

StanChart sees up to 75 basis points worth of Bangko Sentral cuts this year

THE Bangko Sentral ng Pilipinas (BSP) could cut rates by up to 75 basis points (bps) this year, Standard Chartered Bank (StanChart) said.

"We do think that the BSP can actually start to cut rates. I'm looking at 75 bps in rate cuts this year with the BSP cutting by 25 bps starting in August," Standard Chartered economist and FX analyst Jonathan Koh said in a webinar on Thursday.

BSP Governor Eli M. Remolona, Jr. said this week that the central bank is a "little bit less likely" to cut rates at its rate-setting meeting on Aug. 15 amid "slightly worse than expected" inflation in July.

Headline inflation accelerated to 4.4% in July from 3.7% in June. This was the strongest inflation reading in nine months and also ended seven straight months of inflation settling within the central bank's 2-4% target range.

However, Mr. Koh said he still expects the BSP to cut rates despite the

spike in July inflation, which was likely "driven by supply side issues and base effects rather than demand inflation."

"I think the risk is that they delay the cut by one meeting or one month, given that they basically alluded that they could even do an off-cycle. But I think I'm still keeping to my view that the BSP will cut next week," he said.

"If you really look at the underlying details of the second-quarter GDP growth, and if you look at what core inflation is suggesting as well, it's really suggesting that growth momentum is soft and that the pass-through to core inflation from higher supply is also not there."

The economy grew 6.3% in the second quarter, gaining momentum from the revised 5.8% growth posted in the first quarter and the year-earlier 4.3%, the Philippine Statistics Authority reported on Thursday.

The second-quarter reading was the strongest since the 6.4% growth logged in the first quarter of 2023.

"That seems strong but underlying details actually suggest that the growth momentum may actually be softer than what headline is actually suggesting," Mr. Koh said.

Standard Chartered expects GDP to average 6% this year, at the low end of the government's 6-7% growth target for the full year.

Mr. Koh said that growth should continue to improve in the remainder of the year, with an expected policy easing set to support the economy.

"That should help in terms of the investment front... and we are already seeing, for example, loan growth kind of bottoming as well. That's a bit of a positive signal. Rate cuts will help to fuel that loan growth a bit more on the business front."

Mr. Koh said improving labor market conditions will also boost growth.

"Even as consumer spending has slowed, the labor market is actually

resilient. What we are seeing is also a pick-up in high-quality employment," he said. "Those factors should kind of mean that growth in the second half of the year should actually improve."

Meanwhile, Standard Chartered revised its inflation forecast to 3.1% for 2024 from 3.5% previously.

In the first seven months, headline inflation averaged 3.7%, above the central bank's 3.3% full-year forecast.

Mr. Koh said this was mainly due to expectations of lower rice prices after tariffs were cut on rice imports.

President Ferdinand R. Marcos, Jr. in June signed an executive order which slashed tariffs on rice imports to 15% from 35% previously, until 2028.

However, Mr. Koh cited upside risks to the inflation outlook from elevated food prices due to supply shocks and geopolitical risks that could push oil prices higher.

— Luisa Maria Jacinta C. Jocson

Stronger security of tenure seen as key after job quality worsens

By John Victor D. Ordoñez Reporter

CONGRESS must promote higher-value work in response to the deterioration of the main job-quality indicator, while also strengthening security of tenure, labor advocates said.

"The government should seriously consider the passage of security of tenure bills pending before Congress in order to arrest widespread contractualization of labor that resulted in the proliferation of short-term employment contracts and precarious jobs," Partido Manggagawa Chairman and former legislator Renato B. Magtubo said via Viber.

The underemployment rate, which measures the share of jobholders seeking more work or longer hours, increased to 12.1% in June from 9.9% in May, the Philippine Statistics Authority said on Wednesday.

"Current efforts of government related to jobs generation would amount to nothing unless we develop a comprehensive industrial policy backed by substantial public investment and by a state willing to actively intervene in the market," Josua T. Mata, Sentro ng mga Nagkakaisa at Progresibong Manggagawa secretary-general, said via Viber.

The unemployment rate fell to 3.1% in June from 4.1% a month earlier and 4.5% a year earlier. The June reading was the lowest since April 2005.

In a statement, Senator Emmanuel Joel J. Villanueva said the underemployment indicator highlights the need to address the gap between worker skills and employer needs, and proposed fast-tracking a bill promoting enterprise-based learning.

