reported an increase in crude oil prices due to supply-side constraints coming from the Organization of the Petroleum Exporting Countries output caps and lingering conflicts along the Red Sea," Ms. Tan added.

In February alone, pump price adjustments stood at a net increase of P1.05 a liter for gasoline, P1.55 a liter for diesel and P0.35 a liter for kerosene.

Meanwhile, analysts said that fading base effects have also contributed to the potential uptick in inflation.

"Inflation for February could pick up to 3% year on year mathematically due to some easing of the high base effects," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in an e-mail.

Mr. Dacanay also noted the "unfavorable" base effects due to the peak in inflation in January 2023, which stood at a 14-year high of 8.7%.

"Without any sudden change in policy or external conditions, these unfavorable base effects will likely remain in place until July of this year and can potentially push inflation to breach the central bank's 2-4% target band sometime in the second quarter," he added.

RISKS TO OUTLOOK

In the coming months, analysts said inflation may spike in the middle of the year.

"Looking ahead, we anticipate inflation will breach the BSP's 2-4% target again from April to July due to base effects. However, average headline inflation will likely settle within target this year," China Bank Research said.

Philippine National Bank economist Alvin Joseph A. Arogo flagged risks to the inflation outlook, such as the El Niño weather event.

"Our baseline estimates assume that amid the wearing-off of base effects, there will be a transitory spike in prices because of the threats from El Niño, possible Middle East conflict escalation, and lagged impact of minimum wage hikes," he said in an e-mail.

The latest bulletin from the state weather bureau showed that the El Niño will likely persist until May.

Earlier estimates by the central bank showed that the dry weather pattern could impact inflation by 0.02 percentage point.

"We expect some volatility in the inflation readings over the next few months given the El Niño weather pattern could strengthen and keep food prices elevated," Moody's Analytics Ms. Tan said.

"We understand that we are now experiencing El Niño, however, we note that other crops appear to have prices either falling or more behaved. If authorities can find a way to lower the cost of rice, we could see inflation well under control," Mr. Mapa added.

Fading base effects and the El Niño could cause inflation to peak at 5% in the June-July period before easing to 3.5% in September, Union Bank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said.

POLICY CUT

Despite the potential uptick in inflation, analysts expect the BSP to keep rates steady until it begins policy easing in the middle of the year.

Sun Life Investment Management and Trust Corp. economist Patrick M. Ella said he expects the BSP to cut rates starting June.

"Should February's inflation print settle within the BSP's target range of 2% to 4%, this will give the BSP confidence to keep its policy rate steady when they next meet on April 4," Ms. Tan said.

The BSP kept its benchmark rate steady at 6.5% at its February meeting. The central bank raised borrowing costs by 450 basis points (bps) from May 2022 to October 2023.

"Our base case at the moment is that the Monetary Board will start normalizing (cutting) rates in May, by 25 bps, with 2024 likely to see a total of 100 bps in reductions," Pantheon Chief Emerging Asia Economist Miguel Chanco said.

ING's Mr. Mapa also said the BSP will remain on hold as long as the US Federal Reserve keeps rates unchanged.

Borrowings,
from S1/1

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that the single-digit growth in borrowings may be due to the narrower budget deficit.

The NG's fiscal deficit narrowed by 6.32% to P1.51 trillion in 2023 from P1.61 trillion in the year earlier.

This brought the deficit-to-gross domestic product (GDP) ratio to -6.2% at the end of the year, a tad higher than the -6.1% government target but lower than the -7.3% ratio recorded at end-2022.

The budget deficit ceiling is set at P1.39 trillion this year, or 5.1% of GDP.

"Low growth in borrowings would bode well to temper the growth in the outstanding National Government debt stock and would help bring down the debt-to-GDP ratio to below the international threshold of 60%," Mr. Ricafort added.

The debt-to-GDP ratio stood at 60.2% at the end of 2023. This was lower than 60.9% at end-2022 and the 61.2% target set by the government.

