NEDA: Q2 GDP 'close to' low end of gov't range

THE economy's expansion in the second quarter may have been "close to" the lower end of the government's 6-7% target "at least," driven by solid remittances and employment, the National Economic and Development Authority (NEDA) said.

"I guess that (growth) is probably close to at least the lower end of the target," NEDA Secretary Arsenio M. Balisacan told reporters on the sidelines of the post-State of the Nation Address (SONA) forum on Tuesday.

"The remittances are quite good. And then the exports have been not as high (because we) also revised upward the export target for goods and services."

Cash remittances sent back by overseas Filipino workers in May rose 3.6% year on year to $2.58 billion, the fastest pace in five months, the Bangko Sentral ng Pilipinas reported.

Last month, the Development Budget Coordination Committee upgraded its export growth estimate to 5% this year from 3% previously. The value of exports declined 3.1% year on year to $6.33 billion in May, the Philippine Statistics Authority said.

"The employment numbers are okay as you know. So those are good indications. I think the manufacturing output production indicators are coming out above average. This means the sector is expanding," he added.

The unemployment rate rose slightly to a four-month high of 4.1% from 4% in April, but the measure of quality jobs was the highest since 2005.

Manufacturing activity in June expanded at its slowest pace in three months amid subdued demand, S&P Global said.

During the forum, Mr. Balisacan cited the need to increase investment in agriculture and infrastructure to address food security.

"We have to massively increase our investments and support the agricultural sector to raise the productivity and incomes of our farmers and enable them to become globally competitive. We (also need to) strengthen their ability to meet rising food demand from our growing economy," Mr. Balisacan said.

The government's target income from nontax revenue this year is around P100 billion, Finance Secretary Ralph G. Recto told reporters separately. These will come from dividends, Treasury income, fees and charges, and privatization.

He added that funds withdrawn from government-owned and -controlled corporations (GOCCs) could help boost growth by 0.8 percentage points (ppts), helping at least achieve 6% economic growth this year.

"In the DoF's analysis, (idle funds) will help grow our economy by more or less 0.8 ppts. This (makes it) easier for us to achieve the 6% or maybe 6.5% growth rate this year," Mr. Recto said during the post-SONA forum.

This would help create over 600,000 jobs, he said.

Mr. Recto also said the fund transfers are legal, as per consultation with the Commission on Audit, the Governance Commission for GOCCs, and the Office of the Government Corporate Counsel.

"In the 2024 budget, Congress said that the DoF should issue a circular to use these funds that are possibly hibernating or sleeping, and are not being used by GOCCs," Mr. Recto said.

In Circular 003-2024, the DoF had asked the Philippine Health Insurance Corp. (PhilHealth) to remit unutilized funds worth P89.9 billion to the Treasury.

The Bureau of the Treasury reported that PhilHealth and the Philippine Deposit Insurance Corp. (PDIC) remitted P20 billion and 30 billion in dividends in May, respectively.

Excluding the P89.9 billion, Mr. Recto said PhilHealth has unutilized funds amounting to P500 billion, while the PDIC has P350 billion.

Mr. Recto also allayed concerns that the withdrawal of the funds may worsen the deficit.

Budget analysts flagged the government's fund transfer order, noting that it may compromise GOCCs' delivery of vital services. — **Beatriz Marie D. Cruz**

Agri growth target doable if no big typhoons — DA

THE Department of Agriculture (DA) said its output growth target for this year is achievable if no major typhoons hit the country in the remainder of the year.

The DA had set a 2024 growth goal of between 1% to 2%, accounting for the effects of the El Niño and La Niña weather events.

"With the La Niña, as long as there are no big typhoons, I think we should be able to increase production," Agriculture Secretary Francisco P. Tiu Laurel, Jr. said in a post-SONA discussion on Tuesday.

In his address to Congress, President Ferdinand R. Marcos, Jr. said that the government continues to focus on farm production through the provision of seed, fertilizer, livestock, boats, and technical and financial assistance.

