Marcos-Duterte political rift not seen affecting economy, World Bank says

THE World Bank said on Thursday that the feud between President Ferdinand R. Marcos, Jr. and Vice-President Sara Z. Duterte-Carpio will not have an immediate effect on the economy.

"While the political tensions have recently increased, no major influence on the economy is expected at this stage," the World Bank said in its Philippine Monthly Economic Developments for November, published on Dec. 4.

As the midterm elections loom and both sides exchange inflammatory rhetoric, two separate impeachment complaints have been filed against Ms. Duterte, citing betrayal of public trust, bribery, and plunder, arising from an ongoing probe into the use of confidential funds at the Office of the Vice President and at her former cabinet post, the Department of Education.

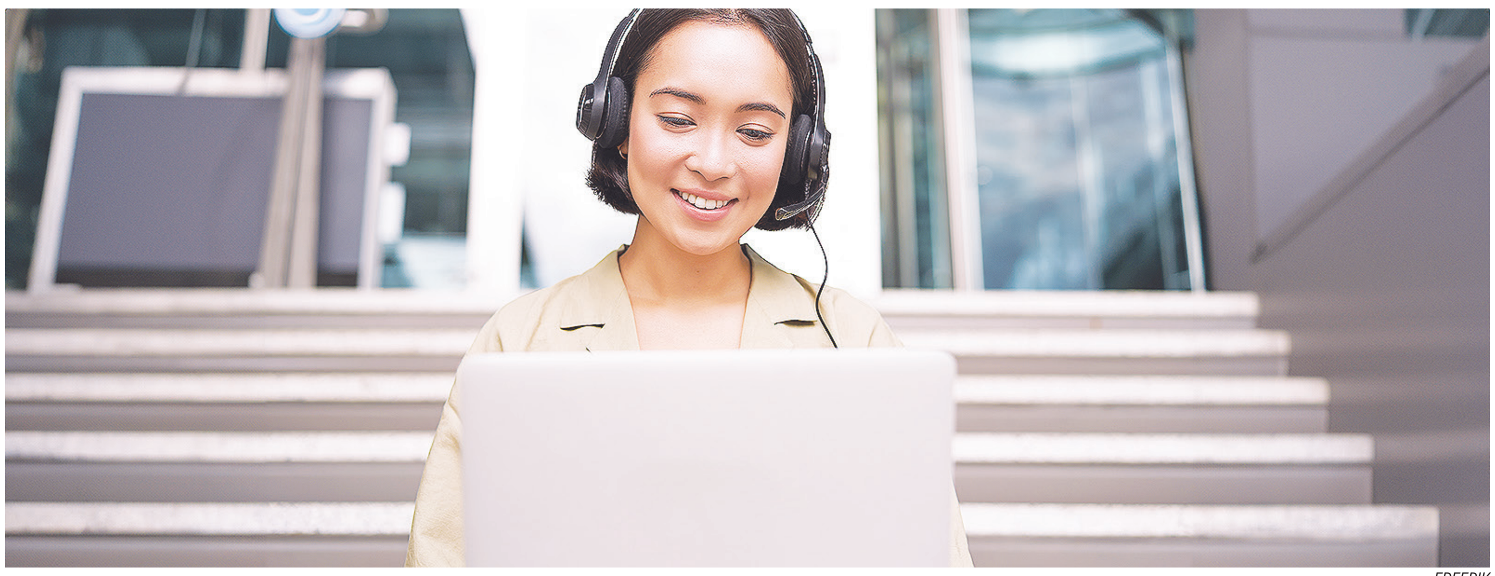
GlobalSource country analyst Diwa C. Guinigundo said in a commentary that "outside politics, all these volatile developments could certainly lead to some market backlash."

At a recent Cabinet meeting, National Economic and Development Authority (NEDA) Secretary Arsenio M. Balisacan said rising political tensions will have minimal impact on the economy, adding that government operations are "business as usual."

The World Bank also noted that "short-term exchange rate fluctuations are not seen likely to influence monetary policy settings."

The bank pointed out that Bangko Sentral ng Pilipinas (BSP) Governor Eli M. Remolona, Jr. had "indicated the possibility of further peso depreciation, noting that only significant and sustained swings in the exchange rate would warrant consideration by monetary policymakers," whether to continue or pause the BSP's easing cycle.

The Monetary Board could deliver another rate cut either at its December policy review or the meeting after, Mr. Remolona has said. — **Aubrey Rose A. Inosante**



FREEPIK

Indian BPOs attracted to PHL by cheap rent — Santos Knight Frank

THE Indian business process outsourcing (BPO) industry is expected to expand its presence in the Philippines due to the affordable office space, according to global real estate services firm Santos Knight Frank.

