Rate pause,
from S1/1

China Bank Research said that the central bank will keep rates steady as upside risks to inflation continue to persist.

In a statement following the release of March inflation data last Friday, the BSP said that inflation could temporarily accelerate above the 2-4% target in the next two quarters due to the impact of weather conditions on agricultural output and positive base effects.

"The significant increase in rice prices and the faster rise in food and drink prices due to adverse weather both locally and from import sources, plus geopolitical developments threatening fuel and transport prices, will be closely watched, as these factors could potentially push inflation higher in the coming months," Mr. Roces said.

In March, rice inflation quickened to 24.4% from 23.7% a month ago, its fastest print since the 24.6% in February 2009.

According to the state weather bureau, the El Niño dry spell has shown signs of weakening but is still expected to persist until May.

Latest data from the Agriculture department showed that agricultural damage caused by the El Niño has risen to P2.63 billion. Rice was the most affected crop, accounting for P1.72 billion of the damage.

"If inflationary pressures intensify, the BSP may be prompted to continue its hawkish stance to anchor inflation expectations and maintain price stability," Mr. Roces said.

TARGET

Ruben Carlo O. Asuncion, chief economist at Union Bank of the Philippines, Inc., said that inflation may continue to breach the 2-4% target range in the coming months.

"We anticipate headline inflation to surge past 4% year on year starting in March with hefty contribution from rice CPI (consumer price index) and latent drought effects on the prices of the other crops, with the worst-case scenario of nearly 5%. Our monthly estimates indicated inflation peaking at 5% in May before the deceleration begins," he said in an e-mail.

The BSP expects inflation to average 3.6% this year.

Inflation would only settle within target by the latter half of the year, Philippine National Bank economist Alvin Joseph A. Arogo said.

"Moving forward, we believe that inflation will reaccelerate anew before sustainably settling within the BSP's 2-4% target starting the fourth quarter, due to the threats from El Niño, Middle East conflict escalation, and lagged impact of minimum wage hikes," he said in an e-mail.

However, China Bank Research noted there are other indicators pointing towards easing price pressures.

"While we expect to see higher inflation readings until July, this uptrend is primarily driven by base effects. Moreover, there have been encouraging signs of easing inflationary pressures — prices of key food items such as fish, vegetables, eggs, and sugar have gone down in March," it said.

Colegio de San Juan de Letran Graduate School Dean Emmanuel J. Lopez said that the inflation rate should settle within the target by yearend.

"(I) expect inflation rate will not breach the BSP target of 2-4% at the end of the year, possibly at 2.8%," he said in an e-mail.

Barring any geopolitical risks and further damage from the drought, inflation could still remain within the target this year, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said.

"(It could be) briefly above the BSP inflation target at 4% levels from April-August with the easing of higher base effects, then back to within the BSP inflation target at 3% levels for most months from August-December," he said in an e-mail.

AFTER THE FED HIKE

After the recent inflation uptick, analysts said they expect the BSP's policy decisions to remain in lock step with the US Federal Reserve.

"Fully expecting the BSP to keep rates untouched with the Fed still on hold and domestic inflation close to the top end of the BSP's inflation target. We maintain our view that any potential rate cut from the BSP will likely come after a Fed rate reduction," Nicholas Antonio T. Mapa, senior economist at ING Bank N.V. Manila said in an e-mail.

The FOMC (Federal Open Market Committee) stood pat at its meeting in March, keeping its fed funds steady at the 5.25-5.5% range. From March 2022 to July 2023, the Fed raised rates by a total of 525 bps.

"The BSP cutting ahead of the Fed risks more peso weakness in the short term," Patrick M. Ella, economist at Sun Life Investment Management and Trust Corp., added.

De La Salle University School of Economics Professor Jesus Felipe said that any rate cuts would likely be delivered in the second semester.

"The cut in interest rates will start during the second half of the year. The Monetary Board wants to make sure that inflation stays within its 2-4% target. Somehow, the factors that led to the increase in prices in 2022 (e.g., the Russia-Ukraine war) remain, and uncertainty has even increased," he said in an e-mail.

Mr. Ella said that the BSP's first rate cut could be delivered in June, a few days after the Fed's own policy meeting that month.

BSP Governor Eli M. Remolona, Jr. last month said that the Monetary Board is closely watching the Fed's next move, but it does not need to "wait for them" to begin cutting rates as its own monetary decisions are independent of the US central bank.

At the time, Mr. Remolona said that the BSP may begin policy easing in its next few meetings.

However, Moody's Analytics economist Sarah Tan said that the BSP is unlikely to cut rates anytime soon.

"With inflation on a renewed reacceleration path and potentially breaching the upper bound of BSP's target range in coming months, rate cuts are off the table. Meanwhile, the odds of resuming monetary tightening are low, given how far inflation has eased from its peak," she said in an e-mail.

RLC,
from S1/1

For RLC's part, Mr. Colet said the move allows the property developer to raise capital for its expansion plans.

"The deal is also very positive for RLC as it raises fresh capital to support a strong project pipeline that will sustain the company's growth. This creates a virtuous circle since the new leasing projects of RLC are likely to become candidates for future infusions into RCR," Mr. Colet said.

"Furthermore, the placement transaction shows that RLC can rely on RCR as an effective avenue of capital recycling," he added.

RLC is eyeing to infuse about P25 billion worth of assets and hike RCR's total gross leasable area (GLA) by approximately 60% this year. The property developer also plans to infuse other assets such as malls, hotels, and warehouses into RCR's portfolio.