Mr. Laurel said that the agricultural production target was "not easy" to achieve because of the El Niño and the expected La Niña during the latter part of the year.

"We started El Niño last January then it ended in June, and now we're coming into La Niña," he added.

The government weather service, known as PAGASA (Philippine Atmospheric, Geophysical and Astronomical Services Administration), estimates a 70% likelihood of La Niña occurring between August and October.

Last month, PAGASA announced the end of El Niño after the conditions in the tropical Pacific returned to El Niño Southern Oscillation neutral levels, meaning neither El Niño nor La Niña currently is in effect.

He added that production could also be bolstered by the increase of irrigated land following the expansion of coverage by the National Irrigation Administration.

Due to the dry spell caused by El Niño, agricultural production during the first quarter was little changed by 0.05%, according to the Philippine Statistics Authority (PSA).

The PSA is set to release its first half and second quarter agricultural output data on Aug. 7.

The DA estimated agricultural damage due to El Niño at P9.89 billion.

Agriculture accounts for about a tenth of Philippine economic output.

Mr. Laurel downplayed the US Department of Agriculture (USDA) rice import estimate of 4.7 million metric tons (MMT), saying he does not expect imports to go that high.

In a recent report, the USDA increased its forecast for Philippine rice imports at 4.7 MMT for the year, upgrading its earlier estimate of 4.6 MMT.

The USDA said that it had hiked its forecast after first-half imports came in higher than expected.

In the first half, rice imports came in at 2.33 MMT, 25.3% higher than the 1.86 MMT recorded a year earlier, according to the Bureau of Plant Industry.

"I don't think the lowering of tariffs will really increase imports...The only reason it will increase imports is because of demand, not because of lower tariffs," he added.

Executive Order No. 62, signed by Mr. Marcos, lowered the tariff on imported rice to 15% from 35% until 2028. The order is aimed at reducing prices of the staple to help tame inflation. — **Adrian H. Halili**

ASF expected to wind down by yearend with vaccine trials set

THE Department of Agriculture (DA) said on Tuesday that it expects the African Swine Fever (ASF) to wind down ahead of the launch of vaccine trials.

"The ASF issue could gradually be resolved... by the end of the year," Agriculture Secretary Francisco P. Tiu Laurel, Jr. said in a post-SONA discussion on Tuesday.

President Ferdinand R. Marcos, Jr., in his State of the Nation Address on Monday, said that the government is ready to roll out vaccines against ASF which has decimated the hog herd.

Twenty municipalities across nine provinces had active cases of ASF as of July 12, according to the Bureau of Animal Industry.

The DA has said that the vaccine approved by the Food and Drug Administration was sourced from Vietnam.

"ASF is really a big problem... and one solution to this is (increased) biosecurity. But biosecurity alone is not enough," Mr. Laurel added.

Another DA program is known as Integrated National Swine Production Initiatives for Recovery and Expansion (INSPIRE) aimed at repopulating farms in ASF-hit areas.

Under the modified INSPIRE program, repopulation will now focus on the construction of multiplier facilities and the use of artificial insemination.

Mr. Laurel said that the DA is ready to implement the vaccine trial by September.

"Hopefully, by September... we will vaccinate (the) red zones and yellow zones," he added, referring to the classification system for the most intense outbreaks.

The DA has allocated about P350 million to procure ASF vaccines for a government-led trial.

"After six months of the trials, if everything is okay and there are no problems, then I think it will be released for commercial use," he said.

Asked to comment, Leonardo Q. Montemayor, chairman of the Federation of Free Farmers, said the government should be cautious in using the Vietnam vaccine.

"Very few (1% or less) Vietnamese farmers reportedly use the vaccine," Mr. Montemayor said via Messenger chat.

Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet said that the controlled trials will be fully supervised by the DA, unlike previous vaccine trials.

