

## Luzon Economic Corridor rail cost estimated at \$7B

THE cost of setting up the rail lines linking the various sites along the Luzon Economic Corridor was estimated at \$7 billion by Secretary Frederick D. Go of the Office of the Special Assistant to the President for Investment and Economic Affairs.

Mr. Go made the remarks on the sidelines of the Economic Journalists Association of the Philippines-San Miguel Corp. economic forum on Monday.

Mr. Go said that a number of countries are interested in investing in the US and Japan-backed corridor's development. "I believe that European countries are now wanting to join in on this project," he added.

Mr. Go said discussions with interested countries are still at the preliminary stages.

"Say the UK will join, or say for example, a few countries from the European Union (EU) will join, they will encourage companies, both government and private corporations, from their countries to invest in that corridor," he said.

"When we say invest in that corridor, we're not just talking about the rail, we're talking about everything that goes up around it — the infrastructure and businesses."

The project is being pursued under a trilateral agreement between the Philippines, US and Japan. The proposed corridor seeks to boost connectivity be-

tween Manila, Batangas, Subic and Clark via a cargo rail line.

The project will "prioritize strategic investments in high-impact infrastructure projects such as rail, ports, clean energy, data centers, and agri-business centers," Mr. Go added.

The Philippine Economic Zone Authority (PEZA) has said that many of its locators are expected to benefit from the corridor.

There are about 1,600 PEZA-registered manufacturing, service, and export-oriented companies based in 137 economic zones in Metro Manila, Clark, and Batangas.

The project is being pursued under the US-led G7 Partnership for Global Infrastructure and Investment and is the "first of its kind" in the Indo-Pacific region, according to the US State department.

Meanwhile, Mr. Go said the contract to maintain and operate Laguindingan International Airport in northern Mindanao is expected to be awarded to the private sector soon.

"Moreover, within this quarter, we are also expected to award a concession agreement for the Laguindingan International Airport," he said.

The Transportation department has said that at least two parties have expressed interest in the upgrade and operations contract for the airport. — **Beatriz Marie D. Cruz**

## Vietnam fertilizer supply partnership eyed

THE Department of Agriculture (DA) said it is studying a potential fertilizer supply deal with a company from Vietnam.

In a statement on Monday, the DA said that it was looking to tap Binh Dien Fertilizer Joint Stock Co. for NPK (nitrogen, phosphorus and potassium) fertilizer.

"We see great potential in partnering with Binh Dien. Our country stands to benefit significantly from their advanced technology and

expertise in agriculture," Agriculture Secretary Francisco P. Tiu Laurel, Jr. was quoted as saying.

He added that the agreement, which is being structured as a distribution arrangement, could also lead to a potential investment in a manufacturing facility in the Philippines.

"They aim to contribute their specialized knowledge to enhance agricultural practices in the Philippines while fostering their own growth

outside Vietnam," the DA said.

The company was quoted as saying that the Philippines could be a "strategic opportunity" for its international expansion.

Binh Dien is one of Vietnam's largest producers of NPK and has a combined capacity of 1 million metric tons (MMT). It supplies around 30% of Vietnam's fertilizer requirements.

"Their management and technical team's expertise is

impressive and much needed in the Philippines," he added.

In January, the Philippine and Vietnamese governments signed an agreement giving the Philippines a quota of 1.5 MMT to 2 MMT of rice annually for five years.

Imports from Vietnam amounted to 1.71 MMT as of June 27, according to the Bureau of Plant Industry. This accounted for 74% of the 2.31 MMT imported during the first half. — **Adrian H. Halili**

## Manufacturing weakness hinders poverty-reduction effort — NEDA

THE National Economic and Development Authority (NEDA) said weak manufacturing is preventing the Philippines from achieving its poverty-reduction goals.

"Given the country's low level of development, the steady decline of agriculture and manufacturing's share in GDP (gross domestic product) significantly limits our opportunities for poverty reduction," NEDA Secretary Arsenio M. Balisacan said during the Economic Journalists Association of the Philippines-San Miguel Corp. economic forum.

