SM Investments says logistics, RE to drive future expansion

THE LOGISTICS and renewable energy (RE) sectors will be key drivers for SM Investments Corp.'s (SMIC) future expansion, a company official said.

"The areas of logistics and renewable energy alone have a lot of potential," SMIC Executive Vice-President for Treasury, Finance, and Planning Erwin G. Pato told reporters on the sidelines of the BusinessWorld Forecast 2025 forum on Tuesday.

"How we look at the investments is that we want to be good at it first before we continue expanding to others. We are at that stage where we understand the logistics business much better, and that is why we continue to invest in that business. It is the same with renewable energy. That's why, as we understand steam production better, we engage with more concession sites," he added.

SMIC operates in the logistics sector through 2GO Group, Inc. and in the renewable energy sector through Philippine Geothermal Production Co., Inc. (PGPC).

In June last year, PGPC announced plans to build five new geothermal projects in Luzon.

"Our aim is to essentially increase our steam output supply," Mr. Pato said.

Mr. Pato said SMIC is open to other renewable energy technologies such as solar and wind projects.

"Clean energy is a space that we're looking at and has a lot of potential," he said.

He also said that SMIC's capital expenditure (capex) budget for 2025 could match this year's.

The conglomerate announced in April that it had allocated up to P115 billion in capex for this year.

"We have to look at it because with lower interest rates and easing funding, as the Bangko Sentral ng Pilipinas (BSP) has decreased the reserve requirements, there can be opportunities to expand. It will be around the same as we have this year," he said.

The BSP previously reduced the reserve requirement ratio for big banks and nonbank financial institutions with quasi-banking functions by 250 basis points (bps) to 7% from 9.5%.

It also reduced the ratio for digital banks by 200 bps to 4%; thrift banks by 100 bps to 1%; and rural banks and cooperative banks by 100 bps to 0%.

"How we decide on funding is we ask ourselves which one is more efficient," Mr. Pato said.

Meanwhile, 2GO Group, Inc. is expected to see growth in its passenger volume next year.

"2GO is already in expansion mode. As we grow our routes in Iloilo, Bacolod, Cagayan de Oro and Manila, it unlocks transfer of goods and services," Mr. Pato told *BusinessWorld*.

"But more importantly, as you connect the tourist areas and industrial areas, then it will spur more economic activity, and as that happens 2GO would also be better in terms of financials."

For now, he said the company will not be exploring new routes as it intends to further grow its services in its current operations.

"There is still a lot of potential within those routes. It is not fully served yet. We are happy with the results right now, but we will look and see how we can essentially grow within those routes," he said.

In May, 2GO launched its newest roll-on, roll-off vessel — the *MV Masigla* sailing to Iloilo, Bacolod, and Cagayan.

For 2024, the company had announced it would allocate up to P2 billion for capex, focusing on new containers, material handling equipment, and service enhancements.

Mr. Pato said that for next year, 2GO's capital expenditure budget will likely be around the same level.

2GO offers multimodal transportation, warehousing and inventory management, distribution, special containers, project logistics, and e-commerce logistics. It also provides sea travel, freight forwarding, import and export processing, and customs brokerage services.

On Wednesday, SMIC stocks fell by 2.44% or P22 to P879 apiece. — **Revin Mikhael D. Ochave** *and* **Ashley Erika O. Jose**

SIX METRO PACIFIC Health Corp. hospitals will participate in a preferred partnership program with Intellicare and Avega to offer healthcare services.

MPH partners with Intellicare and Avega to expand healthcare access

PANGILINAN-led Metro Pacific Health Corp. (MPH) has partnered with health maintenance organization Asalus Corp. (Intellicare) and Avega Managed Care, Inc., a provider of managed healthcare services, to expand healthcare access for Filipinos.

Under the partnership, six MPH hospitals will participate in a preferred partnership program with Intellicare and Avega to offer healthcare services, the company said in an e-mailed statement on Wednesday.

The participating hospitals include Asian Hospital and Medical Center in Muntinlupa; Calamba Medical Center in Laguna; Our Lady of Lourdes Hospital in Sta. Mesa, Manila; Riverside Medical Center, Inc. in Bacolod; De Los Santos Medical Center and Commonwealth Hospital and Medical Center in Quezon City.

"This strategic alliance combines MPH's extensive network of top-tier hospitals nationwide, committed to high-quality, compassionate healthcare, Intellicare's established expertise in managed healthcare, and Avega's deep commitment to quality care to collectively offer Intellicare members a seamless, efficient, and affordable healthcare experience across the country," MPH said.

Earlier in the month, MPH grew its portfolio to 27 hospitals with the acquisition of the City of General Trias Doctors Medical Center, Inc. in Cavite.

MPH is the healthcare arm of the Pangilinan-led conglomerate Metro Pacific Investments Corp. (MPIC).

Aside from its hospital network, MPH also has 33 outpatient care centers, two allied health colleges, and a centralized laboratory.