"We support the earlier announcement of the DA of controlled vaccination trials so there would be strict monitoring of all field trials; unlike the previous trials where the importer had the full control," he said via Viber.

Mr. Laurel added that the Q fever cases detected recently are limited and easily treatable with available animal medicines.

"Limited areas *lang* (only) *at mukhang madaling gamutin* (it seems to be treatable) with the available medicines we have in the Philippines," he added.

Last month, the DA confirmed the first cases of Q fever, leading to a cull of infected goats.

The BAI had said it detected Q fever in some goats at a government breeding station in Marinduque and a quarantine facility in Pampanga.

The DA said that the culled goats infected by Q fever, which is caused by the Coxiella burnetii bacteria, were imported from the US.

"The findings now, after we talked to the USDA and looked at all the records, it seems that the goats got sick here... but we are still validating," he said.

Mr. Laurel added that Q fever cases seem to be "isolated" as further tests in another area produced no positive findings.

Q fever is transmissible to humans. Infected people have flu-like symptoms, such as body aches and headaches. — **Adrian H. Halili**

Fiber backbone, energy projects seen driving growth outside Metro Manila

By Justine Irish D. Tabile
Reporter

THE completion of the government's national fiber backbone and energy projects will help drive growth in rural areas, the IT and Business Process Association of the Philippines (IBPAP) said.

IBPAP President and Chief Executive Officer Jack Madrid said that the group welcomed President Ferdinand R. Marcos, Jr.'s call to prioritize the strengthening of internet access for more households.

"I think this is very important. Penetration rate and quality of internet access need to be improved. So it is important that he talked about strengthening the power grid and fiber backbone, especially in Visayas and Mindanao," he told *BusinessWorld* via telephone. Mr. Madrid said that the energy issues on Panay Island in April had an impact on the industry's operations in the area.

"As soon as that Cebu-Negros-Panay backbone project is completed, that should help stabilize power stability and prevent outages again in Panay, and that's important for our industry because much of the growth of our industry will be in the countryside," he added.

At his third State of the Nation Address (SONA), Mr. Marcos noted the continuous efforts to upgrade capacity and connectivity across the country.

"As part of our internet infrastructure development, phase 1 of the National Fiber Backbone has been completed and operationalized," he said.

"Phases 2 and 3 have already begun early this year and will be completed by 2026. This fiber backbone will give us sufficient capacity in terms of bandwidth," he added.

He said that the fiber backbone aims to address the 33% of households still not connected to the internet as of 2022.

"Together with our private sector partners, we will efficiently harness the concept of common towers to provide connectivity to Filipinos who are at the far end of the last mile," Mr. Marcos said.

"Expect full government support to ensure the successful completion of this critical project, including policy reforms and streamlined processes," he added.

Mr. Marcos said that the completion of the Cebu-Negros-Panay backbone project will help stabilize the power situation in the Western and Central Visayas regions and avert the recurrence of power outages there.

Meanwhile, Mr. Madrid said that the completion of the fiber backbone and energy projects will also be important for education, which is also a priority for the information technology and business process management (IT-BPM) industry, with its reliance on human capital.

"We need more talent than we can currently supply, and so education will be the key. We need to teach our children IT at a younger age and help them become more familiar with how to use AI (artificial intelligence) tools," he said.

"AI has the potential to make the Filipino agents in our industry more efficient and productive in the kind of work that they do ... And given that we are a leader in IT-BPM and our agents are one of the most in demand, I think we have a strong potential to become stronger with AI," he added.

The prominence given by Mr. Marcos to digital infrastructure in his speech attracted approving comment from the European Chamber of Commerce of the Philippines (ECCP).

"The ECCP looks forward to the materialization of the government's digitalization efforts, including the National Cybersecurity Plan, the ethical development of AI, and the establishment of a National Fiber Backbone," it said in a statement.

"By prioritizing digital infrastructure, the Philippines can foster a more inclusive digital economy and keep pace with modernization," it added.