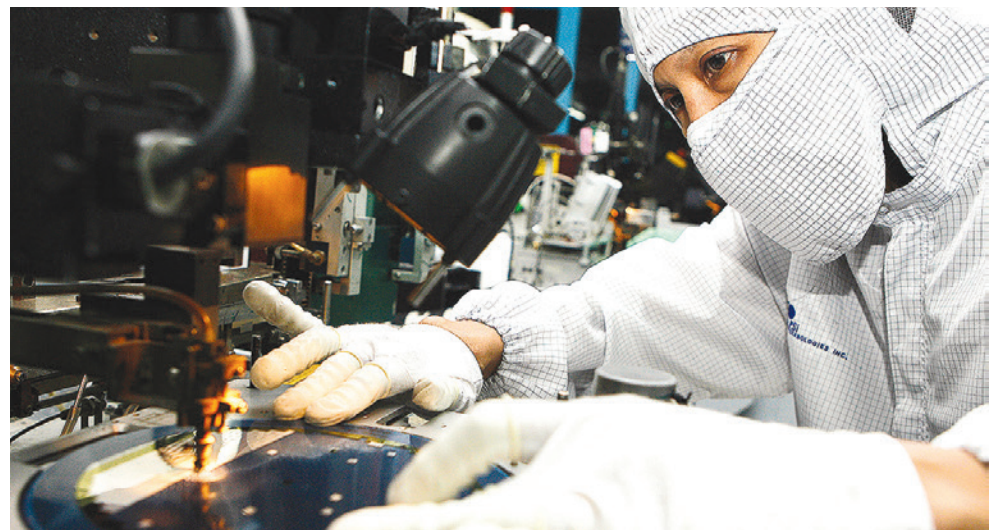
The manufacturing sector accounted for 0.9 percentage point (ppt) of the 5.7% GDP growth reported in the first quarter, according to the Philippine Statistics Authority.

In comparison, net exports of goods and services accounted for 1.2 ppts of GDP. Mr. Balisacan said the services sector made up about two-thirds of GDP growth.

"We want growth that delivers prosperity. And so, we need to see those high productivity sectors and those pillars of growth must also come in and augment services," he added.

He noted that growth in the manufacturing sector was a primary driver of poverty reduction in many Asian economies.

The Philippines' poverty rate fell to 22.4% in the first half of 2023 from 23.7% two years earlier.



REUTERS

The government aims to slash the poverty rate to 9% by the time it steps down in mid-2028.

"While we continue to buoy consumption and enhanced services, we must reinvigorate the other pillars of economic growth, investments and exports, particularly manufacturing and agribusiness, to sustain growth and make it more resilient in the years and decades to come," Mr. Balisacan said.

"So that's why if you look at our efforts, we are so focused on improving the ecosystem for investment," he added.

The ICT (information and communications technology) and BPM (business process management) industries can serve to strengthen manufacturing, Mr. Balisacan added.

The S&P Global Philippines Manufacturing Purchasing Managers' Index, which measures factory activity, slowed in the Philippines to 51.3 in June from 51.9 in May due to low demand and reduced worker numbers. — **Beatriz Marie D. Cruz**

Growth,  
from S1/1

### PESO WEAKNESS

Meanwhile, Mr. Remolona said that the BSP monitors the peso to ensure it does not "depreciate too sharply," citing its impact on trade.

"We don't want too much volatility in the peso. We want the peso to move based on fundamentals. When there's too much volatility, it's bad for trade. It's bad for both imports and exports. So, we want to make the movement of the peso smoother," he said.

The peso has been trading at the P58-per-dollar range since it first sank to that level in May.

Mr. Remolona again said that the peso's performance is a case of a "strong dollar" due to safe-haven demand.

"The dollar has become the single most important safe-haven currency. Whenever you have tensions around the world, the dollar is stronger. In fact, even if the uncertainty is in the US, it makes the dollar stronger," he said, adding that other currencies have also depreciated against the US dollar.

He said that the US Federal Reserve's latest signals have also impacted recent currency movements.

"The Fed has been saying it's going to be higher for longer and that has weakened all the other currencies against the US dollar," he said.

The Fed at its most recent policy meeting in June left interest rates unchanged at 5.25%-to-5.5%, and fresh projections from policy makers showed them dialing back expectations for rate cuts this year from three to just one, Reuters reported.

Financial markets and some policy makers, however, still expect the Fed to deliver two cuts of a quarter-point each by yearend.

### RRR CUT

Meanwhile, the BSP governor also reiterated that they plan to lower the reserve requirement ratio (RRR), although the timing has yet to be decided.

"We have one of the highest reserve requirements in the region. It doesn't make sense to me that we should be more strict. In fact, the ideal number is zero. It's a matter of timing," he said.

The BSP has already brought down the RRR for big banks to a single-digit level last year from a high of 20% in 2018.

In June 2023, the BSP slashed the ratio for big banks and nonbank financial institutions with quasi-banking functions by 250 bps to 9.5%.

"We don't want to bring it down while we're still at kind of a somewhat tight monetary policy," he added.

Mr. Remolona earlier said he is seeking to bring down the RRR to as low as 5%.

Samurai,  
from S1/1

These include the Package 4 of Comprehensive Tax Reform Program, which includes an excise tax on pickup trucks, the value-added tax on digital service providers, excise tax on single-use plastics, the mining fiscal regime, the motor vehicle road user's change, and amendments to the Corporate Recovery and Tax Incentives for Enterprises law.

Tax collections are expected to increase by an average of 11.8% yearly due to digitalization and plugging of leakages in the tax system, Mr. Recto said.

### 'DISCONTINUE POGO'

Meanwhile, Mr. Recto said he is willing to recommend the closure of all Philippine offshore gaming operations to President Ferdinand R. Marcos, Jr.

