

Wage hike,
from SI/1

Government economic managers have warned of the consequences of legislating wage increases. National Economic and Development Authority Secretary Arsenio M. Balisacan last month said the Senate bill could cut economic output by 0.5 percentage point, stoke inflation and worsen joblessness.

The Philippine Chamber of Commerce and Industry (PCCI), the country's largest business group, said the legislated wage hike would make it harder for companies to recover from the coronavirus pandemic and reverse business confidence.

"There were already positive signs from businesses, and confidence was gradually increasing after the pandemic," PCCI Chairman George T. Barcelon said by telephone. He added that geopolitical tensions, persistently high inflation and the peso's depreciation have dampened that optimism.

'BARELY A DENT'

Mr. Barcelon said lawmakers should take into account an impending energy crisis in the whole wage hike debate as the country's sole indigenous source of natural gas gets depleted by 2027.

"We suggest that the discussion on wage hikes be left to the Regional Tripartite Wages and Productivity Boards so that all stakeholders are represented to be able to balance the needs of workers, the capability of enterprises and varying conditions across industries and regions," Ebb Hinchliffe, executive director of the American Chamber of Commerce of the Philippines, Inc. said in a Viber message.

British Chamber of Commerce Executive Director and Trustee Christopher James Nelson noted that while they understand workers' predicament, in the end, inflation from wage hikes could bite them.

"We understand the concerns workers have, but inflation is a macroeconomic issue," he said in a phone interview. "A wage hike in itself will have an inflationary impact, which will, again, impact workers."

Mr. Nelson said persistently high inflation also keeps the Philippine central bank from cutting its benchmark interest rates, effectively increasing companies' borrowing costs.

"Wage hikes won't be inflationary if businesses aren't so rigid about the profits they in-

sist on making," Mr. Africa said. "There are many factors causing inflation like the recent supply chain disruptions, commodity price fluctuations, currency depreciation and other external shocks. Undue alarmism about wage hikes is really just placing the burden of corporate profit-making on workers."

A legislated wage hike would barely make a dent on corporate profits since salaries account for only as much as 11% of their expenses, Mr. Africa said, citing IBON's study of a recent state-led annual survey of 38,000 companies of all sizes in all sectors.

"A P100 across-the-board wage hike is just 7.1% of profits on average across all firm sizes and 7.5% for micro, small and medium enterprises (MSME), while a P150 increase is just 11% across all firms and 11.3% for MSMEs," he said.

"Even a P690 increase to raise the average wage to the current P1,207 family living wage is equivalent to just 49% of profits across all companies," he added.

Economic managers and the business community have warned that a legislated wage hike would mainly affect MSMEs, which account for more than 99% of businesses in the country.

Mr. Africa and Mr. Matula said significantly increasing workers' wages would boost their spending power, spurring economic activity and benefiting small businesses.

"Wage hikes are an opportunity for economic growth rather than a challenge," Mr. Matula said. "They mean enhanced purchasing power for workers, who are also consumers. This is likely to benefit businesses, especially MSMEs."

He said a P100 wage hike, representing a 16% raise based on Metro Manila's minimum wage now, is not only manageable but also crucial to economic growth. "The P150 wage proposal represents 24.59% of the current P610 daily minimum wage in the National Capital Region, significantly lower than the 39.1% increase seen in 1989."

Jenet I. Dacumos, a single mom of three who works as a janitress in a mall in Manila, is pessimistic about a legislated wage increase.

"I feel our President doesn't empathize with the poor, so I don't expect it to happen," she told *BusinessWorld* while resting during her shift. "Food prices are driving me crazy. How can they expect us to live on P610 daily? I need another racket."

LBC Express swings to profitability

LBC Express Holdings, Inc. recorded an attributable net income of P176.29 million last year, turning around from a loss of P541.97 million previously despite posting lower revenues for the period.

The company's combined revenues fell by 4.5% to P14.51 billion in 2023 from P15.19 billion previously, the company's financial statement showed.

LBC Express' lower expenses for the period managed to mitigate its lower top line.

For 2023, the company cut its combined expenses to P13.96 billion, 5.7% lower from P14.81 billion in 2022.

For the third quarter last year, the company recorded an attributable earnings of P130.91 million from a loss of P144.11 million in the same period a year earlier.

It logged a total revenue of P3.51 billion for the July-to-September period, lower by 10.7% from P3.93 billion in the corresponding period a year ago.

For the nine-months to September, the company recorded an attributable net income of P215.23 million, reversing its loss of P227.1 million previously.

LBC Express is a public holding company with two primary

business segments: logistics and money transfer services. The logistics business caters to both retail and corporate customers. The money transfer services segment is made up of domestic and international remittance services.

At the local bourse on Tuesday, shares in the company closed unchanged at P14 apiece. — **Ashley Erika O. Jose**

MPIC says it's bolstering sustainability efforts

METRO Pacific Investments Corp. (MPIC) said it is intensifying its focus on sustainability initiatives.