Philippine Chamber of Commerce and Industry Chairman George T. Barcelon said infrastructure will help in driving growth throughout the country.

"These roads, bridges, and airports are basically needed for the growth to be evenly spread out throughout the country. And then, that will also help two key areas: agriculture and tourism," Mr. Barcelon told *BusinessWorld* via telephone.

For its part, the American Chamber of Commerce of the Philippines (AmCham) reiterated its call for the passage of the Konektadong Pinoy bill "as it will expand internet connectivity and benefit the many digitalization efforts raised during the President's speech."

Aside from addressing the needs of the energy sector, AmCham and ECCP also noted the need to create the Department of Water Resources to address the "country's long-running water security and supply concerns."

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PPP Center seeking to increase share of solicited local gov't projects

THE Public-Private Partnership (PPP) Center of the Philippines said it hopes to approve more solicited projects at the local government unit (LGU) level.

"We're hoping to be able to develop more solicited PPPs. I think the important ones, especially where LGUs are concerned, are solid waste management, bulk water supply, transportation terminals, and as I mentioned, public markets," PPP Center Executive Director Ma. Cynthia C. Hernandez told *BusinessWorld* on Tuesday.

She added that those projects are within the jurisdiction of LGUs and cater to the needs of their constituents.

A solicited proposal refers to projects that are identified by the implementing agency from the list of their priority projects, for which bids are invited from the public. An unsolicited proposal is submitted by the private sector without formal solicitation from the government.

Ms. Hernandez said it takes time to approve the projects while feasibility is evaluated.

If a project is deemed unfeasible, the proposers of the project may have to seek alternative financing, like a hybrid arrangement involving borrowing by the government proponent.

Ms. Hernandez noted that there was more freedom for the private sector and the government to agree on feasibility due to the new mechanisms contained in the PPP code.

She added that recovering the investment is also a key consideration.

Projects that involve user fees that the private sector can use to recover the investment are usually approved faster, she said.

Since the approval of the PPP Code in March, Ms. Hernandez noted that the PPP Center has seen an uptick in unsolicited PPP project proposals.

"For unsolicited projects, a lot of them are focused towards LGUs. It's welcome in the sense that from the National Government perspective, we don't really have the bandwidth to develop PPP projects in each municipality. And if you think about how local governments are structured, leaders have three years to procure and develop a PPP project and this is too short," she said.

She added that conglomerates and businessmen can "participate" more in the infrastructure in their locality through unsolicited proposals.

To accommodate this, the PPP center has been ramping up its capacity building for LGUs, Ms. Hernandez said.

Ms. Hernandez noted solicited PPP projects have been making progress, with the recent signing of the technical assistance agreement for the Clark National Food Hub Project with the Clark International Airport Corp. and the Asian Development Bank (ADB), with ADB as the transaction adviser.

"The development of the project is expected to enhance agricultural productivity in the area," she said.

Ms. Hernandez said that there were 143 total PPP projects as of last week. This would make up one fourth of the total number of Infrastructure Flagship Projects (IFPs) and around half in terms of value.

Analysts, meanwhile, called for a more diverse lineup of PPP projects, particularly railways, to ensure that those being pursued are strategic to the needs of the country as the President affirmed in his address to Congress.

"Rail transport is an important component of our nation's mobility and should be given the proper attention and focus, but this should be tempered with economic viability," Nigel Paul C. Villarete, senior adviser on PPP at the technical advisory group Libra Konsult, Inc., said via Viber.

President Ferdinand R. Marcos, Jr. said during his third State of the Nation Address (SONA) on Monday, that infrastructure development is sustained, strategic, and on schedule at the halfway point of his Presidency.

Mr. Villarete said the government must focus on building more rail projects in Luzon and Mindanao, and less so in the Visayas.

"There are a lot of excellent infrastructure projects that need not be contracted through PPP with the National Government; many of these can be done directly with the local government units," Mr. Villarete said. — **Aaron Michael C. Sy, Ashley Erika O. Jose**

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