"What you're seeing now in India, not just Bangalore, but in Delhi, Mumbai, Pune, Madras, etc., is record levels of demand, take-up, absorption, need for outsourcing," Rick Santos, chairman and chief executive officer of Santos Knight Frank, said at a briefing on Thursday.

In the third quarter, Metro Manila emerged as the third-cheapest city for prime office rents in the Asia-Pacific, according to a report by Knight Frank Asia.

The average prime office in Metro Manila cost $29.64 per square foot (sq.ft.) in the three months to September.

Metro Manila office rents make it competitive against tier-1 and tier-2 Indian cities like Bangalore, Mumbai, and New Delhi, according to Morgan McGilvray, senior director of occupier strategy and solutions at Santos Knight Frank.

"When you wonder why these Indian BPOs are looking at the Philippines rather than continuing to expand in India, you could point to the cost of office space as one of the main drivers," he said at the briefing.

Metro Manila occupancies stood at 20% in the third quarter, with around 260,000 square meters (sq.m.) of new office space due to be completed in the second half, bringing supply to 8.6 million sq.m. this year, up from 8.3 million sq.m. in 2023.

In 2014 office stock was only 3.3 million sq.m., Mr. McGilvray said.

"This market has more than doubled in size over the last 10 years. That's quite a bit of growth. You're not going to see that in other places in the world."

It also expects new office builds to increase to 275,000 sq.m. in 2025, before falling to 37,600 in 2026, 46,000 in 2027, and 62,000 in 2028.

Makati City had the highest asking prices for rent at P1,227, with a vacancy rate of 18.3% and a supply of 1.5 million sq.m. in the third quarter. This was followed by Taguig with average rent of P1,280 and a 12.4% vacancy rate, and Alabang P787 and a vacancy rate of 22.7%

Mr. McGilvray also noted that developers are expected to repurpose old POGO (Philippine Offshore Gaming Operators) space for BPO use. The refurbishment of old POGO spaces affected by the government's ban will take around one to two months, he said. — **Beatriz Marie D. Cruz**

Laguna Lake rehab delisted from PPP project pipeline

THE GOVERNMENT has removed six projects from its public-private partnership (PPP) pipeline, led by the P763.54-billion Laguna Lake Rehabilitation and Development Project.

Also delisted by the PPP were local unsolicited projects such as the P20-million Butuan City Digitalized Traffic Enforcement Project, and an P800-million Comprehensive Provincial Waste Management project in Quirino province.

Unsolicited national projects also delisted were the P8.5-billion Tumauini River Multipurpose Project, the P160-million Food and Drug License and Clearance System, and the P7.21-billion combined 17-MW Upper Sampaloc and 8-MW Lower Sampaloc Hydroelectric Power Project.

Reasons for delisting included rejection by the Implementing Agencies (IA) upon evaluation, changes in mode of implementation, and delisting by the NEDA-Investment Coordination Committee during the approval phase.

Meanwhile, seven projects were added to the PPP pipeline. Local unsolicited projects included the P200-million Operation & Maintenance Including Supply and Installation of Laboratory Equipment and Laboratory Information System in Antipolo City and the P2.1-billion Cavite Integrated Waste Management Services project.

The five national projects added were the Floating Solar Power Generation Facility at Pantabangan Reservoir, the Jalaur River Multi-purpose project-Phase 2, the Irrigation Canals Integrating Renewable Energy Systems project, the P29.39-billion 3,000 TPD Manila Waste-to-Energy Facility Project and the P9.6-billion RENEWSTABLE Green Hydrogen Power Plant in Marinduque.

The PPP said other changes to the list included the upgrade, expansion, operations, and maintenance contract for the Laguindingan International Airport Project, which has an estimated cost of P12.75 billion.

This was removed from the pipeline database following its award and is now reflected in the PPPC database of projects under implementation, it said.

The P360-million Santiago City Hemodialysis Center Project was also removed from the pipeline database following its award. — **Aubrey Rose A. Inosante**

TDK Corp. opens second factory in Laguna

THE Philippine unit of TDK Corp., a Japanese electronic components and devices company has opened a second factory in Laguna TechnoPark, according to the Philippine Economic Zone Authority (PEZA).

In a statement on Thursday, PEZA said that the new plant, opened on Dec. 3, took in investment of P2.5 billion from TDK Philippines Corp. (TPC).

TDK

The new facility is expected to result in the hiring of more than 400 workers in the next three years.

"The new factory is expected to create hundreds of new opportunities for local talent, foster partnerships with small and medium enterprises, and enhance the Philippines' global competitiveness," PEZA Director General Tereso O. Panga said.

"With this expansion, TPC strengthens its role as a key driver of industrial growth — providing quality jobs, advancing technology, and contributing to sustainable development not only of the province but the entire nation," he added.