The Senate approved the measure on second reading on Tuesday.

"The Enterprise-Based Education and Training Framework Act will complement the Trabaho Para sa Bayan Act, which we also principally authored and sponsored, in synergizing the government's efforts in solving employment issues," Mr. Villanueva said.

Last year, President Ferdinand R. Marcos, Jr. signed the Trabaho Para sa Bayan Act, which sets up an inter-agency council to draft an employment roadmap to improve the quality of jobs available.

He said his government aims to create at least three million new jobs through upskilling and reskilling programs.

In a July 2023 report, the Asian Development Bank said the Philippines should use education technology to bridge the skills gap or risk job losses due to rapid technological advances.

"The issue extends beyond merely having a skills gap; it involves our economy's inability to advance beyond producing low-value added products," Mr. Mata said, commenting on the enterprise-based learning bill.

PHL tourist arrivals hit 3.62M as of Aug. 7

THE Department of Tourism (DoT) said visitor arrivals totaled 3.62 million as of Aug. 7, indicating that the department is behind the pace on its target of 7.7 million international visitors this year.

The DoT described the 7.7 million goal as a "moving target," noting the difficulties encountered by the Philippines in attracting visitors from China.

"We recognize the challenges that persist, especially from the arrivals from the Chinese market, so it is a moving target, I would say, taking into account the realities that we face," Tourism Secretary Christina G. Francisco said in a statement.

"Even so, we are working as hard as we can to make sure that, not only the (target) arrivals but, more important, the visitor receipts target is achieved," she said.

The DoT said inbound visitors as of Aug. 7 consisted of 92.1% foreigners, and 7.9% overseas Filipinos.

The Aug. 7 total was 47% of the target set for the year.

South Korea was still the top source market for visitors, accounting for 960,809 or 26.3% of the total, followed by the US with 590,81 or 16.2%, and China 223,954 or 6.2%.

Rounding out the top five were Japan, which accounted for 221,430

or 6.1% of the visitors, and Australia, with 152,835 or 4.2%.

The other top source markets are Taiwan, Canada, the UK, Singapore, and Malaysia.

In the first seven months, the Philippines booked P323.68 billion in visitor receipts, up 13.2% a year earlier.

"We continue our very heavy promotions in terms of our top source markets so that we will be able to increase tourist arrivals from these areas, and as I have mentioned, these include South Korea, the United States, Canada, Australia, Japan, and including Europe," Ms. Frasco added.

— Justine Irish D. Tabile

Energy regulator urges quick action on its request for expanded powers

THE GOVERNMENT should act expeditiously on strengthening the powers of the Energy Regulatory Commission (ERC), via amendments to the law that liberalized the power industry if it wants power prices to fall, the ERC said.

ERC Chairperson and Chief Executive Officer Monalisa C. Dimalanta said President Ferdinand R. Marcos, Jr. and Congress must act with urgency on the ERC's request. It said the new powers will help it better police the power market and bring prices down.

"With the support of the executive certifying as urgent the amendment of EPIRA (Electric Power Industry Reform Act) to support... reforms in

the ERC, we (are) also urging Congress to support us in implementing these urgent structural reforms so that we can be more effective in our regulatory functions," she said at a budget briefing in the House of Representatives.

A measure amending the power law is among the priority bills set by the Legislative Executive Development Advisory Council for the 19th Congress. House bills seeking to amend the EPIRA remain pending with the House energy committee.

Congress needs to look into expanding the offices responsible for handling regulatory concerns, Ms. Dimalanta told *BusinessWorld*. "We only have one service that deals with

CAPEX (Capital Expenditures), PSAs (Power Service Agreements), Rate Resets, Over-Under, and UCME (universal charge for missionary electrification).

"Our structure really needs to be addressed," she said. "Most of our backlog is really in regulatory operations."

The government needs to segregate the regulatory scope of ERC's operations to help it better perform its mandate, she added.

Ms. Dimalanta also recommended streamlining the process to allow freer entry of electric supply. "It's really about streamlining the process so that more supply can come in," she said, thereby making power cheaper.

— Kenneth Christiane L. Basilio

PHL motor vehicle output up 14.6% in June

MOTOR VEHICLE output in the Philippines grew 14.6% in June to 10,288 units, posting the second-strongest growth in the region, the ASEAN Automotive Federation (AAF) said.