Mr. Ricafort said that possible policy easing in the middle of the year could also reduce borrowing costs.

"Possible Fed rate cuts later this year that could be matched locally could somewhat help ease debt servicing costs and overall borrowings," he added.

The Federal Reserve raised its policy rate by 525 basis points (bps) to 5.25-5.5% from March 2022 to July 2023.

Analysts anticipate that once the Fed begins cutting rates, the Bangko Sentral ng Pilipinas (BSP) will soon follow.

From May 2022 to October 2023, the Monetary Board raised borrowing costs by 450 bps, bringing the benchmark rate to 6.5%.

The government's borrowing program for this year is set at P2.46 trillion, with P1.85 trillion to be raised from the domestic market and P606.85 billion from foreign sources.

In February, the government raised P584.86 billion from its offering of five-year retail Treasury bonds. — **Luisa Maria Jacinta C. Jocson**

DigiPlus allocates over P100M for education, digitalization

LISTED COMPANY DigiPlus Interactive Corp. said it has allocated more than P100 million for projects related to education, healthcare, community safety and resilience, and digitalization.

The 2024 budget for such corporate projects, which will be carried out by the BingoPlus Foundation, is a five-fold increase from the P20 million budget last year, the company said in a statement over the weekend.

Under education, the BingoPlus Foundation seeks to support the next generation of Filipino technology talents, it said.

Last year, the BingoPlus Foundation signed a three-year FutureSmart Scholarship Program worth P6 million with iACADEMY, which now has ten scholars. The foundation aims to support more tech students.

The company added that the BingoPlus Foundation also aims to provide accessible healthcare. The program offers financial support to patients and could also enhance the facilities of local hospitals.

The foundation also operates Bingo sa Malasakit, focusing on community safety and resilience, addressing urgent urban community needs and assisting indigent families.

At the same time, it includes Bingo sa Online Safety, focusing on responsible digitalization, aiming to foster a safe online environment amid rapid digitalization.

"We strongly believe in the four pillars that the BingoPlus Foundation are focused on. We're excited to see all their hard work and planning come to fruition in the coming year. We hope to help more and more people in 2024 and the years to come," DigiPlus President Andy Tsui said.

DigiPlus shares were last traded on March 1 at P8.05 per share. — **Revin Mikhael D. Ochave**

Water utility firms to sustain growth this year — analysts

WATER UTILITY companies are expected to sustain growth this year due to increased demand, but regulatory decisions may pose challenges, according to analysts.

"Water companies in the Philippines may continue to experience steady revenue growth driven by increasing demand for water services due to population growth, urbanization, and industrial expansion," Globalinks Securities and Stocks, Inc. Head of Sales Trading Toby Allan C. Arce said in a Viber message.

The increase in water demand may translate to higher revenues for water companies, he said.

He said that most of them will likely prioritize service improvement, which includes upgrading infrastructure, reducing non-revenue water, and improving customer service.

"Water utilities like power generating companies remain a dependable investment given the almost never ending for expansion and service improvement," Regina Capital Development Corp. Head of Sales Luis A. Limlingan said in a Viber message.

For his part, Seedbox Securities, Inc. Equity Trader Jayniel Carl S. Manuel said that water companies are expected to achieve "better financial performance" in 2024.

This would likely be driven by their "strategic presence in urban areas, where competition is scarce," he added.

"Government backing further cements their market position, while expansion into rural regions offers lucrative growth avenues, outpacing smaller providers," Mr. Manuel said. "Investments in technology and infrastructure promise heightened operational efficiency and enhanced customer satisfaction."

Amid expected momentum, analysts said that water companies may face challenges, particularly regarding regulatory decisions and environmental sustainability.

"Regulatory decisions regarding tariff adjustments will play a crucial role in determining profitability," Mr. Arce said.

"Profit margins may remain relatively stable, although they could face pressures from rising operational costs, such as energy expenses and infrastructure maintenance," he added. — **Sheldeen Joy Talavera**

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