The Gokongwei-led property developer's investment portfolio consists of 1.6 million square meters (sq.m.) of leasable mall spaces, 270,000 sq.m. of remaining leasable office spaces, 26 hotels with 4,243 room keys, and 227,000 sq.m. of leasable logistics facilities.

RCR has 16 assets in 10 major cities with 480,000 sq.m. of gross leasable space.

Tax,
from S1/1

"Aside from fixing tax administration, the government should rationalize spending, improve the targeting efficiency of social programs and plug corruption in government," she added.

The government is seeking a 7.5% increase in the proposed 2025 national budget to P6.2 trillion from this year's P5.76 trillion.

Emy Ruth Gianan, who teaches economics at the Polytechnic University of the Philippines, said the administration should also consider a wealth tax as it pushes for a 7.5% increase in the national budget.

"It would be a difficult route, politically arduous too, but I believe it would be a significant and highly beneficial reform," she said in a Facebook Messenger chat.

Diwa C. Guinigundo, a former central bank deputy governor who is now a Philippine analyst at the GlobalSource Partners, said the government should ensure that the budget is spent well and should implement new taxes that are progressive and previously untapped "with minimal social cost."

The government should "minimize unnecessary fiscal drag," he said in a Viber message. "That is how one could attain fiscal sustainability while promoting economic growth."

PHILIPPINE STAR/EDD GUMBAN

THE BUREAU of Internal Revenue (BIR) is urging the public to file annual income tax returns earlier than the April 15 deadline.

The DBCC said the administration also aims to achieve its fiscal targets by pushing for the passage of the proposed value-added tax (VAT) on nonresident digital service providers and excise tax on single-use plastics. These two measures were among the 20 bills targeted for June passage by both Houses of Congress.

The DBCC also cited package 4 of the Comprehensive Tax Reform Program, the proposed rationalization of the mining fiscal regime and reform on the motor vehicle users' charge.

"If the government is keen on increasing its base, it has to be more proactive in opening up more sources of revenue," Ms. Gianan said. — **Kyle Aristopher T. Atienza**

Boutique airline Sunlight Air keen on int'l flights

SUNLIGHT AIR is targeting to operate international flights in the next two years, its chief executive officer said.

"There are some current discussions, but it is not this year. (For now) everything is still private. Hopefully, in the next year or two years, we can look at international flights already," Ryna C. Brito-Garcia, Sunlight Air chief executive officer, told reporters last week.

The boutique airline is eyeing China, Japan, Korea, and Taiwan for its planned international flights, Ms. Brito-Garcia said.

"If not us serving international flights right away, [maybe] we can look forward to interline collaboration with international airlines. Taking these international travelers to island destinations in the Philippines," she noted.

Interline agreements between airlines allows one airline to sell its services to a passenger that are provided by another airline.

Sunlight Air, operated by Sunlight Express Airways, flies to Siargao, San Vicente, and Coron in Palawan, as well as Caticlan, Aklan.

Last week, the company launched its Clark-to-Busuanga flight following its hub relocation to Clark International Airport.

The airline said its decision to move its hub from Ninoy Aquino International Airport to Clark is mainly due to the availability of space and the advanced technologies offered by the airport, making it more convenient for passengers. — **Ashley Erika O. Jose**

More Singapore-based firms seen eyeing PHL opportunities

MORE Singapore-based companies are keen on exploring investment opportunities in the Philippines, according to Singapore's project facilitation office Infrastructure Asia (InfraAsia).

"International companies in Singapore have expressed interest to explore more investment opportunities in the Philippines," Infrastructure Asia Executive Director Lavan Thiru said in an e-mail interview.

"Infrastructure Asia is continuously looking for a window to bring the demand and supply side together," he added.

The regulatory environment in the Philippines attracts private sector participation, he noted.

The government has taken the lead in creating "a more conducive business environment" for private sector companies to invest in sustainable infrastructure growth, he said.

This includes lifting restrictions on foreign ownership public services and renewable energy assets.

"With the recent government spending on infrastructure projects and heightened interest in renewable energy projects, the Philippines is on track to develop more sustainable infrastructure to benefit the people it serves," Mr. Thiru said.

The government's expenditures for infrastructure and other capital outlays rose by 18.7% to P1.2 trillion in 2023, according to the Department of Budget and Management.

Mr. Thiru said that there is a need to ensure that the infrastructure being developed is "the right fit for the people it serves."

"Sometimes the initial request for a project may be different from what is needed. Dialogue and research are key first steps because it doesn't matter how much resilience is built into the project if the infrastructure isn't impactful for the wider communities," he said.

Citing a report from the Asian Development Bank Institute, over 70% of the infrastructure investments in Asia are still funded by public resources, "which remain a key challenge for many countries with limited budgets and fiscal constraints."

"We can mitigate this by encouraging public-private partnerships, enhance the attractiveness of investments through blended finance or other innovative financing models like green bonds or other infrastructure impact bonds to promote investments to the project," Mr. Thiru said.

InfraAsia is a project facilitation office set up by Enterprise Singapore and the Monetary Authority of Singapore "to support Asia's social and economic growth through infrastructure development."

It works with both private and public sector organizations in Singapore and the region.

InfraAsia will hold its flagship event called Asia Infrastructure Forum on June 4-5 in Singapore, where its partners, such as in the Philippines, will share more details about their upcoming projects. — **Sheldeen Joy Talavera**