MPIC is one of three key Philippine units of First Pacific, the others being Philex Mining Corp. and PLDT Inc.

Hastings Holdings Inc., a unit of the PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has a majority stake in *BusinessWorld* through the Philippine Star Group, which it controls. — **Revin Mikhael D. Ochave**

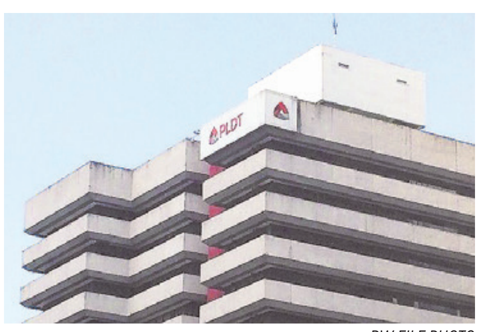
PLDT introduces 'Always On' broadband service

PANGILINAN-LED PLDT Inc. has introduced the country's first-ever "uninterrupted" broadband service connectivity.

"Seamless broadband connectivity is no longer a convenience but rather a necessity. It is actually similar already to our utilities of water and electricity, which we need always on, always available," Roy Victor E. Añonuevo, vice-president and head of PLDT Home Broadband Product Management, said during a briefing on Wednesday.

PLDT Home's "Always On" broadband service is said to be the first of its kind in the country.

Mr. Añonuevo said the add-on service for PLDT Home Fiber will cost around P299 per month.



BW FILE PHOTO

The service provides a hybrid modem that automatically switches a customer's connection from fiber to LTE in case of service interruption, similar to a generator set for electricity.

The service also sends automatic triggers to PLDT, notifying it of a line problem in the event of an interruption, while also giving its subscribers priority service for repairs.

"We call this 'Always On.' In the event of a service interruption, you don't need to worry about losing access to the internet. Even with a severed cable, you will stay connected and pursue your online activities with minimal interruption," said Senior Vice-President and Head of Home Business Group Jeremiah M. de la Cruz.

PLDT has allocated P75 billion to P78 billion for capital expenditures this year for mobile, port rollout, data centers, and submarine cables.

At the stock exchange on Wednesday, shares in the company closed P34, or 2.57% lower, to end at P1,290 each.

Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has a majority stake in *BusinessWorld* through the Philippine Star Group, which it controls. — **Ashley Erika O. Jose**

Retailers,

from S1/1

"AI is going to change the way retailers will adapt to how consumers are utilizing this technology. There's a lot that retailers can learn about the consumers like offering these things that they're going to look for," she said.

"We've already seen examples in omnichannel strategies wherein technology has been used to create a seamless process for consumers to navigate from identifying a need they're looking, to their journey and search, and to the actual fulfillment of their needs and wants in the retail store," she added.

Ms. Abad said local retailers should focus on retaining the trust of consumers amid rapid digitalization.

"In the age of digitalization, we need to be able to trust companies we work with that they will protect our data, that they will protect our money. The importance of trust as a currency amongst brands and consumers will be paramount," she said.

"Retailers should remain authentic to who they are, what they stand for, and what they believe in. They must not lose those as they adapt to the different kinds of consumers," she added.

Jennifer Jane G. Echevarria, Globe Telecom, Inc. Vice-president for enterprise data and strategic services, said retailers should cultivate customer trust.

"Offering the lowest price will not guarantee any retailer success because at the end of the day, trust has become the new currency for Filipinos," she said.

"What we can bank on as companies and brands is knowing that there will always be a budget for our customers. If we are able to make them feel that it is worth spending and trusting their money with us, we just need to be able to deliver," she added.

Ms. Echevarria said retailers should give customers an array of options, instead of only focusing on setting the lowest price.

"Since most Filipinos have irregular sources of income, what's important for retail today is to make sure there's always flexibility by offering flexible deals and customizable options," she said.

"It is up to us (retailers) to understand our customer base and make sure that we're not leaving money on the table and that we offer what is best for them. If the customer is at the center of everything that you do, you could never go wrong," she added.

Meanwhile, Ms. Nuesa said that retailers should recalibrate their strategies in order to keep up with changing consumer preferences.

"We in business should also be daring enough to experiment, respond, and adapt our strategies to changing behavior and environment. There's no such thing as brand loyalty because the younger generation try new things," she said.

"Consumers today really focus a lot on their individuality. There is a lot more promise in helping them express themselves," she added.

Surplus,

from S1/1

Interest payments slipped by 6% to P55.4 billion, while other expenditures jumped by 13.89% to P411.4 billion.

"Budget surplus (in October) may stem from low budget utilization rate of several agencies due to various factors such as procurement and disbursement issue," John Paolo R. Rivera, a senior research fellow at the Philippine Institute for Development Studies, said in a Viber message.

10-MONTH DEFICIT

In the first 10 months, the budget deficit narrowed to P963.9 billion from P1.02 trillion in 2023.

As of end-October, the shortfall represents only 64.94% of the P1.48-trillion deficit ceiling for the year.