In a report on Thursday, the AAF said June production exceeded the year-earlier total of 8,978 units.

It said the Philippine auto industry outperformed the region's 16.7% decline.

Myanmar posted output growth of 60.7% to 225 units in June.

The rest of the region posted declines led by Thailand with -20.1% to 116,289. Also declining in output were Indonesia (-16.9%), Malaysia (-14.2%), and Vietnam (-12.1%).

In the first half, the Philippine auto industry also posted the second-strongest growth rate in the region with 13.4% year on year to 64,333 units.

Myanmar posted 366.4% growth during the half to 1,068 units.

Third was Malaysia with 8.1% to 392,052 units.

Posting output declines were Indonesia (-20%), Thailand (-17.4%), and Vietnam (-9.3%).

Regionwide, production declined 12.7% year on year to 1.85 million during the half.

The Philippines was also the second strongest in output growth of motorcycles and scooters, even with a 2.6% decline to 108,346 units.

The regional average was a 5.1% decline to 861,173 units in June. The leader with 1.9% growth was Indonesia with 554,037 units.

Thailand posted a 24.4% decline in production, while Malaysia output growth was -7.4%.

In the first half, motorcycle and scooter production in the Philippines dropped 4% year on year to 652,374 units, the second-strongest growth performance in the region, after Indonesia, where output fell 1.7% to 3.41 million.

Malaysia and Thailand posted output growth rates of -15.2% and -11.8%, respectively.

The four countries produced around 5.32 million motorcycles and scooters in the first half, down 4.8% from the same period last year. — Justine Irish D. Tabile

May building permit approvals decline

APPROVED building permits fell 15.4% in May, a turnaround from the year-earlier 8% growth, the Philippine Statistics Authority (PSA) said in a report.

Citing preliminary data, building projects covered by the permits numbered 12,888 in May, down from 15,234 a year earlier.

In May, building projects covered 3.15 million square meters of floor area, down 13.5% year on year.

Construction projects that received approval were valued at P39.32 billion, down 6.5% from a year earlier.

Permits for residential projects, accounting for 63.4% of the total, fell 20.1% to 8,165.

These projects were valued at P20.14 billion, compared with P18.77 billion a year earlier.

Single homes accounted for 87.1% of the residential category, with approved permits declining 23.3% to 7,112.

Permits for apartment buildings totaled 958, up 14.9% from May 2023, while permits for duplex or quadruplex homes tallied 79, down 19.4%.

Nonresidential projects fell 7.7% year on year to 3,017 permits, accounting for 23.4% of the total.

Nonresidential permits were valued at P15.04 billion, declining 28.3% from a year earlier.

Approved commercial construction applications made up 67.8% of all nonresidential projects, and were down 10.2% at 2,045.

Institutional building permits rose 8.3% to 547, while industrial permits fell 7.7% to 240.

Approved agricultural projects in May 2024 fell 18.2% to 108 while other nonresidential projects fell 18.1% to 77.

Alteration and repair permits totaled 1,063, down 8% from a year earlier. They were valued at P3.61 billion.

On the other hand, permits for additions, or construction that increases the height or area of an existing building, grew 7.9% to 643 approvals.

Calabarzon (Cavite, Laguna, Batangas, Rizal, and Quezon) had the most approved construction projects, accounting for 25.9% of the total with 3,341 permits, followed by Central Luzon (1,846 permits), and Central Visayas (1,445 permits).

The PSA said construction statistics are compiled from the copies of original application forms of approved building permits as well as from demolition and fencing permits collected monthly by the agency's field personnel from the offices of local building officials nationwide.

— Abigail Marie P. Yraola

Film Dev't Council signs on to support young creatives

THE Department of Trade and Industry (DTI) said it partnered with the Film Development Council of the Philippines (FDCP) to support the winners of the Young Creatives Challenge (YCC), which is intended to promote young talent in creative fields.

"Through the Malikhaing Pinoy Program, we are committed to fostering the next generation of Filipino creatives," Trade Undersecretary Rafaelita M. Aldaba said.

"The YCC is a testament to our dedication to nurturing talent and providing them with the necessary support to thrive in the global arena," she added.

Under the partnership, the FDCP will help produce the entries of the top 10 winners in the YCC's screenwriting category, which the FDCP will solely fund.

According to Ms. Aldaba, the DTI will co-fund production of the films of the winners in the succeeding YCC rounds. — Justine Irish D. Tabile