"If they were not doing anything hanky panky, and they're paying taxes, fine with me. But I think there are many issues surrounding the POGO (Philippine Offshore Gaming Operators) industry," Mr. Recto told reporters.

"Because of that, I am willing to recommend to the President to dis-



DEPARTMENT OF FINANCE

THE ECONOMIC Journalists Association of the Philippines (EJAP), in partnership with San Miguel Corp. (SMC), held its annual economic forum at Ayuntamiento de Manila in Intramuros, Monday. In photo: (from left) EJAP Vice-President for External Michelle Ong; EJAP President Neil Jerome Morales; National Economic and Development Authority Secretary Arsenio M. Balisacan; Bangko Sentral ng Pilipinas Governor Eli M. Remolona, Jr.; Secretary Frederick D. Go, Special Assistant to the President for Investment and Economic Affairs; Finance Secretary Ralph G. Recto; Principal Economist Joselito Basilio of the Department of Budget and Management; National Treasurer Sharon P. Almanza; and EJAP Vice-President for Internal Kris Crismundo.

continue POGOs," he said in mixed English and Filipino.

The government could lose P20 billion in annual revenues

if it decides to ban POGOs, the Philippine Amusement and Gaming Corp. said earlier. — **B.M.D.Cruz**

Jobless,  
from S1/1

On an annual basis, the labor force increased by 544,000 from 50.43 million in May 2023.

This translated to a labor force participation rate (LFPR) of 64.8%, higher than 64.1% in the previous month, but lower than 65.3% a year ago. Year to date, the LFPR averaged 64%.

### JOB QUALITY IMPROVES

Meanwhile, job quality in May improved as underemployment dropped to 9.9%, lower than 14.6% in April and the 11.7% reading in May last year.

May marked the lowest underemployment recorded since the start of the revised series almost two decades ago.

The number of underemployed Filipinos — those who want longer work hours or an ad-

ditional job — stood at 4.82 million in May, falling by 2.22 million month on month and by 846,000 year on year.

As of end-May, the average underemployment rate was 12.3%.

"A substantial amount contributing to the decrease in underemployment came from those categorized visibly underemployed or those who work less than 40 hours per week. There were those among them that said they were working second jobs, so they were satisfied with working less than 40 hours at their primary jobs as a result," Mr. Mapa said.

He also said that the decline in underemployment may be seen in certain subsectors such as wholesale and retail trade, agriculture and forestry, construction, manu-

facturing, other service activities, transportation and storage, and accommodation and food service activities.

"Notably, underemployment decreased dramatically in May, suggesting improved job quality and better skills matching despite the slight unemployment increase," Robert Dan J. Roces, chief economist at Security Bank Corp., said in an e-mail.

The employment rate, on the other hand, inched down to 95.9% from 96% in April, but still higher than 95.7% in May 2023.

This was equivalent to 48.87 million employed Filipinos, up by 510,000 from 48.36 million in April, and 605,000 from 48.26 million in May last year.

The employment rate averaged 96% in the January-May

period, up from 95.4% a year ago.

In May, the biggest monthly job loss was seen in accommodation and food service activities, which cut 322,000 jobs to bring the total to 2.43 million. Job losses were also seen in fishing and aquaculture (down 241,000 to 1.2 million) and administrative and support service activities (down 135,000 to 2.42 million).

Meanwhile, month-on-month job gains were recorded in agriculture and forestry (up 610,000 to 8.96 million), construction (up 391,000 to 5.09 million), and public administration and defense (up 309,000 to 3.13 million).

Year on year, agriculture and forestry shed 1.02 million jobs to bring the total to 10.17 million. Annual job losses were also seen

in fishing and aquaculture (down 543,000 to 1.2 million) and arts, entertainment, and recreation (down 178,000 to 475,000).

On the other hand, construction posted the largest annual job gains, adding 745,000 jobs to 5.09 million. Significant job gains were also seen in administrative and support service activities (up 371,000 to 2.42 million) and manufacturing (up 347,000 to 3.85 million).

"The construction, administrative services, and manufacturing sectors showed strong growth, offsetting losses in other areas. Given these mixed signals, future unemployment trends are uncertain but may stabilize or decrease if positive sector growth continues," Mr. Roces said.

He expects underemployment to continue to fluctuate, though "not as extremely" as the April-to-May shift.

"For the coming months, La Niña could cause business disruptions that could be a drag on employment data," Michael L. Ricafort, chief economist at Rizal Commercial Banking Corp., said in an e-mail.

Sentro ng mga Nagkakaisa at Progresibong Manggagawa Secretary-General Josua T. Mata said that the government's job generation program is lacking.

"The government clings to an outdated belief that its role is merely to enable the private sector, resisting the idea of a robust public employment program that guarantees jobs for those who want to work," he said in a Viber message.