Revenue collections jumped by 16.83% to P3.77 trillion in the January-to-October period. This accounted for 88.2% of the revised P4.27-trillion revenue program for this year.

Taxes, which made up 86% of the total revenues, increased by 11.4% to P3.23 trillion.

Revenues generated by the BIR rose by 13.49% to P2.42 trillion as of end-October, making up 84.95% of the P2.85-trillion revised full-year program.

"The 10-month year-on-year growth is due to higher VAT, a total of 12 months' worth of VAT was already collected with the change of filing schedule from monthly to quarterly. The other sources of higher BIR collection are PIT, CIT, combined taxes on bank deposits and government securities, DST, and percentage taxes," the Treasury said.

Customs collections went up by 5.32% to P777.6 billion, representing 82.75% of the revised P939.7-billion program.

Nontax revenues, which accounted for 14.32% of the total revenues, jumped by 64.93% to P539.4 billion.

On the other hand, expenditures increased by 11.52% to P4.73 trillion in the first 10 months from P4.24 trillion in the comparable period last year.

Interest payments rose by 23.03% to P638.7 billion from P519.1 billion a year ago.

"The better budget balance data for the month of October 2024 and for the first 10 months of the year may be attributed to faster growth in recurring tax revenues especially from the BIR as the economy reopened further," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in a Viber message.

He said many businesses reported improved sales, which resulted in higher tax revenue collections.

"Going forward, the CREATE MORE (Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy) would lead to some foregone tax revenue collections," he said.

But this could be offset "by increased foreign direct investments, more jobs, and increased business/economic activities in the country that would result in more recurring tax revenue collections," Mr. Ricafort said.

The Treasury said revenue effort for the first three quarters improved to 17.5% of gross domestic product (GDP), slightly higher than 16.4% a year ago and exceeded the 16.1% target for 2024.

Tax effort also went up to 14.91% in the first three quarters versus 14.72% in 2023, and above the 14.42% full-year target.

Expenditure effort rose to 22.6%, up from 22.13% a year ago and surpassed the full-year target of 21.72%.

"The fiscal deficit-to-GDP ratio stands at a manageable 5.14% of GDP for the first three quarters of 2024. This is lower than the 5.7% level during the same period last year and well below the 5.6% target for 2024," the Treasury said.

Trump,

from S1/1

An earlier report by the Center for Strategic and International Studies showed 395 US firms have invested $22.4 billion in the Philippines between 2003 and 2021, of which $7.8 billion or 35% went to IT-BPM.

Mr. Trump, who had pushed for an "America First" policy during his first term, is expected to continue his protectionist stance when he assumes office in January.

"On the basis of Trump's 'America First' policy under his mantra 'Make America Great Again,' a reduction in foreign assistance extended by the US globally, including the Philippines, may also be expected," the GlobalSource analysts said.

During his election campaign, Mr. Trump has also vowed to deport millions of immigrants living in the United States illegally.

"Stricter immigration policies may make it more difficult for overseas Filipino workers to find job opportunities in the US, even the highly skilled ones," Mr. Guinigundo and Ms. Mañalac said.

"Considering that an average of 40.9% of total cash remittances from 2021 to 2023 came from the US, the implementation of more stringent immigration policies may result in lower remittances, without consideration of other foreign job markets."

Cash remittances increased 3% to $28.07 billion in the January-to-September period from $27.24 billion a year ago.

The US accounted for the biggest share (41.3%) of cash remittances in the first nine months.

Mr. Guinigundo and Ms. Mañalac also flagged the possible negative impact of Mr. Trump's trade policy.

Mr. Trump on Monday said he will slap a 25% tariff on all products from Mexico and Canada, and will charge goods from China an additional 10% tariff on his first day in office. He had earlier threatened to impose tariffs of up to 20% on imports from other countries.

"The US is a major destination for Philippine exports, making up an average of about 16% of total export trade for the last five years. While the share-to-total has slightly declined due to the trade diversification policy of the Philippine government in recent years, a further drop in exports to the US definitely does not bode well for the country," the GlobalSource analysts said. — **ARAI**

Fed,

from S1/1

"Our base case is that the Fed will have to ease cautiously, most likely at alternate meetings next year, trading off labor market and inflation risks," Mr. Tombs wrote. "Huge uncertainty over the scale, timing and likelihood of President Trump's economic proposals, however, creates considerable risk to both sides of our funds rate forecast."

The Fed's November meeting also followed a run of stronger-than-expected economic data — "remarkable" is how Fed Chair Jerome H. Powell referred to it — that stoked concern monetary policy may not be restricting the economy as much as thought.

Officials since that session have said ongoing economic strength meant the central bank's benchmark policy rate might already be close to the "neutral" level, an argument for fewer rate cuts approved at a slower pace in order to avoid easing policy too much and possibly rekindling inflation.

Others argue the economy was likely to slow and the job market will continue to weaken, which would be a reason to continue easing financial conditions to encourage spending and investment. — ***Reuters***