TDK manufactures electronic parts and components and electronics and communication devices. It operates more than 250 manufacturing, research and development, and sales sites in over 30 countries.

Since its registration with PEZA in 1997, TPC has injected more than P12 billion of investment in its facilities in Laguna and Batangas and employed 5,000 staff.

In a separate statement, PEZA said that it signed a registration agreement with XRC Mall Developer, Inc.

This officially seals the proclamation of community mall Xentromall Antipolo as a special economic zone.

On Nov. 25, President Ferdinand R. Marcos, Jr. issued Proclamation No. 752, which designated the mall as a new PEZA-registered IT (information technology) center.

"XRC currently operates XentroMall Batangas and has plans to put up integrated and mixed-use ecozones in other locations in Luzon, contributing to PEZA's goal of further strengthening the ecozone development program in the countryside," PEZA said. — **Justine Irish D. Tabile**

European firms see growth in PHL trade, investment over next 4 years

MOST European firms doing business in the Philippines are expecting trade and investment to increase in the next four years, according to a report by the European Chamber of Commerce of the Philippines (ECCP).

The ECCP, in its 2024 Business Sentiment Survey Report released, collected 150 responses from ECCP member companies between November and early December.

According to the report, 85% of the respondents said that they expect the level of their trade and investment to increase in the next four years.

Meanwhile, 11% expect no change, and 3% are projecting a decline.

Around 81% of the respondents also expressed plans to expand over the next four years, while 7% said they expect to contract.

According to the ECCP, 69% of the respondents cited the Philippine economic recovery and growth opportunities as factors behind expansion plans.

"This optimism is supported by the country's strong economic fundamentals, including positive GDP growth in recent years and in the first three quarters of 2024," the ECCP said.

Some 63% of the respondents also cited the stable government and political system as behind any expansion plans.

Some 64% of the companies surveyed said the Philippines has increased importance in terms of revenues in the last two years.

The survey also examined the Philippines' attractiveness as an investment destination, supplier market, and end-user market over the last two years, with 59% saying conditions have generally improved compared to elsewhere in the region.

According to the report, respondents have an overall positive expectations for the Philippines over the next four years.

"They anticipate continued economic growth driven by initiatives such as public-private partnerships, robust private consumption, rising investment spending, a growing population, and improved infrastructure, among other factors," it said.

"Respondents also expected foreign investments to come in with the passage of several economic liberalization laws, such as the amendments to the Public Services Act, Retail Trade Liberalization Act, and the Foreign Investment Act," it added.

However, the report cited the need for the government to "adopt a more proactive approach" in addressing corruption, accelerating digitalization, and streamlining regulations.

In particular, 75% of the respondents cited significant barriers to investment and business activity in the Philippines.

"This suggests that addressing these obstacles is crucial for further economic growth and attracting foreign direct investment," the report concluded. — **Justine Irish D. Tabile**

Industrial firms see AI as priority but lack of readiness an issue — analysts

ARTIFICIAL INTELLIGENCE (AI) is considered a priority item by industrial companies, Bain & Co. said, citing the results of a study, though companies worry about unpreparedness to deploy the technology and lack of resources.

"More than half the leaders of industrial companies we surveyed say that AI is a top three priority, but many companies lack the vision, resources and data to capitalize on it," Bain said in a statement on Wednesday.

Bain views AI use in "supply chain planning, procurement enhancements, manufacturing optimization, and engineering augmentation" to be "emerging AI opportunities."

By utilizing AI in the supply chain, Bain said companies could gain a 15%-20% productivity boost and improve forecast accuracy.

In procurement, a 5% to 7% increase in sourcing savings can be expected, it said, along with higher compliance at 2% to 10%. Maintenance expenses can also be lowered by 10% with a 5% to 10% yield improvement.

In addition, a 50% to 80% increase in productivity and 20% to 25% costs savings in engineering can be achieved with the help of AI, Bain said.

Separately, 96% of Philippine organizations surveyed by Cisco, said they have a 'highly defined' AI strategy in place or are in the process of developing one.

"Nothing can be deployed effectively in an organization without a clear strategy, and the same is true for AI," Cisco said in its 2024 AI Readiness Index report.

However, the technology company noted that organizations' AI readiness in multiple areas, such as talent and data, across the Asia-Pacific, Japan, and Greater China region declined this year.

"This means that despite the focus and investment, business leaders do not feel they have made enough progress towards their AI ambitions," Cisco said.

In terms of adapting, deploying, and fully leveraging AI, 44% of respondents in the Philippines reported 'high readiness,' it added.

Further, the talent readiness of organizations in the country fell to 30% from 32% last year.

"The challenge for most organizations may lie in the lack of knowledge and skill to ensure compliance with the policies and protocols in place," Cisco said. — **Almira Louise S. Martinez**

FREEPIK