The company has adopted environmental, social, and corporate governance (ESG) metrics as essential performance indicators, integrating sustainable practices extensively into its corporate strategy, said June Cheryl "Chaye" Cabal-Revilla, executive vice-president and chief finance risk and sustainability officer of MPIC and president and CEO of mWell, during the CommChat Series 2024 webinar on "Sustainability: A Journey from Divergent Paths."

She also highlighted efforts in environmental stewardship and their impact on enhancing community life. "When we uplift ourselves, it's our duty to uplift everyone around us. A happy community fosters safety for all. For us, sustainability is not just a policy; it is a cornerstone of our existence," she said.

Additionally, Ms. Revilla said that MPIC follows the United Nations' sustainable development goals (SDGs) and the Philippine national development goals, shown through projects like mWell.

mWell is a health and wellness application developed by Metro Pacific Health Tech, representing the first fully integrated, all-in-one

health and wellness mega app in the country. It is designed to make health access available and affordable, the company said.

"We are dedicated to ensuring all Filipinos have access to health services, supporting SDGs focused on good health, economic growth, and reduced inequalities, among others," Ms. Revilla said.

The CommChat Series 2024 is organized by the International Association of Business Communicators Philippines, an organization for professionals in the field of business communication in the Philippines. The series will continue with the next CommChat session scheduled for June. — **Aubrey Rose A. Inosante**

Inflation,
from SI/1

Security Bank Corp. Chief Economist Robert Dan J. Roces said in an e-mail note that food inflation will continue to be a "significant driver" of overall inflation until July.

"Once the base effect from food inflation starts fading in August, and inflation begins to moderate, the central bank may have more flexibility to adjust its monetary policy stance, depending on the broader economic conditions," he said.

Food inflation rose to 5.7% in March, its fastest print in four months or since the 5.8% seen in November 2023.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort also noted palay (unmilled rice) prices have increased due to the El Niño dry spell.

Agricultural damage due to the El Niño has reached P4.39 billion as of April 23. Rice losses hit P2.71 billion, accounting for 62% of the total agricultural damage.

In March, rice inflation surged to 24.4%. This was its fastest print since the 24.6% in February 2009.

POLICY PAUSE

Meanwhile, the central bank said that it will "continue to monitor developments affecting the outlook for inflation and growth in line with its data-dependent ap-

proach to monetary policy decision-making."

Mr. Roces said that the central bank will likely extend its policy pause at its next meeting.

"Given the elevated inflation readings, we anticipate the BSP to take a proactive approach during their upcoming policy meeting on May 16 where we expect steady rates," he said.

The Monetary Board stood pat for a fourth straight meeting in April, keeping its benchmark rate at a near 17-year high of 6.5%.

From May 2022 to October, the Monetary Board has hiked borrowing costs by 450 basis points.

The BSP is likely to retain its hawkish tone "to signal their

commitment to price stability," Mr. Roces said.

"With inflation projected to overshoot the target in the subsequent months, the BSP will maintain a tight monetary policy stance to anchor inflation expectations and prevent second-round effects," he said.

Mr. Roces said the BSP may have more room to loosen policy in the second half as inflationary pressures begin to ease.

Mr. Ricafort also noted some US Federal Reserve officials recently signaled cautiousness before cutting rates, "especially in ensuring that inflation is well anchored towards the Fed's target of 2%."

The Fed's two-day policy meeting ends on Wednesday (May 1).

Currency,
from SI/1

"If the exchange rate movements are leading to higher pass-through, then there might be a reason to tighten interest rates. But otherwise, just look to see what's happening to domestic inflation and tailor your policies accordingly," he added.

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2023, bringing the policy rate to a near 17-year high of 6.5%.

Bangko Sentral ng Pilipinas (BSP) Governor Eli M. Remolona, Jr. has said that they "stand ready to manage any unnecessary movement and excessive volatility."

The IMF said that central banks should focus on domestic price stability and should not be "overly dependent" on the US Federal Reserve's own policy moves.

"I think that's the point we'd like to make here, that don't get yourself too tied to what the Fed does," Mr. Srinivasan said.

Mr. Remolona had said that the peso's recent drop was due to the strong US dollar and expectations of rate cut delays by the Fed.

Markets are now pricing in the chance of a rate cut in September from initial expectations of June. US Federal Reserve Chairman Jerome H. Powell earlier said

they might have to keep "restrictive" policy rates for longer amid sticky inflation.

Mr. Srinivasan also said that most Asian countries are now better placed to cope with exchange rate movements due to "fewer financial frictions and better macro fundamentals and institutional frameworks and should continue to allow the exchange rate to act as a buffer against shocks." — **Luisa Maria Jacinta C. Jocsos**



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